

SURREY COUNTY COUNCIL

CABINET

DATE: 22 JULY 2014

REPORT OF: MR DAVID HODGE, LEADER OF THE COUNCIL

LEAD OFFICER: SHEILA LITTLE, DIRECTOR OF FINANCE

SUBJECT: FINANCE AND BUDGET MONITORING REPORT FOR JUNE 2014



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SUMMARY OF ISSUE:

The council takes a multiyear approach to its budget planning and monitoring, recognising that the two are inextricably linked. This report presents the council's financial position at the end of the first quarter of the 2014/15 financial year, including the council's balance sheet as this is the end of quarter 1. It also includes an up-date on the implications of the first quarter position for the future Medium Term Financial Plan, and the financial impact of the winter's severe weather on the council's revenue and capital budgets.

The details of this financial position are covered in the Annexes to this report.

RECOMMENDATIONS:

Cabinet is asked to note the following:

1. the revenue budget to the end of June 2014 and the forecast outturn for 2014/15;
2. the forecast ongoing efficiencies and service reductions achieved by year end;
3. the capital budget position to the end of June 2014 and the forecast expenditure for 2014/15;
4. the first quarter balance sheet, reserves, debt and treasury management report, including debt written off under the Director of Finance's delegated authority;
5. the Chief Executive's and Director of Finance's assessment of the council's efficiency savings programme.

The Cabinet is asked to approve the following:

6. request from Environment & Infrastructure for £0.3m additional funding to cover planning & development work on the schools expansion programme;
7. the re-profiling of the council's capital programme for the years 2014 to 2019;
8. use of £1.8m revenue and £1.2m of capital developer contributions to fund the costs of response and recovery from the severe weather and flooding;
9. use of £10m of the current capital budget to fund the capital costs incurred in 2014/15; and
10. Highways realigns the revenue budget to respond to service pressures including flood repairs.

REASON FOR RECOMMENDATIONS:

This report is presented to comply with the agreed policy of providing a monthly budget monitoring report to Cabinet for approval and action as necessary. Additionally, there is an up-date on the wider Medium Term Financial Plan (MTFP 2014-19), in terms of the implications for savings delivery and the severe weather on the councils revenue and capital budgets. This up-date was requested when the MTFP was agreed in March 2014.

The Cabinet approved the carry forward of capital budget from 2013/14 at its meeting in May 2014. Since the setting of the capital budget, the schools basic need and property programmes have been reassessed. The recommendation of this report is to re-profile the council's capital programme to ensure that its objectives are delivered and value for money is achieved.

DETAILS:

1. The Council's 2014/15 financial year commenced on 1 April 2014. This report includes the second budget monitoring report of the financial year. As this is the end of the first quarter, the report also includes additional information from the council's balance sheet, in particularly the level of reserves, balances and debt.
2. The Council has a risk based approach to budget monitoring across all services. This 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. The annex to this report sets out the Council's revenue budget forecast year end outturn as at the end of June 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.
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. The annex also updates Cabinet on the Council's capital budget. This includes the progress on delivering the programme to the end of June, the forecast for this financial year, and the re-profiling of budgets following an assessment of projects and schemes within the programme.
- 8. As a part of the overall budget monitoring process, the report additionally provides a commentary on the wider implications on the MTFP of the progress and deliverability of savings and efficiencies within the MTFP, following the work undertaken by the Chief Executive and the Director of Finance.
- 9. The country, and the county of Surrey, in particular faced unusually severe weather during the course of the winter. This had a significant impact on residents, the council’s services and its physical infrastructure. As a response to this crisis the Government has made a number of sources of funding available for the response to and recovery from this severe weather.
- 10. The severe weather has had a significant impact on the council’s revenue and capital budgets as it coordinated the initial response and then recovery from the severe weather and flooding. As a consequence the council has applied for government funding that has been made available. The annex of this report details and costs and the funding that relate to severe winter weather.

Consultation:

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

Risk management and implications:

- 12. 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

- 13. 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

- 14. 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

15. There are no legal issues and risks.

Equalities and Diversity

16. 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

17. The County Council attaches great importance to being environmentally aware and wishes to show leadership in cutting carbon emissions and tackling climate change.
18. 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 – the revenue and capital budget monitoring to the end of June 2014 and year end forecasts. As the end of the first quarter of the financial year, it also includes information on the council's balance sheet; up-date on the implications of the first quarter position for the future Medium Term Financial Plan, and the financial impact of the winter's severe weather on the council's revenue and capital budgets.

Sources/background papers:

None