

SURREY COUNTY COUNCIL

CABINET

DATE: 24 MARCH 2015

REPORT OF: MR DAVID HODGE, LEADER OF THE COUNCIL

LEAD OFFICER: SHEILA LITTLE, DIRECTOR OF FINANCE

SUBJECT: FINANCE AND BUDGET MONITORING REPORT FOR FEBRUARY 2015



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 February 2015 (eleventh month).

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

RECOMMENDATIONS:

Cabinet is asked to note the following:

1. The Council forecasts an improved revenue position for 2014/15 of of -£13.4m underspend, up from -£7.9m at 31 January 2015. This position includes the need to fund £6.2m spending on planned service commitments that will continue beyond 2014/15. (Annex1, paragraph 3).
2. Services forecast achieving an improved position on efficiencies and service reductions by year end of £73.8m up from £72.7m at 31 January 2015 and £1.5m above the year's planned target of £72.3m (Annex1, paragraph 80).
3. The Council forecasts investing £198.3m through its capital programme in 2014/15 (Annex1, paragraphs 84 and 85).
4. Services' management actions to mitigate overspends (throughout Annex1).

Cabinet is asked to approve the following:

5. Use of the uncommitted Member allocations, totalling £22,362, to make a grant to the Surrey Save Credit Union (Annex1, paragraph 36).
 6. Virement of the Surrey Growth Fund (£0.8m) from Environment & Infrastructure to the Chief Executive's Office, to align with managerial responsibility for the Economy function (Annex1, paragraph 46).
 7. Transfer £2.5m from Central Income and Expenditure budget to fund a new reserve: "Economic Prosperity Reserve" (Annex1, paragraph 70).
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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.

DETAILS:

1. The Council's 2014/15 financial year commenced on 1 April 2014. This report includes the budget monitoring report for the tenth period of the financial year.
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 January 2015. 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.

Consultation:

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

Risk management and implications:

8. 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

9. 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

10. 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

11. There are no legal issues and risks.

Equalities and Diversity

12. 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

13. The County Council attaches great importance to being environmentally aware and wishes to show leadership in cutting carbon emissions and tackling climate change.
14. 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:

Sheila Little, Director of Finance
020 8541 7012

Consulted:

Cabinet / strategic directors

Annexes:

Annex 1 – the revenue and capital budget monitoring to 28 February 2015 and year end forecasts.

Sources/background papers:

None
