

**HERTFORDSHIRE COUNTY COUNCIL
RESOURCES, PROSPERITY, PARTNERSHIP AND
CONSULTATION SELECT COMMITTEE
THURSDAY 25 JANUARY 2001 AT 10.00A.M.**

Agenda Item No.

REVENUE AND CAPITAL BUDGET PROCESS

Report of the Finance Director

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Executive Member: David Beatty

1. Purpose of Report

To inform members of the proposed arrangements for producing and distributing combined revenue and capital budget monitoring reports and obtaining member approval for any carry forwards or virements over £75k, in accordance with the Financial Regulations September 2000.

2. Summary

There will be 2 levels of reporting for the consolidated revenue and capital budget monitors:

- Monthly summary reports for information only (for July, August, October, November, January and February)

These will be distributed to the Resources portfolio holder and to Resources Select Committee spokes.

- Quarterly detailed reports to include any decisions/approvals required from members (for June, September and December quarters plus provisional and final outturn reports for full year to March).

If decisions are required in accordance with the Financial Regulations these will be referred to the Resources Select Committee Spokes (under urgency procedures) before consideration by the Cabinet/ Executive Committee for approval.

The proposed formats for the reports are shown at appendices A and B, with timetables for the reporting cycles set out at Appendices C and D. A copy of the relevant section of the Financial Regulations 2000 is attached at Appendix E.

3. Conclusion

Budget monitoring information will be shared with relevant members approximately 6 weeks after the period end.

1. Background

This report sets out the proposed budget monitoring reporting process under the new constitution.

The process outlined below means that budget monitoring information is shared with all members at the earliest 6 weeks after the month/quarter end.

If the full Cabinet/select committee procedures are followed, there will be significant delay in approving virements/carry forwards etc. For instance, matters requiring member approval arising from the monitor to 30th September would not receive final approval until Cabinet in January.

It is therefore proposed to follow urgency procedures for approving all quarterly monitoring reports, details of which are given below.

The aim of these arrangements is to ensure that senior officers, Cabinet members and Select Committee leads are kept fully informed throughout the year of significant developments in the level of spending against budget so that, if necessary, remedial action can be taken to contain potential overspends.

It is proposed that there are 2 levels of reporting:-

- monthly summary reports for information only (for July, August, October, November, January and February)
- detailed quarterly reports to include any decisions/approvals required from members (for June, September, December quarters plus outturn report for full year to March)

Timetables for reporting the monthly and quarterly information are set out at Appendices C & D respectively.

2. Monthly Reports

2.1 Service revenue and capital budget monitors

Prepared by - Service Accountants

Agreed by Assistant Director (Finance) for the service

Level of detail - highlight significant variances between budget and forecast outturn for both revenue and capital, key issues and decisions required (see proposed format at Appendix A)

Distribution in order of time to - 1) Chief Financial Officer and Corporate Accountancy.
2) relevant portfolio holders
3) all spokes on relevant select committee

2.2 Consolidated monthly revenue and capital budget report

Prepared by - Corporate Accountancy

Approved by Chief Financial Officer

Level of detail Consolidate key issues etc from service reports.

Format As for service monthly report (see Appendix A)

Distribution
1) Resources portfolio holder
2) all Resources select committee spokes

This will be an information only briefing note, highlighting key issues in both revenue and capital budgets which may be of concern and/or may require member decision in the future, It will play an important role in keeping members informed of progress against the budget.

3. Quarterly Reports

3.1 Detailed service budget monitors

Prepared by - service accountants

Approved by assistant director (finance) for the service

Level of detail - detailed reconciliation of original and latest approved budget (lab) with latest projected outturn figures for both revenue and capital budgets. (See proposed format at Appendix B)

It must include:

- Details of those budget adjustments requiring member approval
- Classification of revenue underspends into planned and unplanned
- Proposed action to deal with projected overspends

Distribution in order of time to - 1) Chief Financial Officer and Corporate Accountancy.
2) relevant portfolio holders
3) all spokes on relevant select committee

3.2 Consolidated quarterly budget monitor report

Prepared by - Corporate Accountancy

Approved by Chief Financial Officer

Level of detail a) Consolidated reconciliation of latest approved budget and forecast outturn.

- b) Summary report detailing key issues and areas requiring member decision.

Distribution NB It is proposed that urgency procedures are followed to enable member decisions to be approved as soon as possible, to allow effective financial management. These procedures are set out below.

