
Report of the Director of Resources

Executive Board

Date: 22nd June 2011

Subject: : Financial Health Reporting 2011/12

Electoral Wards Affected:

Ward Members consulted
(referred to in report)

Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

Eligible for Call In

Not Eligible for Call In
(Details contained in the report)

Executive Summary

1. The purpose of this report is to provide context and arrangements for the reporting of the Council's financial health during 2011/12.
2. It includes a timetable and reporting format and highlights potential risks included within the 2011/12 budget.

Recommendations

1. Members are requested approve the proposals for financial health reporting in 2011/12.

1 PURPOSE OF THIS REPORT

- 1.1 The purpose of this report is to provide information as to both context and arrangements for the reporting of the Council's financial health during the 2011/12.

2 BACKGROUND INFORMATION

- 2.1 Monitoring of the Council's financial health is a continuous process. It aims to identify issues as clearly as possible to enable corrective action, where appropriate to be taken. Monitoring of the Council's financial health is undertaken on a monthly basis at a variety of levels within the Council as co-ordinated and led by the Director of Resources in his capacity as the Council's Section 151 Officer.
- 2.2 For a number of years, financial health reporting to the Executive Board has been undertaken on a quarterly basis.
- 2.3 Council, at its budget meeting on the 23rd February 2011ⁱ, approved the Council's budget for 2011/12. As explained in the budget report, the delivery of the 2011/12 budget represents an unprecedented challenge. Not only has the budget had to take account of reductions in government grants in excess of £50m, it has also had to respond to significant demand pressures with Adult Social Care and Children's. It has also to take account of a number of other pressures upon expenditure and income budgets. As such and as detailed in the budget report, the 2011/12 budget contains significant reductions across a wide range of council services. The delivery of many of these reductions do involve a level of risk.
- 2.4 Given this position as part of the budget report, it was agreed that reporting to Executive Board would be enhanced for 2011/12.
- 2.5 Whilst this report, does not include detailed monitoring, it is felt that it is useful to identify and understand further the key risks within the 2011/12 budget. As such this report is also provides a context to reporting during the rest of the year and also to provide information on how some of the key risks have developed since the budget was set.

3 MAIN ISSUES

- 3.1 Taking account of the timetable for Executive Board, the following timetable for financial health reporting is proposed:

Reporting Period	Exec Board Date
initial report	22/06/2011
2	27/07/2011
3/4	24/08/2011
5	12/10/2011
6	02/11/2011
7	07/12/2011
8	04/01/2012
9	10/02/2012
10	07/03/2012
11	11/04/2012
12	16/05/2012

- 3.2 In addition to reporting on the revenue budget, general fund and the Housing Revenue Account, other financial health indicators, as currently reported will also be reported in accordance with the above timetable. For period 2, monitoring of the revenue budget will be against the phased budget, but thereafter will incorporate a projection of variations to the year end. Reporting on the capital programme will continue to be reported separately on a quarterly basis, as now.
- 3.3 As previously referred to, the 2011/12 budget contains a number of actions and assumptions which do carry risk. This is in many ways no different to previous year's budget, but as discussed within the budget report, these are most certainly greater than in recent years. It is therefore all the more important that these are well understood. As reported in the budget report, a budget risk register is maintained. This is regularly updated and reviewed. The risk registerⁱⁱ, as well as providing better understanding of key risks, should also help clearly identify new and changing risk levels. As part of the regular reporting to this Board, it is proposed that very high and high risks are reported to the Board. The following risks have been identified as those with the highest potential to impact on the achievement of the 2011/12 budget:-
- Achievement of staffing reductions feature significantly within the budget risk register. The reduction of the Council's workforce by 1159 prior to the 1st April 2011 in line with planning assumptions, and as facilitated by the Council's early leaver initiative, is critical to the Council's workforce plans. However, risks around staffing numbers remain high given that the 2011/12 budget assumes further staffing reductions equivalent to around 400 FTEs.
 - Significant savings in the region of £25m are built into the budget for procurement and demand management. Significant activity is taken place both corporately and within directorates to deliver these services, but it is clear that these will not be easily achieved, and these related risks remain very high or high.
 - Demand pressures within both Adult Social Care and Children's have areas of overspend over the last few years. Although additional resources have been included in the 2011/12 budget for pressures in both these service, demand risks in Children's remain very high and within Adult Social Care they are currently considered high.
 - Uncertainty over the economic climate may have a continuing impact on income budgets and the cost of borrowing.
- 3.4 Elsewhere on the board agenda is the report on the outturn position of 2010/11. Delivery of the outturn for 2010/11 within the budget and the achievement of a level of reserves upon which the 2011/12 budget is predicated, needs to be seen as an important milestone in delivering the Council's 2011/12 budget.

4 Recommendations

- 4.1 Members are asked to approve the proposals contained within this report.

Background documents

ⁱ Budget Council 23rd February 2011

ⁱⁱ Full financial risk register is available on request