

Agenda Item No.4 (b)

DERBYSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

14 February 2018

Report of the Director of Finance & ICT

BUDGET MONITORING ARRANGEMENTS

1 Purpose of the Report

To provide Members with details of the latest budget monitoring arrangements.

2 Information and Analysis

Details of the Council's budget monitoring protocols and developments have previously been reported to Audit Committee.

Departments are required to meet monthly with the Director of Finance & ICT and provide details of their latest budget monitoring position. The information is generally presented in a consistent format by all departments, showing the year to date position and the projected outturn for the year, together with a brief summary of the major variances.

To ensure that the arrangements remain robust, reporting requirements and timescales are set out in the Budget Monitoring Policy, a copy of which is shown at Appendix One. The Policy is widely distributed to departmental Finance Managers.

The Accountancy and Budgetary Control audit undertaken by Audit Services earlier this year concluded that there is good practice taking place across the Council in accordance with the Budget Monitoring Policy.

3 Considerations

In preparing this report the relevance of the following factors has been considered - financial, legal and human rights, human resources, equality and diversity, health, environmental, transport, property, social value and prevention of crime and disorder considerations.

4 Officer's Recommendation

To note the details of current budget monitoring arrangements.

PETER HANDFORD

Director of Finance & ICT

Budget Monitoring Policy 2018-19



February 2018

Version History			
Version	Date	Detail	Author
0.01	24/01/2017	Draft	Paul Stone
1.0	24/01/2017	Final version	Paul Stone
This document has been prepared using the following ISO27001:2013 standard controls as reference:			
ISO Control		Description	
A.8.2		Information classification	
A.7.2.2		Information security awareness, education and training	
A.18.1.1		Identification of applicable legislation and contractual requirements	
A.18.1.3		Protection of records	
A.18.1.4		Privacy and protection of personally identifiable information	

Next Review date – February 2019

Objectives and Importance of Budget Monitoring

The Director of Finance & ICT is responsible for providing appropriate financial information to enable budgets to be monitored effectively by budget holders, and to report to Cabinet and Council on variances.

It is the responsibility of the Director of Finance & ICT to ensure that each Strategic Director is given timely information on each budget heading for which they are responsible, to enable them to fulfil their budgetary responsibilities and manage expenditure/income. Budget Monitoring ensures that relevant managers are made accountable for their elements of the overall budget, and resources are used for their intended and agreed purpose.

It is the responsibility of each Strategic Director to keep within their overall budget; it is the responsibility of finance staff under the direction (either directly or indirectly) of the Director of Finance & ICT to monitor these budgets, and to supply this information to departmental senior officers to assist in the management of their budget.

It is important that variances against budgetary targets are identified and explained. The Council can then identify changes in trends and resource requirements.

Budget monitoring is a means of identifying and managing possible over and underspends and will include a forecast for the year. This will enable corrective action to be taken for any problem areas during the year.

Frequency of Budget Monitoring

This note sets out the procedure for the monitoring process. Monitoring ideally should be done monthly, the first one being at period 3 (June).

This will mean that significant or problem areas within your department have, at the very least, been monitored, with a revised forecast, or an assurance that the forecast remains the same as previously reported.

A departmental monitoring statement should be completed within 10 working days of the period end after actual to plan and plan to plan have been copied over to the new period. A series of meetings has been arranged, with the Director of Finance & ICT, to briefly discuss the latest budget monitoring position following each period end. A report should be drafted outlining the controllable departmental budget position, together with brief details of the main variances. A copy of the report should be forwarded to the Director of Finance & ICT (copy to Finance Manager, Technical), prior to the meeting. The following table gives guidance as to when these meetings should take place.

Monitoring Period	Meetings with Director of Finance & ICT
P3 – June 2018	w/c 23 July 2018
P4 – July 2018	w/c 27 Aug 2018
P5 – Aug 2018	w/c 24 Sept 2018
P6 – Sept 2018	w/c 29 Oct 2018
P7 – Oct 2018	w/c 28 Nov 2018
P8 – Nov 2018	w/c 31 Dec 2018
P9 – Dec 2018	w/c 28 Jan 2019
P10 – Jan 2019	Not required
P11 – Feb 2019	Not required
Outturn	tbc

The Strategic Director for each department also has a regular 'One to One' monthly meeting with the Director of Finance & ICT to discuss variances, with particular reference to proposed budget cuts.

Meetings have not been arranged with the Director of Finance & ICT for periods 10 and 11 as the position is unlikely to have moved significantly from that reported at period 9, however, if there has been a significant movement in the forecast position from period 9, a meeting with the Director of Finance & ICT should be arranged. Portfolio monitoring statements are expected to be reported regularly to the appropriate Cabinet Member after consultation with the relevant budget holders at periods 3, 5, 7 and 9.