- a) if member decisions required, to all spokes on Resources Select Committee, for them to refer any queries/objections to Cabinet members;
- b) to Cabinet for approval of any member decisions required.

4. Financial Implications

The purpose of this process is to enable officers and members to identify at an early stage significant variances from the approved budget and make decisions to address any problems these might cause, thus enabling the County Council to effectively control its revenue and capital spending.

Background information referred to by the author

Constitution of the County Council adopted 16 May 2000 (amended by the County Council on 28 November 2000).

Budget Monitoring Report, Finance Board 9 November 2000

Format for Monthly Reports

Monthly budget monitor report for:	
Service name	Details as at / /2000
1. Revenue Budget	
Original budget	£ 000s
Latest Approved Budget	£ 000s
Forecast outturn	£ 000s
Variance – overspend/(underspend)	£ 000s
Details of main variances:- (NB please indicate for underspends whether planned or unplanned; for overspends what steps are being taken to contain these within overall budget)	
	£ 000s
	£ 000s
	£ 000s
2. Capital Budget	
Original budget	£ 000s
Latest Approved Budget	£ 000s
Forecast outturn	£ 000s
Variance – overspend/(slippage)	£ 000s
Details of main variances:-	
	£ 000s
Prepared by	Date
Approved by	Date

Format for quarterly reports

Quarterly Report to / /

1) Revenue Monitor

Service	Original Budget	Latest Approved Budget	Projected Outturn	Total Variance	Planned Underspend	Unplanned Underspend	Overspend	Virement/ Carry forward proposals
	£ 000s	£ 000s	£ 000s	£ 000s	£ 000s	£ 000s	£ 000s	£ 000s
Totals for service								

Detailed explanation of budget changes, changes in projected outturn and variances, highlighting items requiring member approval.

2) Capital monitor

Service	Original Budget	Latest Approved Budget	Projected Outturn	Total Variance	Slippage	Saving	Overspend	Virement/ Carry forward proposals
	£ 000s	£ 000s	£ 000s	£ 000s	£ 000s	£ 000s	£ 000s	£ 000s
Totals for service								

Details of changes to LAB and of variances, highlighting items requiring member approval.

TIMETABLE FOR MONTHLY REPORTS

REPORT TO END	FINAL DATE FOR SERVICE REPORT TO CORPORATE ACCOUNTANCY	CORPORATE ACCOUNTANCY SUMMARY REPORT TO RESOURCES PORTFOLIO HOLDER
October 2000	30 November 2000	17 December 2001
November 2000	31 December 2000	15 January 2001
January 2001	28 February 2001	12 March 2001
February 2001	31 March 2001	16 April 2001
July 2001	31 August 2001	17 September 2001
August 2001	30 September 2001	15 October 2001

TIMETABLE FOR QUARTERLY REPORTS

REPORT TO END	FINAL DATE FOR SERVICE REPORT TO CORPORATE ACCOUNTANCY	TO RESOURCES SELECT SPOKES	TO CABINET
2000/2001			
6 months to September	6 November 2000	11 December 2000	18 December 2000
9 Months to December	6 February 2001	12 March 2001	19 March 2001
Year end figures	Per closure timetable		
Provisional outturn		16 July 2001	23 July 2001
Final outturn		10 September 2001	17 September 2001
2001/2002			
3 months to June	6 August 2001	10 September 2001	17 September 2001

Extract from Financial Regulations September 2000

Revenue/Capital Virement and Carry-forward rules

The framework for virement and carry-forward recognises the need for management flexibility within and between financial years. The framework aims to balance incentives for services to benefit from efficiency and planned savings with the need to ensure in overall terms that policy and service priorities are being met where unplanned under or overspending occurs.

- (1) Chief Officers must ensure that net expenditure does not exceed the total of their service's delegated budget. Overspending on individual budgets should be dealt with by:
- managing spending to the budget; and/or
 - by virement from other budgets during the year

If after such actions there is still an overspend at the year-end on individual budgets (which should be identified during the budget monitoring process at the earliest stage possible) these will be a first call on any savings, or underspends within the relevant service. If these are not sufficient, overspends must be expected to be a first call in considering next year's service budget.

This will be in addition to any other action that may be taken by the County Council or the Chief Executive.

- (2) Chief Officers, together with their senior finance representative, will agree and regularly review local virement and carry forward schemes for their services within the overall scheme agreed by the Chief Financial Officer.

