

Period End Budget Monitoring Process Note



March 2014

Approval and Authentication

Name	Job Title	Signature	Date
Peter Handford	Director of Finance		

Version History

Version	Date	Author	Reason	Approved
1.0	February 2011	Paul Stone	Final Version	
2.0	March 2012	Paul Stone	Final Version	
3.0	March 2013	Paul Stone	Final Version	
4.0	March 2014	Paul Stone	Final Version	

1. Objectives and Importance of Budget Monitoring

1.1 The Director of Finance 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.

1.2 It is the responsibility of the Director of Finance to ensure that each Chief Officer 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.

1.3 It is the responsibility of each Chief Officer 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 to monitor these budgets, and to supply this information to departmental senior officers to assist in the management of their budget.

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

1.5 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.

2. Frequency of Budget Monitoring

2.1 This note sets out the procedure for the monitoring process. Monitoring ideally should be done monthly; the first one being no later than period 3 (June).

2.2 If it is not possible to complete a full departmental monitoring process within any one month then a statement of assurance should be produced (see Appendix 1). This will mean that the large 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.

2.3 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, to briefly discuss the latest budget monitoring position following each period end. A report should be drafted outlining the controllable departmental budget position, in the format below, together with brief details of the main variances. **A copy of the report should be forwarded to the Director of Finance (copy to Paul Stone), prior to the meeting.**

Example Report Format

Budget	Actual	RoY Estimate	Year End Forecast	(Under)/Over
£	£	£	£	£

Service	Variance (under)/over spend

2.4 The Chief Officer will then be expected to meet with the Director of Finance and the Chief Executive to discuss variances, with particular reference to proposed budget reductions. The following table gives guidance as to when these meeting should take place.

Table 1 - Timetable for Departmental Monitoring Process

Monitoring Period	Available From	Meetings with Director of Finance
P3 – June 2014	July 2014	w/c 28 July 2014
P4 – July 2014	Aug 2014	w/c 25 Aug 2014
P5 – Aug 2014	5 Sept 2014	w/c 29 Sept 2014
P6 – Sept 2014	5 Oct 2014	w/c 27 Oct 2014
P7 – Oct 2014	7 Nov 2014	w/c 24 Nov 2014
P8 – Nov 2014	7 Dec 2014	w/c 29 Dec 2014
P9 – Dec 2014	8 Jan 2015	w/c 26 Jan 2015
P10 – Jan 2015		Not required
P11 – Feb 2015		Not required
Outturn	(tbc)	tbc

2.5 Meetings have not been arranged with the Director of Finance 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 should be arranged. Portfolio monitoring statements are expected to be reported regularly to CabCo after consultation with the relevant budget holders at periods 3, 5, 7 & 9.

2.6 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'). Uncontrollable budgets should be included as a memorandum item and separately agreed to the total on the ledger. As SAP reports are updated in real time screenshots may be taken to prove reconciliation.

2.7 Each monitoring statement should include the identification and explanation of all significant variances. It should also include all virements in and out of each area within the budget so that the balancing of plan version 'C' to the Council budget is enabled.

2.8 The final statement will be the portfolio monitoring statement. This provides the information for the portfolio monitoring report.

2.9 A full summarised Derbyshire County Council revenue monitoring report will be submitted to Cabinet. This will occur 4 times a year and will normally report period 3, 5, 7 and 9, in addition to the year end outturn, this protocol being established over time as agreed best practice. In addition to the monthly information there will be an appendix which sets out details of outstanding Earmarked Reserves. Information from the quarterly Assurance Statements will be used to produce the Earmarked Reserve summary. Departments will be asked to provide updates for period 5 & 7. The timetable for this is as follows:

Table 2 – Timetable for Formal Portfolio Monitoring Process

Monitoring Period	Complete By	Report to CabCo	Summarised Report to Cabinet
3 – June 2014	End July 2014	Within August 2014	9 September 2014
5 – August 2014	End September 2014	Within October 2014	11 November 2014
7 – October 2014	End November 2014	Within December 2014	20 January 2015
9 – December 2014	End January 2015	Within February 2015	24 March 2015
12 + Special Periods Outturn	May 2015	July 2015	tbc

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

Period 1 & 2 - Not necessarily required.

Period 3 - 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.
 Portfolio monitoring statement.

