

SURREY COUNTY COUNCIL

CABINET

DATE: 24 JUNE 2014

REPORT OF: MR DAVID HODGE, LEADER OF THE COUNCIL

LEAD OFFICER: SHEILA LITTLE, DIRECTOR OF FINANCE

SUBJECT: BUDGET MONITORING REPORT FOR MAY 2014



SUMMARY OF ISSUE:

This report presents the Council's financial position at the end of period 2 – May of the 2014/15 financial year. It focuses particularly on the year end revenue and capital budget forecasts and the achievement of Medium Term Financial Plan (MTFP) efficiencies.

Please note that Annex 1 to this report will be circulated separately prior to the Cabinet meeting.

RECOMMENDATIONS:

The final recommendations are to follow in Annex 1.

REASON FOR RECOMMENDATIONS:

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

DETAILS:

1. Cabinet approved the MTFP 2014-19, including the 2014/15 revenue and capital budgets on 4 February 2014. Through its approval of the MTFP, Cabinet set out several key corporate objectives, including:
 - to ensure the Council continues to maintain its financial resilience and protect its long term financial position;
 - to enable the Council to meet the expectations of Surrey's residents as confirmed in their responses to the in depth consultation exercise undertaken in 2012; and
 - to provide adequate finances for key services such as school places, highways, adults social care and protecting vulnerable people.
- Cabinet also recommended
- the Chief Executive and Chief Finance Officer to establish a mechanism to regularly track and monitor progress on the further development and implementation of robust plans for achieving the efficiencies across the whole MTFP period; and

- Strategic Directors and Senior Officers to maintain robust in year (i.e.2014/15) budget monitoring procedures that enable Cabinet to monitor the achievement of efficiencies and service reductions through the monthly budget monitoring Cabinet reports, the quarterly Cabinet Member accountability meetings and the monthly scrutiny at the Council's Overview & Scrutiny Committee.
- 2. To support these recommendations, this is the first budget monitoring report of 2014/15. The Council's 2014/15 financial year commenced on 1 April 2014. The budget monitoring reports for this financial year focus on material and significant issues, especially monitoring the efficiencies in the MTFP. The reports also emphasise proposed actions to resolve any issues.
- 3. 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 effort and resources on monitoring those higher risk budgets due to their value, volatility or reputational impact.
- 4. 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, which 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, which is the relative rate that either actual spend or projected spend moves 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); and
 - political sensitivity, which 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).
- 5. Managers with high risk budgets monitor their budgets monthly, whereas managers with low risk budgets monitor their budgets quarterly, or more frequently on an exception basis (if the year to date budget and actual spend vary by more than 10%, or £50,000, whichever is lower).
- 6. Annex 1 to this report sets out the Council's revenue budget forecast year end outturn as at the end of May 2014. 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.
- 7. The report provides explanations for significant variations from the revenue 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 variances over 2.5% may also be material.
- 8. Annex 1 to this report also updates Cabinet on the Council's capital budget.

- 9. Appendix 1 provides details of the MTFP efficiencies and revenue and capital budget movements.

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.

WHAT HAPPENS NEXT:

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 – Directorate financial information (revenue and efficiencies) and revenue and capital budget movements.

Sources/background papers:

None
