

REPORT TO:	Audit and Governance Committee
SUBJECT:	Monthly Budget Monitoring Process
LEAD OFFICER:	Jane West – Corporate Director of Resources and S151 Officer
CABINET MEMBER:	Cllr Jason Cummings - Cabinet Member for Finance
WARDS:	ALL
COUNCIL PRIORITIES 2020-2024	
A regular and structure Budget Management process allows for strong financial management through regular monitoring and financing of budgets. The key objective this process allows for is for the Council to be briefed with regards to its budget position and importantly any risks to the delivery of the budget is flagged and dealt with.	
FINANCIAL IMPACT	
All costs to carry out the budget monitoring work are included within existing budgets. Finance team play a key role in supporting and leading on the budget monitoring process, with ownership with regards to budgets rests with the Budget Holders and Directors as stipulated within the Council's constitution	

1. Recommendations

The Audit and Governance Committee is asked to:

1.1 Note the Budget Monitoring cycle at Croydon Council along with the relevant stipulations within the Council's constitution and financial regulations.

2. Budget Monitoring Process

1.2 Before the Council's issuance of a Section 114 notice, the Council reported quarterly to Cabinet with regards to its performance against budget. This changed to a monthly reporting from 2021/22 on the back of a number of Recommendations from Report in Public Interests and Croydon Finance Review.

1.3 Managing the budgets is the responsibility of all Budget Holders and the Council's Financial Regulations are clear that Corporate Directors and Directors are responsible for their budgets. Financial Regulations form part of the Council's Constitution under Part 4H and set the rules for Financial Management across the Council. The Financial Regulations can be found from the Council's website at <https://democracy.croydon.gov.uk/documents/s37589/14%20Part%204H%20-%20Financial%20Regulations%2006.2020%2012.21.pdf>

1.4 The monthly monitor takes into account actual costs and income up to the prior month and uses this information along with service knowledge to forecast for the rest of the financial year. The Council has a Finance Business partnering team that

works with the Service Teams to ensure that all transactions for the future are accounted for and included within the forecast.

- 1.5 Upon completion of the budget monitor by the Services, a number of assurance meetings are held. The monthly budget assurance process has been reviewed and strengthened based on the learning from last year. The aim of the officer assurance meetings is to provide the Corporate Director of Resources (Section 151 Officer) and the Chief Executive with an opportunity to scrutinise and challenge the forecast outturn, review risks and opportunities to mitigate, challenge the use of accruals and provisions, ensure savings are delivered and income targets are met. Overall, the meetings ensure the Council is doing all it can to reduce overspends and deliver a balanced budget.
- 1.6 In addition, over the last financial year, a monthly independent challenge has been undertaken by the Improvement and Assurance Panel. This is in addition to Cabinet, and Scrutiny and Overview review.
- 1.7 Before the final returns are submitted to the Corporate Finance team, the monitors would need to be signed off and approved by Corporate Directors and their Directors to clear ownership of the budgets.
- 1.8 A number of improvement initiatives are being considered with regards to the Budget Monitor process and to ensure this is more robust and covers all risks with regards to the overspends and non-delivery of savings.
- 1.9 The monthly report also presentation on the progress of the Capital Programme as well as the delivery of the Housing Revenue Account budgets.

3. Period 4 & 5 and MTFs Savings Target

- 1.10 This report provides the Period 4 Financial Performance Report (FPR) within Appendix 1 which details the latest position that was reported to Cabinet. The Period 5 FPR, is also attached as Appendix 2.
- 1.11 Key points to note is that as at Period 4 the Council was projecting an overspend of £9.5m as reported within Table 1 of the report in Appendix 1 but that this had risen to £10.5m by Period 5. The Council has developed a deficit recovery plan as detailed within both reports which aims to bring the spend down.
- 1.12 A further number of risks and compensating opportunities may materialize which would see the forecast year-end variance change. These are set out in detail in the reports.
- 1.13 The Council has a target of delivering £53.7m of Service related savings of which, by Period 5, £9.5m are projected to not be delivered. Full details are provided in the reports.

4. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

1.14 There are no Financial implications from this report as it's an update report to Audit and Governance Committee on the process for Budget Monitoring.

1.15 The cost of carrying out budget monitoring is contained within existing budgets.

(Approved by: Matt Davis – Interim Director of Finance)

5. LEGAL CONSIDERATIONS

1.16 Section 28 of the Local Government Act 2003 provides that the Council is under a statutory duty to periodically conduct a budget monitoring exercise of its expenditure and income against the budget calculations during the financial year. If the monitoring establishes that the budgetary situation has deteriorated, the Council must take such remedial action as it considers necessary to deal with any projected overspends. This could include action to reduce spending, income generation or other measures to bring budget pressures under control for the rest of the year. The Council must act reasonably and in accordance with its statutory duties and responsibilities when taking the necessary action to reduce the overspend.

1.17 In addition, the Council is required by section 151 of the Local Government Act 1972 to make arrangements for the proper administration of its financial affairs. The Council's Chief Finance Officer has established financial procedures to ensure the Council's proper financial administration. These include procedures for budgetary control. It is consistent with these arrangements for Cabinet to receive information about the revenue and capital budgets as set out in this report.

1.18 The monitoring of financial information is also a significant contributor to meeting the Council's Best Value legal duty and therefore this report is published in accordance with that legal duty.

(Approved by: Stephen Lawrence- Orumwense – Director of Legal Services (MO))

6. HUMAN RESOURCES IMPACT

1.19 There are no immediate HR impacts arising from the content of this report for employees or staff. Should any impacts arise, these will be managed under the Council's HR policies and procedures.

(Approved by: Gillian Bevan, Head of HR Resources and Assistant Chief Executives on behalf of the Chief People Officer)

7. EQUALITIES IMPACT

1.20 The Council has a statutory duty to comply with the provisions set out in the Sec 149 Equality Act 2010. The Council must therefore have due regard to:

(a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act.

(b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it

(c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

1.21 There are no equality implications in this report because it is an update report to the Audit and Governance Committee on the process for Budget monitoring. Equality implications on the budget have been presented elsewhere.

(Approved by: Denise McCausland Equality Programme Manager)

8. DATA PROTECTION IMPLICATIONS

1.22 WILL THE SUBJECT OF THE REPORT INVOLVE THE PROCESSING OF 'PERSONAL DATA'?

NO

1.23 HAS A DATA PROTECTION IMPACT ASSESSMENT (DPIA) BEEN COMPLETED?

NO

No DPIA Implications

CONTACT OFFICER: *Nish Popat – Interim Head of Corporate Finance.*

APPENDICES TO THIS REPORT

Appendix 1 – Period 4 Financial Performance Report – Month 4 (July 2022)

Appendix 2 - Period 5 Financial Performance Report – Month 5 (August 2022)