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To: Policy and Resources Cabinet Committee – 22 July 2016

Subject: **NEW BUDGET MONITORING REPORT FORMAT**

Classification: Unrestricted

Summary: To note and **comment** on the proposal for a revised format for the regular budget monitoring reports to Cabinet.

FOR COMMENT

1. INTRODUCTION

- 1.1 This report sets-out the proposal for a revised format for the regular budget monitoring reports to Cabinet.
- 1.2 The three key objectives for changing the report are to:
- Reduce the length of the report, to make it easier for the reader
 - Reduce the time it takes from the end of an accounting period to presenting the report to Cabinet; and,
 - Reduce the staff time cost of producing the report

2. BACKGROUND

- 2.1 The existing report format to Cabinet typically results in a report of around 150 pages, and on average is considered at the Cabinet meeting 70 days after the end of the accounting period being reported on. The cost of producing each report is approximately £25,000, and seven reports per year are normally provided to Cabinet, making an annual cost of around £175,000.
- 2.2 The purpose of the report is, or at least should be, to inform Cabinet and all other Members and officers, of the latest financial forecast against each of the revenue and capital budgets, to focus on the key demand-led and volatile budget lines, and to recommend any corrective action in response to any forecast variation. As budgets get tighter and the risk of non-delivery increases due to the aggregated impact of year-on-year savings, it is important that we produce more timely information. That means reducing the average time taken to report from the aforementioned 70 days, to something closer to half of that. This will ensure that any corrective action is taken as soon as possible.

2.3 The process of budget monitoring and forecasting by budget managers across the Authority will continue to evolve, enabling budget managers to own and accurately forecast their spending against budget. This will include standardising and automating processes and reporting wherever possible. The reduced time between the end of the accounting period and production of the report will mean some internal changes to the 'approval' process will be needed.

3. FUTURE REPORTING

3.1 The format and content of the new report is still being developed. Work to date is suggesting that the proposal that will go to the Deputy Leader, will have the following characteristics:

- **A narrative report**, including tables, of about six pages: this will obviously depend on how much there is to say, which will be a factor of the number and scale of variances from key budget lines. However, on close examination of reports over the past three years, the main story to tell should and could be told in a more succinct way, without losing the key messages.
- **Appendix 1**: this is likely to be two pages, providing a slightly more detailed breakdown of the forecast included in the tables in the narrative report.
- **Appendix 2**: a one page graphic of each of the key cost drivers that have the biggest impact on our budget. The provisional criteria for inclusion in Appendix 2 is that the service has a budget of more than £20m, has in-year savings to deliver of more than £1m, and is subject to demand volatility. A service that meets two of these three criteria will therefore have a page within Appendix 2. At this stage, we expect there to be around 20 pages to Appendix 2.
- **Appendix 3**: a dedicated appendix on Asylum; this may include three or four pages
- **Appendix 4**: to detail any capital cash limit changes
- **Appendix 5** (to be provided quarterly only); monitoring of Prudential Indicators
- **Appendix 6** (to be provided six-monthly); monitoring of Reserves

3.2 Together, the above would result in a report of approximately 32 pages (slightly more when Appendices 4, 5 and/or 6 are provided), in comparison to the existing 150.

3.3 The knock-on effect of this proposal to this Committee is that there would no longer be a separate annex to the Cabinet report for the services covered by Policy & Resources. Instead, a short commentary report will be written and presented in a more timely manner than has previously been possible.

4. NEXT STEPS

4.1 The precise content and format of the report will be discussed at the Corporate Management Team and with the Leader, Deputy Leader and Cabinet Members.

4.2 The new format will also be discussed at the recently formed, cross-party, Budgetary Issues Group.

4.3 Once agreed, it is expected to report in the new style to Cabinet in September 2016.

5. FINANCIAL IMPLICATIONS

5.1 The cost of producing the new proposed report is estimated at around £7,500 per report, which is a saving of around £17,500 per report. At seven reports per year, this will save £122,500 per year, which will contribute to the Finance & Procurement division's savings target in 2017/18, and produce a part-year effect saving of approximately £50,000 in the current year, which will be a 'windfall' unbudgeted saving.

6. CONCLUSION AND RECOMMENDATION

6.1 The change to the existing budget monitoring report to Cabinet will speed-up the reporting process, reduce cost, and result in a more concise report.

6.2 Members of the Policy & Resources Committee are invited to comment on these outline proposals for a new budget reporting format to Cabinet.

7. Contact details

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