

SURREY COUNTY COUNCIL

CABINET

DATE: 26 NOVEMBER 2013

REPORT OF: MR DAVID HODGE, LEADER OF THE COUNCIL

LEAD OFFICER: SHEILA LITTLE, CHIEF FINANCE OFFICER AND DEPUTY DIRECTOR FOR BUSINESS SERVICES

SUBJECT: BUDGET MONITORING REPORT FOR OCTOBER 2013



SUMMARY OF ISSUE:

This report presents the council's financial position at the end of period 7 – October of the 2013/14 financial year, with particular focus on the year end revenue and capital budgets forecasts and the achievement of efficiency targets.

RECOMMENDATIONS:

Cabinet is asked to note the following.

1. Forecast revenue budget for 2013/14 is balanced on services, adding the unused £13m risk contingency brings this to £13m overall underspend (Annex - paragraph 1).
2. Forecast ongoing efficiencies & service reductions achieved by year end (Annex -paragraph 63).
3. Forecast capital budget position for 2013/14 (Annex -paragraphs 67 to 71).
4. Management actions to mitigate overspends appear throughout this report.

Cabinet is asked to approve the following.

5. Contributions to reserves:
 - £2.8m creditor write-off transfer to the Budget Equalisation Reserve (Annex - paragraph 46);
 - £3.5m waste PFI grant transfer to the Eco Park Sinking Fund Reserve (Annex -paragraph 48); and
 - £1m interest rate rise contingency transfer to the Interest Rate Risk Reserve (Annex -paragraph 49).
 6. Virement of £2.0m of Dedicated School Grant (DSG) to be distributed into the follow areas: Services for Young People (£0.8m) and Schools and Learning (£1.2m) (Appendix - paragraph App.3 to App.6).
 7. Virement of £2.0m of Dedicated School Grant (DSG) to be held as a risk budget and delegated to the Asst Director of Schools and Learning to allocate appropriately (Appendix - paragraph App.3 to App.6).
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REASON FOR RECOMMENDATIONS:

To comply with the agreed strategy of providing a monthly budget monitoring report to Cabinet for approval and action as necessary.

DETAILS:

1. The Council's 2013/14 financial year commenced on 1 April 2013. This is the fifth budget monitoring report of 2013/14. The budget monitoring reports for this financial year have a greater focus on material and significant issues, especially the tracking of the efficiency and reduction targets within the Medium Term Financial Plan. The reports also have a greater emphasis on proposed actions to be taken to resolve any issues.
2. The Council has implemented a risk based approach to budget monitoring across all directorates and services. The risk based approach is to ensure we focus resources on monitoring those higher risk budgets due to their value, volatility or reputational impact.
3. There is a set of criteria to evaluate all budgets into high, medium and low risk. The criteria cover:
 - the size of a particular budget within the overall Council's budget hierarchy (the range is under £2m to over £10m);
 - budget complexity relates to the type of activities and data being monitored (the criterion is about the percentage of the budget spent on staffing or fixed contracts - the greater the percentage the lower the complexity);
 - volatility is the relative rate at which either actual spend or projected spend move up and down (volatility risk is considered high if either the current year's projected variance exceeds the previous year's outturn variance, or the projected variance has been greater than 10% on four or more occasions during this year)
 - political sensitivity is about understanding how politically important the budget is and whether it has an impact on the Council's reputation locally or nationally (the greater the sensitivity the higher the risk).
4. High risk areas report monthly, whereas low risk services areas report on an exception basis. This will be if the year to date budget and actual spend vary by more than 10%, or £50,000, whichever is lower.
5. Annex 1 to this report sets out the Council's revenue budget forecast year end outturn as at the end of October 2013. The forecast is based upon current year to date income and expenditure as well as projections using information available to the end of the month.
6. The report provides explanations for significant variations from the budget, with a focus on staffing and efficiency targets. As a guide, a forecast year end variance of greater than £1m is material and requires a commentary. For some services £1m may be too large or not reflect the service's political significance, so any variance over 2.5% may also be material.
7. Also, Annex 1 to this report updates Cabinet on the Council's capital budget.
8. Appendix 1 provides details of the virement request, directorate efficiencies and revenue and capital budget movements.

9. There are two virement requests included within this report because of timing issues. The Dedicated Schools Grant is based on pupil number as at September. The virements affects next year's financial planning, so presenting it to this meeting ensures the council includes its impact in the base line for next year's financial planning.

Consultation:

10. All Cabinet Members will have consulted their relevant Strategic Director on the financial positions of their portfolios.

Risk management and implications:

11. Risk implications are stated throughout the report and each Strategic Director has updated their strategic and or service Risk Registers accordingly. In addition, the Leadership risk register continues to reflect the increasing uncertainty of future funding likely to be allocated to the Council.

Financial and value for money implications

12. The report considers financial and value for money implications throughout and future budget monitoring reports will continue this focus. The Council continues to have a strong focus on its key objective of providing excellent value for money.

Section 151 Officer commentary

13. The Section 151 Officer confirms that the financial information presented in this report is consistent with the council's general accounting ledger and that forecasts have been based on reasonable assumptions, taking into account all material, financial and business issues and risks..

Legal implications – Monitoring Officer

14. There are no legal issues and risks.

Equalities and Diversity

15. Any impacts of the budget monitoring actions will be evaluated by the individual services as they implement the management actions necessary.

Climate change/carbon emissions implications

16. The County Council attaches great importance to being environmentally aware and wishes to show leadership in cutting carbon emissions and tackling climate change.
17. Any impacts on climate change and carbon emissions to achieve the Council's aim will be considered by the relevant service affected as they implement any actions agreed.

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| <u>WHAT HAPPENS NEXT:</u> |
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The relevant adjustments from the recommendations will be made to the Council's accounts.

Contact Officer:

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Consulted:

Cabinet / Corporate Leadership Team

Annexes:

Annex 1 – Revenue budget, staffing costs, efficiencies and capital programme summary.

Appendix 1 – Virement requests, Directorate financial information (revenue and efficiencies) and revenue and capital budget movements.

Sources/background papers:

None
