

# Support Notes on Commissioner's Advice Approach to Budgets

## Community Care Grants

### 1. Determine the priority first

No support notes

### 2. The role of the budget in decision making

No support notes

### 3. Identify the state of the budget

#### *Information from the Area Decision Maker*

Direction 40(c) requires Area Decision Makers to “issue information about the budgetary position of the grants allocation”. The Secretary of State’s guidance provides a non-exhaustive list of the sorts of information that might be provided by Area Decision Makers under Direction 40(c):

- How up to date the workload is.
- A comparison of year to date expected spend against actual spend.
- The types of needs that have been met to reach the current budget position and over what period.
- Whether amounts awarded have been restricted and over what period.<sup>1</sup>

It also suggests that this information should be included with the papers sent to the IRS if Decision Makers have used this information as evidence in a decision.<sup>2</sup>

#### *Area Decision Maker's Guidance*

The Secretary of State’s guidance states that there “are only three possible levels of priority for CCGs (high, medium and low)”<sup>3</sup>. The Secretary of State has provided guidance to Area Decision Makers on how to phrase their guidance where the budget can meet some but not all needs within one of the priority level bands<sup>4</sup>:

*However, if there are indications that not all needs within a specified level of priority can be met, this must be reflected in the ADM guidance. In such circumstances, the guidance statement should add the words “to the extent the budgetary position allows” to the statements above.*

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<sup>1</sup> Social Fund Guide, Part 5, paragraph 46.

<sup>2</sup> Social Fund Guide, Part 5, paragraph 48.

<sup>3</sup> Social Fund Guide, Part 5, paragraph 28.

<sup>4</sup> Social Fund Guide, Part 5, paragraphs 30 to 33.

*For example, where the budgetary position indicates that all high priority needs can be met, but that not all medium priority needs can, the ADM guidance statement should be:*

*“Decision makers may meet needs assessed as high priority, and may meet needs assessed as medium priority **to the extent the budgetary position allows**”.*

*Similarly, if budgetary pressures mean that not all high priority needs can be met, the statement:*

*“Decision makers may meet needs assessed as high priority **to the extent the budgetary position allows**” applies.*

The statement should alert DMs to carefully take account of the budgetary position when deciding applications within that particular level of priority, possibly resulting in some needs not being met for budgetary reasons.

Where Area Decision Makers have used the phrases suggested above, information about the types of needs that have been met to reach the current budgetary position and over what period will be particularly useful.

#### *Analysing budgetary information*

When assessing the budget at the start of the budget year Inspectors should consider:

- The performance of the budget in the previous year – what was the pattern of expenditure, what levels of need were met throughout the year, and what price restrictions were followed?
- The size of any increase or decrease to the budget.

Analysis of budgetary performance suggests that in April and May there are often substantial variances from profile. However, the amounts of money involved are relatively small, and the budgets concerned often get back on course without a change in the Area Decision Maker’s guidance. These variances frequently reflect problems predicting the spread of demand throughout the year, rather than suggesting that total demand throughout the year will be significantly greater or smaller than expected.

For these reasons Inspectors are advised that it would not generally be appropriate to deviate from a district’s pattern of spending on the basis of spending in April and/or May alone.

There may be circumstances in which spending in April and May, coupled with the performance of the budget in the previous year and/or a change in the size of the budget allocation, mean that an Inspector should deviate from a district’s pattern of spending.

When considering the significance of a variance from profile Inspectors should consider the extent of the variance, and the time of year. A 4% variance from profile in August may not be particularly significant, and it is unlikely to be appropriate to depart from a district’s pattern of spending solely on the basis of such a variance. However, a 4% variance at the end of February may be very

significant. For example, a 4% overspend at the end of February could mean that a budget will run out of money by mid-March, if spending levels are not restricted.

However, it is important to look not just at the current variance from profile, but what has led up to it. There may currently be a budget variance, but the underlying trend may be that the budget is coming back on course, perhaps because of a change in Area Decision Maker's guidance or in the pattern of demand.

Inspectors need to take account of information about arrears of work, which can shed a different light on the position of a budget. In order to place weight on such information Inspectors will generally need:

- the information to be reasonably up-to-date;
- to have an indication of the likely value of the work over and above the normal head of work; and
- to be satisfied that the work is likely to be cleared before the end of the year.

#### *Calculating the state of the budget*

In order to identify the state of the budget, the first step is to compare a district's actual expenditure to the relevant month end against its planned expenditure in the same period. The simplest formula for this is:

$$\frac{\text{Actual spend to the relevant month end}}{\text{Profiled spend to the relevant month end}} \times 100$$

This will tell you what percentage of the planned spend has actually been spent. A figure of less than 100% reveals an underspend by the amount it is below 100 and a figure of over 100% reveals an overspend by the amount above 100.

When making a decision in March it can be important to take account of part month spends in that month, but with some caution as a district's profile is for whole months, rather than for particular days in a month.



Reprofiling based on actual spends for the months prior to reallocation, and projected spending of the remaining money gives a misleading picture of the position of the budget; suggesting a budget is on course despite a reallocation of money and despite a variance from profile prior to reallocation.