Change to Council Policy

- (3) No virement (transfer between budgets) or carry-forward regardless of value should change County Council policy unless approved by the Council. Budgets for virements and carry-forward purposes are those published in Service Budget Books.

Extract from Financial Regulations September 2000

No Change to Council Policy

The Cabinet shall approve any necessary budget transfers or carry-forwards exceeding £75,000 in any one case between services. The Chief Financial Officer can approve budget transfers and carry-forwards which do not exceed £75,000 in any one case provided they do not change County Council policy.

- (4) Unplanned saving within service budgets arising from corporately negotiated savings, reviews of corporate policies or changes in national taxation will be reported to the Cabinet and unless the Cabinet decides otherwise (after consultation with the Select Committee) such savings will return to reserves.
- (5) The levels of authorisation for revenue/capital virement and carry forward where there is no change to policy are:

			Carry Forward/Virement to be approved by				
	No future commitments	* Future commitments	Budget Holder	Divisional Head	Chief Officer	Chief Financial Officer	Cabinet
Planned	£0 - 10,000	£0 - 5,000	3	3			
Planned	£10,000 - 50,000	£5,000 - £30,000	3	3	3		
Planned	£50,000 - £75,000	£30,000 - £75,000	3	3	3	3	
Planned	£75,000 +	£75,000 +	3	3	3	3	3
Unplanned	£75,000 +	£75,000 +	3	3	3	3	3

* In all cases where virement gives rise to ongoing commitments, off-setting savings must also be identified to meet these ongoing commitments.

- (6) Proposed virement and carry forwards over £75,000 will require a Chief Officer report to Cabinet, which will then be forwarded to Service Select Committee for consideration before a final decision is taken by Cabinet.

Extract from Financial Regulations September 2000

- (7) A saving of £75,000 or above can only be classed as planned if:-
- i) *Chief Officer decisions are made before the savings arise and are fully documented prior to making the application.*
 - ii) *The savings arise from an agreed course of action by the Chief Officer in consultation with Executive Member.*
 - iii) **The proposals are reported to Cabinet before 31 March of the budget monitoring year.**
- (8) **Virements or carry forwards arising from planned savings must be in accordance with County Council policies and priorities.**

If virement or carry-forwards are not aligned to published priorities they must be reported to Cabinet for overall consideration against the Council's priorities on a quarterly (or annual) basis.

- (9) **Where proposed virement over £75,000 arises from unplanned changes in service demand or any other factor that was not anticipated at the time of setting the budget, this will be reported to the Cabinet and Resources Select Committee which will consider virement together with all other policy and service priorities.**
- (10) **Carry forwards of over £75,000 should be reported at the same time as the following year's budget is being considered, (i.e. in the January cycle of Committee meetings). Carry-forwards of over £75,000 arising in the period January to March (i.e. after the January Committee meetings) should be reported to Cabinet for approval in the March/April cycle. These should be minimal as the majority of carry forwards should be identified at the time of setting the budget.**
- (11) **All savings identified after 31 March relating to the previous year will fall into reserves and all requests for further carry-forward will be prioritised by the Cabinet at its summer meeting (June/July) and will be considered to be funded from reserves.**
- (12) **Carry-forwards of less than £75,000 will be considered for approval by the Chief Financial Officer up to 31 March of the financial year from which carry forward is requested.**
- (13) **Where approvals for virement of more than £75,000 are needed urgently, the Chief Officer concerned will consult the Chief Financial Officer and Chief Executive.**

Extract from Financial Regulations September 2000

- (14) **Should the final outturn position prove to be different from that predicted when carry-forwards are approved, then:**
- either i) **if there are further underspends than projected for the service as a whole, these sums will go into reserves at the year end.**
- or ii) **if the projected underspend for a service does not subsequently occur, carry-forward requests will need to be examined and reduced so that carry forwards do not exceed a service's underspend. The results of this exercise should be reported in the final outturn report to Cabinet in June/July.**
- (15) **The responsibility for ensuring all applications for virement and carry- forwards are well documented rests with the appropriate Assistant Director of Resources/Assistant Chief Financial Officer (Corporate Finance).**
- (16) **The exceptions to the above framework are:**
- a) **schools with locally managed budgets where the carry-forward of all under (and over) spending is automatic.**
- b) **the Magistrates Courts' Committee and the Probation Committee, for which the Home Office allows limited flexibility of carry forward from year to year.**

However, both locally managed schools (LMS) and the Magistrate's Courts and Probation Service will operate to local financial regulations agreed for those services.