Monitoring should be based on controllable budgets using the ZRCON hierarchy. It should be agreed and balanced to the controllable budget on the ledger (plan version 'C').

A full summarised Council revenue monitoring report will be submitted to Cabinet. This will occur 4 times a year and will normally report at periods 3, 5, 7 and 9, in addition to the year end outturn. The timetable for this is as follows:

Monitoring Period	Complete By	Report to Cabinet Member	Summarised Report to Cabinet
3 - June 2018	End July 2018	Within August 2018	17 September 2018
5 - August 2018	End September 2018	Within October 2018	13 November 2018

Monitoring Period	Complete By	Report to Cabinet Member	Summarised Report to Cabinet
7 - October 2018	End November 2018	Within December 2018	10 January 2019
9 - December 2018	End January 2019	Within February 2019	21 March 2019
12 + Special Periods Outturn	May 2019	tbc	tbc

All reports to the Cabinet Member will be in the format set out in Appendix A.

Including the formal monitoring process outlined above, as a minimum, the following should be undertaken:

Period 3	<ul style="list-style-type: none"> • Proper full monitoring including a statement of over/underspend • A reconciliation of budget to plan version 'C' • Controllable and uncontrollable totals agreed to ledger • All budget virements included to agree plan version 'C' with Council budget • All significant variances identified and explained • Report to Cabinet Member
Period 4	<ul style="list-style-type: none"> • Summary of monitoring e.g. problem areas • Statement of assurance that there is no deviation from the previously reported forecast
Period 5	<ul style="list-style-type: none"> • Proper full monitoring including a statement of over/underspend • A reconciliation of budget to plan version 'C' • Controllable and uncontrollable totals agreed to ledger • All budget virements included to agree plan version 'C' with Council budget • All significant variances identified and explained • Report to Cabinet Member
Period 6	<ul style="list-style-type: none"> • Summary of monitoring e.g. problem areas • Statement of assurance that there is no deviation from the previously reported forecast
Period 7	<ul style="list-style-type: none"> • Proper full monitoring including a statement of over/underspend

	<ul style="list-style-type: none"> • A reconciliation of budget to plan version 'C' • Controllable and uncontrollable totals agreed to ledger • All budget virements included to agree plan version 'C' with Council budget • All significant variances identified and explained • Report to Cabinet Member
Period 8	<ul style="list-style-type: none"> • Summary of monitoring e.g. problem areas • Statement of assurance that there is no deviation from the previously reported forecast
Period 9	<ul style="list-style-type: none"> • Proper full monitoring including a statement of over/underspend • A reconciliation of budget to plan version 'C' • Controllable and uncontrollable totals agreed to ledger • All budget virements included to agree plan version 'C' with Council budget • All significant variances identified and explained • Report to Cabinet Member
Period 10 & 11	<ul style="list-style-type: none"> • Summary of monitoring e.g. problem areas • Statement of assurance that there is no deviation from the previously reported forecast
Period 12	Outturn report based on Period 14

APPENDIX A**PUBLIC****Agenda Item xx****DERBYSHIRE COUNTY COUNCIL****(MEETING)****(Date)****Report of the (Strategic Director's/Director's title)****TITLE OF THE REPORT****(State which portfolio if a report to Cabinet)****1. Purpose of the Report**

To provide the Cabinet Member with an update of the Revenue Budget position for 2014-15 up to the end of XXX (period X).

2. Information and Analysis

The Revenue Budget Monitoring Statement prepared at period X indicated that there was a projected year end overspend of £X.XXXm. The significant areas which make up this projection are shown in the table below:

	Controllable Budget £m	Actuals £m	Projected Outturn £m
Item 1 – Narrative to support this item	x.xxx	x.xxx	x.xxx
Item 2 – Narrative to support this item	x.xxx	x.xxx	x.xxx
Other minor balances	x.xxx	x.xxx	x.xxx
Total	X.XXX	X.XXX	X.XXX

Budget reductions totalling £XX.XXXm were allocated for the year. It is anticipated that £XX.XXXm of these will have been achieved by the year end. The table below shows performance against the target.

APPENDIX A

	Budget Reduction Amount £m	Achieved Amount £m	Not Achieved £m
Savings Target 1 – Brief narrative, reason for non-achievement.	x.xxx	x.xxx	x.xxx
Savings Target 2 – Brief narrative, reason for non-achievement.	x.xxx	x.xxx	x.xxx
Savings Target 3 – Brief narrative, reason for non-achievement.	x.xxx	x.xxx	x.xxx
Total	X.XXX	X.XXX	X.XXX

Earmarked reserves totalling £X.XXXm are currently held to support future expenditure. Details of these reserves are shown below:

	Amount £m
Reserve 1 – Narrative to support this reserve	x.xxx
Reserve 2 – Narrative to support this reserve	x.xxx
Reserve 3 – Narrative to support this reserve	x.xxx
Total Earmarked Reserves	X.XXX