Example of suggested approach

Between 1 April and 30 September, District N has been paying the most compelling of high priorities at lowest prices, and the budget has performed as follows:

District N						
Original Profile			Actual Monthly Spend	Year to Date		% Variance
Month	%	Amount		Profile	Actual Spend	
April	8.5	£223,600.32	£245,860.21	£223,600.32	£245,860.21	9.96
May	8.2	£215,708.54	£239,436.24	£439,308.86	£485,296.45	10.47
June	8.5	£223,600.32	£243,724.57	£662,909.18	£729,021.02	9.97
July	9.2	£242,014.46	£271,055.68	£904,923.65	£1,000,076.70	10.52
August	8.8	£231,492.10	£250,011.36	£1,136,415.74	£1,250,088.06	10.00
September	8.8	£231,492.10	£265,623.11	£1,367,907.84	£1,515,711.17	10.81
October	8.3	£218,339.14				
November	8.8	£231,492.10				
December	7	£184,141.44				
January	7	£184,141.44				
February	7.9	£207,816.77				
March	9	£236,753.28				
Total	100	£2,630,592.00				

The budget is significantly overspent. However, on 1 October the district receives an additional allocation of £260,000. Re-profiling on the basis of the original profile percentages the position of the budget now appears to be roughly on course:

District N						
Revised Profile			Actual Monthly Spend	Year to Date		% Variance
Month	%	Amount		Profile	Actual Spend	
April	8.5	£245,700.32	£245,860.21	£245,700.32	£245,860.21	0.07
May	8.2	£237,028.54	£239,436.24	£482,728.86	£485,296.45	0.53
June	8.5	£245,700.32	£243,724.57	£728,429.18	£729,021.02	0.08
July	9.2	£265,934.46	£271,055.68	£994,363.65	£1,000,076.70	0.57
August	8.8	£254,372.10	£250,011.36	£1,248,735.74	£1,250,088.06	0.11
September	8.8	£254,372.10	£265,623.11	£1,503,107.84	£1,515,711.17	0.84
October	8.3	£239,919.14				
November	8.8	£254,372.10				
December	7	£202,341.44				
January	7	£202,341.44				
February	7.9	£228,356.77				
March	9	£260,153.28				
Total	100	£2,890,592.00				

*Changes in the state of the budget*

No support notes

#### 4. Take account of the budget

##### Example 1

From 1 April to 31 July the Area Decision Maker's guidance has been that District A can meet all high priority needs. Since 1 August his guidance has been that the district can meet high priority needs to the extent that the budget allows. Information issued by the Area Decision Maker under Direction 40(c) shows that the district has been paying only the most compelling of high priorities since 1 August, and that throughout the year lowest prices have been paid. He states that the district has no arrears of applications or reviews above the normal head of work.

Comparisons of year to date expenditure with year to date profiles yield the following results:

- end of April 11.2% overspend
- end of May 8.9% overspend
- end of June 9.5% overspend
- end of July 12.% overspend
- end of August 10.4% overspend
- end of September 9.2% overspend

*An Inspector reviewing a determination at the beginning of July would be likely to view the variances from profile as significant, and an indication that the budget may not be able to meet all high priorities. An Inspector would consider meeting a narrower range of needs than the district has been meeting. This might mean refusing some high priorities, if the particular items in question did not have sufficiently high priority.*

*An Inspector reviewing a determination at the beginning of October would note that the budget was still significantly overspent. However, he would place weight on the recent change in the Area Decision Maker's guidance at the start of August. This change has led to successive reductions in the cumulative overspend. An Inspector would be likely to meet a range of needs that is comparable with those District A has been meeting since 1 August.*

##### Example 2

From 1 April the Area Decision Maker's guidance has been that District B can meet all high priority needs. Information issued by the Area Decision Maker under Direction 40(c) shows that the district has been paying all high priorities at lowest prices since 1 April. He states that the district has no arrears of applications or reviews above the normal head of work. Throughout the previous year the district had paid all high priorities at lowest prices and the budget had remained on course. The district allocation remained unchanged.

Comparisons of year to date expenditure with year to date profiles yield the following results:

- end of April 7% underspend
- end of May 4.6% underspend
- end of June 3.1% underspend
- end of July 3.5% underspend

- end of August 3.3% underspend
- end of September 3.6% underspend
- end of October 4.1% underspend
- end of November 4.5% underspend

*An Inspector reviewing a determination at the beginning of June would be unlikely to view a 4.6% underspend at the end of May as significant. This is because of the performance of the budget in the previous year, because only two months of the current year have passed, and the underspend at the end of May is smaller than the underspend at the end of April.*

*However, an Inspector reviewing a determination at the beginning of December would look at the 4.5% underspend more critically. The budget has now been underspent for eight months and only four months of the budget year remain. In addition, since the end of August the underspend has been increasing. An Inspector would need to consider meeting a wider range of needs than the district has been meeting. This might mean paying some items that have medium priority, particularly if they are close to having high priority.*

## **5. Discretion**

No support notes.

## **Crisis Loans**

No support notes.

## **Budgeting Loans**

### **6. Determine the "priority" first**

No support notes.

### **7. Role of the budget in decision making**

No support notes.