

SURREY COUNTY COUNCIL

CABINET

DATE: 22 SEPTEMBER 2015

REPORT OF: MR DAVID HODGE, LEADER OF THE COUNCIL

LEAD OFFICER: SHEILA LITTLE, DIRECTOR OF FINANCE

SUBJECT: FINANCE AND BUDGET MONITORING REPORT FOR JULY AND AUGUST 2015



SUMMARY OF ISSUE:

The Council takes a multiyear approach to its budget planning and monitoring, recognising the two are inextricably linked. This report presents the Council's financial position as at 31 August 2015 (month five).

The annex to this report gives details of the financial position.

RECOMMENDATIONS:

Cabinet is asked to:

1. require service managers to confirm actions to manage to an overall balanced budget;
2. note as at 31 August 2015, services forecast a +£3.4m revenue budget variance (Annex1, paragraph **Error! Reference source not found.1**);
3. note services forecast efficiencies and service reductions for 2015/16 at £66.3m (Annex1, paragraph **Error! Reference source not found.24**);
4. note total forecast capital expenditure, including long term investments is £188.4m (Annex1, paragraph **Error! Reference source not found.34**); and
5. approve a virement of £930,000 to reflect expenditure and income in relation to the DCLG Troubled Families Programme (Annex1, paragraph **Error! Reference source not found.3**).

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.

<u>DETAILS:</u>

Revenue budget overview

6. Surrey County Council (SCC) set its gross expenditure budget for the 2015/16 financial year at £1,671m. A key objective of the Medium Term Financial Plan (MTFP) 2015-20 is to increase the Council's overall financial resilience. As part of this, the Council plans to make efficiencies totalling £67.4m.
7. The Council aims to smooth resource fluctuations over its five year medium term planning period. To support the 2015/16 budget, Cabinet approved use of £3.7m from the Budget Equalisation Reserve and carry forward of £8.0m to fund continuing planned service commitments. The Council currently has £21.3m in general balances.
8. The financial strategy has the following long term drivers to ensure: sound governance, management of the council's finances and compliance with best practice.
 - Keep any additional call on the council taxpayer to a minimum, consistent with delivery of key services through continuously driving the efficiency agenda.
 - Develop a funding strategy to reduce the council's reliance on council tax and government grant income.
 - Balance the council's 2015/16 budget by maintaining a prudent level of general balances and applying reserves as appropriate.
 - Continue to maximise our investment in Surrey.

Capital budget overview

9. Creating public value by improving outcomes for Surrey's residents is a key element of the council's corporate vision and is at the heart of MTFP 2015-20's £696m capital programme, which includes £174m spending planned for 2015/16.

Budget monitoring overview

10. The Council's 2015/16 financial year began on 1 April 2015. This budget monitoring report covers the period up to 31 August 2015 and highlights developments occurring in July and August. The budget monitoring reports focus on material and significant issues, especially monitoring MTFP efficiencies. The reports emphasise proposed actions to resolve any issues.
11. The Council has implemented a risk based approach to budget monitoring across all services. The approach ensures we focus effort on monitoring those higher risk budgets due to their value, volatility or reputational impact.
12. A set of criteria categorise 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 monitored (this includes the proportion of the budget spent on staffing or fixed contracts - the greater the proportion, 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 the current 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).
13. 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).
 14. Annex 1 to this report sets out the Council's revenue budget forecast year end outturn as at 31 August 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.
 15. The report provides explanations for significant variations from the revenue budget, with a focus on 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.
 16. The annex also updates Cabinet on the Council's capital budget, staffing costs and progress with efficiencies.
 17. Appendix 1 to the annex includes revenue budget movements and analysis of revenue income and expenditure forecast position.

CONSULTATION:

18. All Cabinet Members will have consulted their relevant director or head of service on the financial positions of their portfolios.

RISK MANAGEMENT AND IMPLICATIONS:

19. Risk implications are stated throughout the report and each relevant director or head of service 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

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

Section 151 Officer Commentary

21. 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

22. There are no legal issues and risks.

Equalities and Diversity

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

WHAT HAPPENS NEXT:

24. The relevant adjustments from the recommendations will be made to the Council's accounts.

Contact Officer:

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Consulted:

Cabinet, strategic directors, heads of service.

Annexes:

- Annex 1 – Revenue budget, staffing costs, efficiencies, capital programme.
- Appendix 1 – Revenue and capital budget movements and analysis of revenue income and expenditure forecast position.

Sources/background papers:

- None
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