

SURREY COUNTY COUNCIL

CABINET

DATE: 23 JULY 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 JUNE 2013 AND QUARTER 1 2013/2014



SUMMARY OF ISSUE:

This report presents the council's financial position at the end of the first quarter 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:

It is recommended that the Cabinet:

1. notes the:
 - forecast revenue budget underspend for 2013/14 (Annex 1, paragraph 1);
 - forecast ongoing efficiencies & service reductions achieved by year end (Annex 1, paragraph 56);
 - forecast capital budget position for 2013/14 (Annex 1, paragraph 60)
 - management actions to mitigate overspends (throughout Annex 1);
 - quarter end balance sheet as at 30 June 2013 and movements in earmarked reserves and debt outstanding (Annex 1, page 18);
 2. approves the following adjustments to the revenue budget:
 - virement of £0.4m from Customer & Communities' Legacy team to Chief Executive's Office to realign budgets and service responsibilities (Annex 1, paragraph 6);
 - virement of £0.7m from Adult Social Care to Public Health to realign health and well-being budgets (Annex 1, paragraph 7);
 - virement of £0.14m from New Homes Bonus funding to Environment & Infrastructure to support planning applications associated with the schools building programme (Annex 1, paragraph 8);
 - virement of £5.0m from the Severe Weather Reserve to repair damage to roads caused during the last winter (Annex 1, paragraph 9);
 3. approves the following adjustments to the capital budget:
 - virement of -£0.4m grant reprofiling of Local Sustainable Travel Fund grant in Environment & Infrastructure (Annex 1, paragraph 60);
 - virement of -£0.5m reprofiling of external funding in Environment & Infrastructure (Annex 1, paragraph 60);
 - virement of £0.6m reprofiling of IT Replacement Reserve (Annex 1, paragraph 60);
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- virement of -£0.6m reprofiling of Adult Social Care Infrastructure grant (Annex 1, paragraph 60);
- virement of the transfer of responsibility for Basingstoke Canal from Business Services (-£0.5m) to Environment & Infrastructure (£0.5m) (Annex 1, paragraph 60); and
- virement of the addition of £1.8m for Redhill balanced network as a new scheme (Annex 1, paragraph 60).

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 second budget monitoring report of 2013/14 and the first quarter-end report. 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 June 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 directorate policy and service financial information, directorate efficiencies and revenue and capital budget movements.
9. To aid transparency and quicken final accounts, the council produces the financial statements at each quarter. Annex 1 also reports the updated balance sheet as at 30 June 2013, accounts receivable position and earmarked usable reserves.

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
