## Budget Monitor Improvements — Annex 4

### 1 Introduction

1.1 The Executive of March 15th, 2007 agreed the twenty ways in which the in-year budget management can be improved, without changing the finance computer system.

1.2 They designated reporting through the monthly monitors (June-Feb) on the following cycles:

- Monthly 2.1 to 2.8
- Quarterly 2.12 to 2.17

1.3 The remaining items are to be addressed as follows (original numbering):

- 2.9 Reconciliation's Monthly reporting
- 2.10 Profiling reshape ledger (Forte) system
- 2.11 Headcount Monthly reporting
- 2.18 Capital Quarterly
- 2.19 Graphics reshape reports
- 2.20 Staff implement with HR help

### 2 Improvements

| New No | Orig. No | Item | Implementation date |
|---|---|---|---|
| | | **Monthly** | |
| 2.1 | 2.1 | Gross/net – the current reporting system concentrates on net outcomes (that is, spend reduced by income). This hides the full picture, whereby the reasons for change can be a variation of spend, a variation of income, or both. Without this knowledge, policy makers are ignorant of the true reason for variation. | |
| 2.2 | 2.2 | Subjective – another way of dicing the information is to look at types of expenditure, for example pay, rather than looking at spend by service. In the jargon of the trade, we would present a subjective analysis (pay, premises, supplies & services etc) as well as an objective one. | |
| 2.3 | 2.3 | Volume or price – more non-financial information should be included in the reasons for variation. One starting point is to analyse the reasons for variation between price or volume changes. | |
| 2.4 | 2.4 | Project budgets - the concept of Project Budgets is to provide a mechanism, whereby the available in-year funding for a project continues to be available to the project until it is completed, or the funding is exhausted. In this way, the project is not affected by the year end rules, whereby March 31st is a cut-off date. In normal circumstances, any unused funds are "returned to the bank" and thereby lost to the project manager. The advantage of project budgets is that it reduces the manipulation of budgets or spend (to get around the year-end), and reduces the 'noise' in the system. | Complete March 15, 2007 Executive |
| 2.5 | 2.5 | Contingent budgets – similarly, the idea here is that risk is being budgeted for, which might not come to pass. The answer is to build a budget, which is only released on evidence that the risk has occurred. | CMB March 22, 2007 |
| 2.6 | 2.6 | Collection Fund - the Collection Fund is the ultimate read-out of income collection performance (on Council Tax and Business Rate), the results of which can affect the following year's level of Council Tax. Reporting the emerging position on the Collection Fund, as part of the monthly monitor, completes the financial picture. | |
| 2.7 | 2.7 | Virements – an excessive use of virements is proof that the budget is wrong in detail. Reporting the level of virements, both inside a business area and between business areas, will improve knowledge. The report should be in terms of the amount and the percentage of budget. | |

| | | | |
|---|---|---|---|
| 2.8 | 2.8 | Write-offs – as part of the monthly routine, bad debts should be written off on a frequent basis, for the small amounts and quarterly for the listed larger amounts. An aged debt analysis should be part of the analysis. | |
| 2.9 | 2.9 | Reconciliation's – these are the bedrock of sound financial management – an Annex should be included, listing them and achievement (or not) of the monthly reconciliation. | |
| 2.10 | 2.11 | Headcount – the budget should also track the headcount, in terms of posts and full time equivalents. | |
| | | **Quarterly** | |
| 2.11 | 2.12 | Use of Resources and Key Lines of Enquiry [KLOE] – tying the overall direction of improvement to the national measuring system will ensure there is constant relevant improvement. Included in the monitor, every quarter should be progress against these measures. | |
| 2.12 | 2.13 | KPI's – obviously performance against KPI's is an integral part of performance monitoring. The links will be drawn out. It is not the intention that the monitor turns into a PI report. | |
| 2.13 | 2.14 | Benchmarking – as is this, to see how a KPI compares with best practice as a guide to financial action. It is not the intention that the monitor turns into a Benchmarking report. | |
| 2.14 | 2.15 | Risk - one of the KLOE standards is to use concept of 'risk' more, and point decision makers to the true areas of risk that stand out from the background noise. Over and under spends will be categorised Red, Amber, Green to draw attention to those items required most consideration. | |
| 2.15 | 2.16 | 3-year picture – the short term can only be fully understood in the longer-term context. Equally the short term can affect the longer-term. A quarterly supplement to the monitor to 'check out' the longer term picture and update the Medium Term Financial Plan is desirable. | |
| 2.16 | 2.17 | Trend analysis – this sets out the direction of travel of services. | |
| | | **Other** | |
| 2.17 | 2.10 | Profiling – the use of budget profiles, to reflect the way spend or income occurs (usually not in equal 12ths), will eventually enable managers and decision makers to monitor in-month performance. This improvement will only become really accurate with the introduction of the commitment facility. | |
| 2.18 | 2.18 | Capital – a section linking the revenue and capital budgets, including borrowing performance. | |
| 2.19 | 2.19 | Graphics – the use of more pictures, in place of text, to improve readability. | |
| 2.20 | 2.20 | Staff – the training of all staff in the different competencies required by virtue of their position in the organisation is a necessity, as is the reporting of progress in delivering that training. The outcomes of the training should feed into each individual performance appraisal, so that recognised shortcomings are addressed in a structured way. | |