

**HERTFORDSHIRE COUNTY COUNCIL
RESOURCES, PROSPERITY, PARTNERSHIP
AND CONSULTATION SCRUTINY COMMITTEE
THURSDAY 21 MARCH 2002 at 10.30 a.m.**

Agenda Item No

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BUDGET MONITORING PROCESS

Report of the Finance Director

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1. Purpose of the Report

To update members on the budget monitoring process including the methods used by services to profile budgets for monitoring purposes.

2. Consolidated Budget Monitoring Process

2.1 A report was taken to this Select Committee on 25 January 2001, setting out proposed arrangements for producing and distributing consolidated revenue and capital budget monitoring reports and for obtaining member approval for carry forward and virement requests over £75,000. A copy of that report is attached at Appendix A.

2.2 The report proposed two levels of reporting:-

- At the quarter ends
 - detailed monitor showing all variances over £75k with explanations
 - taken to Cabinet if virement/carry forward decisions required.
- At other month ends (excluding April & May when no reports prepared)
 - summary report only
 - total projected outturn and variances
 - details only of changes since previous monitor

2.3 A timetable was produced showing:

- the deadline by which services must supply information to Corporate Accountancy for inclusion in the consolidated report;
- the date by which the consolidated monthly monitor should be shared with the Executive Member for Resources;

- the dates on which the consolidated quarterly report should be considered by the Conservative Leaders' Group and the Cabinet.
- 2.4 As part of the process, it was proposed that Resources Select Committee spokes would receive monitoring reports as follows:
- monthly summary reports after clearance by Executive Member for Resources;
 - quarterly detailed report – prior to Cabinet meeting.
- 2.5 The timescale for sharing quarterly reports with Resources spokes was therefore defined by the Cabinet dates, but no deadlines were specified in the original timetables for sharing the monthly reports with Resources' spokes. The aim has, however, been to send the monthly reports to Resources spokes within one week of receipt by the Executive member.
- 2.6 Since the introduction of the new monitoring process, deadlines for all the quarterly reports and the majority of monthly reports have been met. However, there was a delay in circulating the November monitor both to the Executive member and consequently to the Resources Select spokes.
- 2.7 The timetable for 2002/3 at Appendix B has now been amended to incorporate deadlines for sharing the reports with Resources Select spokes, and performance against these dates will be closely monitored.

3. Budget Profiling

- 3.1 When projecting likely outturn against budget, services consider for each budget head the spend/income to date and the budget 'profile'. This is the anticipated spread of expenditure/income over the year, and is applied to the figures to date to arrive at a total for the year. In the sections below Environment, ACS and CSF set out their approaches to budget profiling and monitoring.
- 3.2 Environment
- 3.2.1 Budgets in Environment are profiled according to the nature of the budget head. For various types of highway maintenance such as grass cutting and winter maintenance, the spend is identified with the seasons, whereas with other costs such as staffing and other associated expenditure, spend is profiled on a one twelfth monthly basis.
- 3.2.2 When reviewing spend to date against budget profile, particular attention is paid to those budget heads where large variances can occur as a result of outside pressures, such as winter maintenance, to ensure that these pressures are identified and reported as soon as possible.
- 3.2.3 Service monitors are produced monthly. They are sent initially to senior managers in the department, to the Executive member for Environment and to

Corporate Accountancy. The following day the monitors are sent to Environment Scrutiny Committee spokes.

3.3 Adult Care Services (ACS)

3.3.1 Of the main budgets, staffing, travel and utilities are profiled throughout the year, adjusted for seasonal variances where appropriate.

3.3.2 The larger care budgets (elderly, physical disability, mental health and learning disability residential and day care) are the most difficult to monitor. The forecast outturn for these budgets is based on a combination of commitments and client turnover. Given the high unit cost for some of these client groups (e.g. £50,000 per annum for each client with physical or learning disabilities) a difference between forecast and actual of only a few urgent placements in one month can result in a significant shift in the budget variance from an under to an overspend.

3.3.3 ACS produce a detailed budget monitor every month, except for April and May. A summary of this monitor is reported to the ACS Management Board four to five weeks after the month end and is then reported to Corporate Accountancy.

3.4 Children, Schools and Families (CSF)

3.4.1 Monthly Monitoring Process

The Assistant Director (Resources) together with senior staff from the Central Finance Unit meet each month to review budget by budget the picture which has emerged from the internal monitoring process, and pick up any issues which need to be pursued in terms of management action, management information etc.

A summary report for Children, Schools & Families, agreed by the Director of CSF, is submitted to Corporate Finance by the set deadline, generally around the end of the following month. The summary report is also shared with the Executive Member for Children, Schools and Families.

3.4.2 Budget Profiling and Calculation of Out-turn Forecasts

For some budgets, the appropriate budget profile is calculated and the predicted spend to the end of the month is compared with actual expenditure to date in order to inform the out-turn forecast. For the majority of budgets, however, a more sophisticated approach is used. Two examples are:

- ◆ Staffing budgets. The general approach is to produce forecasts based upon actual expenditure to date, staff in post and known and predicted leavers and starters. Forecasts are also included for expenditure on temporary and agency staff.

- ◆ Out of County Placements. The forecast is based upon a case by case analysis of children currently placed, known leavers and new cases in the pipeline, together with any other relevant information such as planned changes to the placement of individual children.

4. **Conclusions**

- 4.1 The preparation and circulation of the consolidated budget monitoring reports has been operating generally in accordance with the procedures approved by the Resources Select Committee on 25th January 2001.
- 4.2 Formal deadlines have now been incorporated into the timetable for 2002/03 for sending the monitors to the Resources Scrutiny Committee spokes.
- 4.3 Performance against all the deadlines set out in the timetables at Appendix B will continue to be monitored.
- 4.4 Services use a variety of methods when forecasting their outturn against budget position for the consolidated monitor, depending on the nature of the budget head. Details of the budget profiling and monitoring processes in the larger services of ACS, CSF and Environment are provided in section 3 for information.