- Period 4 - Summary monitoring e.g. problem areas; a statement of assurance that there is no deviation from the previously reported forecast.
- Period 5 - 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.
Portfolio monitoring statement.
- Period 6 - Summary monitoring e.g. problem areas; a statement of assurance that there is no deviation from the previously reported forecast.
- Period 7 - 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.
Portfolio monitoring statement.
- Period 8 - Summary monitoring e.g. problem areas; a statement of assurance that there is no deviation from the previously reported forecast.
- Period 9 - 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.
Portfolio monitoring statement.
- Period 10 & 11 - Summary monitoring e.g. problem areas; a statement of assurance that there is no deviation from the previously reported forecast.
- Period 12 - Outturn report.

Summary

- Period 1 & 2 not required
 Period 3,5,7,9 full monitoring
 Period 4,6,8,10,11 problem areas, statement of assurance

Period 12 outturn report

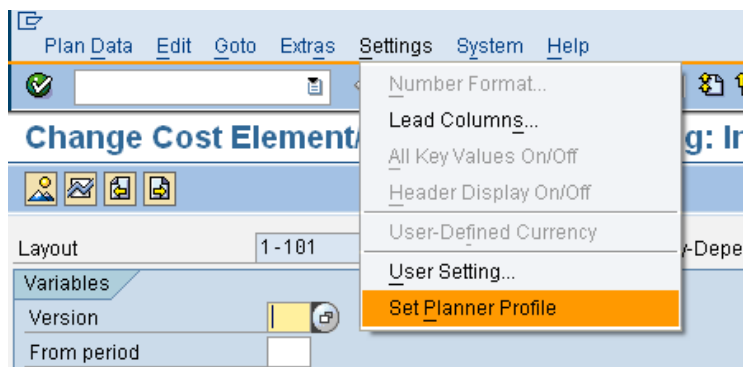
2.10 Each monitoring should be started as soon as possible after the previous period end has closed. The Central Team who close down the period will inform all FOG members that the new period is ready, so that they can let their staff know.

3. Monitoring Procedure

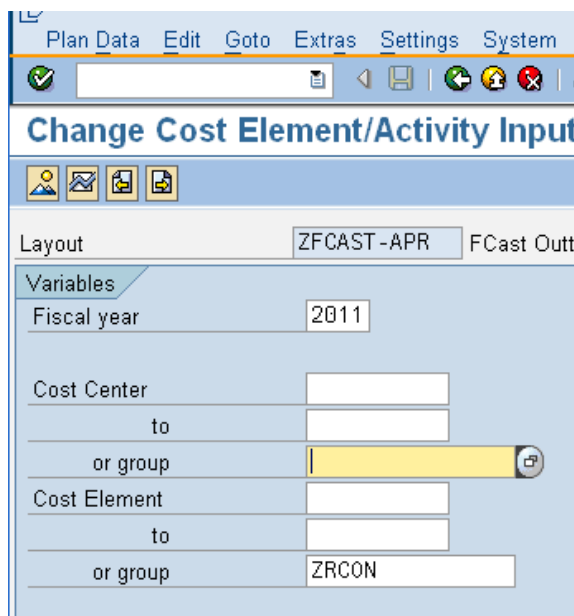
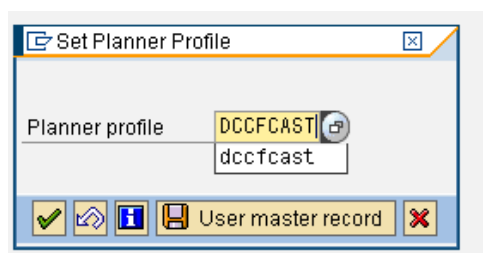
3.1 The first thing that any person doing their monitoring needs to do is to set the Planner Profile. This determines the planning layout (format) of the report to be worked on:

Set Planner Profile

Transaction KP06



Ensure Planner Profile set as:




And green tick to 'Confirm profile'.

3.2 Forecasting/Monitoring

Transaction KP06



3.3 Use  to retrieve the version layout that is required i.e. the one to be worked on. This will be the next period, as at this point in time all other previous periods will have been closed down. This is to ensure that there are no changes allowed on monitoring that has previously been reported on.

3.4 A particular cost centre or cost centre group can be entered. The cost centre group will however, bring up the first cost centre in that group, then the second and so on.

3.5 'DCC1' is input into the Cost Element group and this will bring up all cost elements relevant to each cost centre including all controllable and uncontrollable items.

3.6 Monitoring in SAP is designed that each cost centre and each cost element is monitored on an individual basis. However, monitoring is only normally required on controllable budget but accountants may need reports to show:

All cost elements - in which case the uncontrollable elements will be profiled to nil.

Controllable cost elements only – in which case uncontrollable items will be ignored and will be omitted when running the summary report (ZCO_F—see later).

N.B. A cost element group hierarchy could be set up for the controllable items, rather than the full list of cost element codes (DCC1), so that only these codes appear in the on screen report.

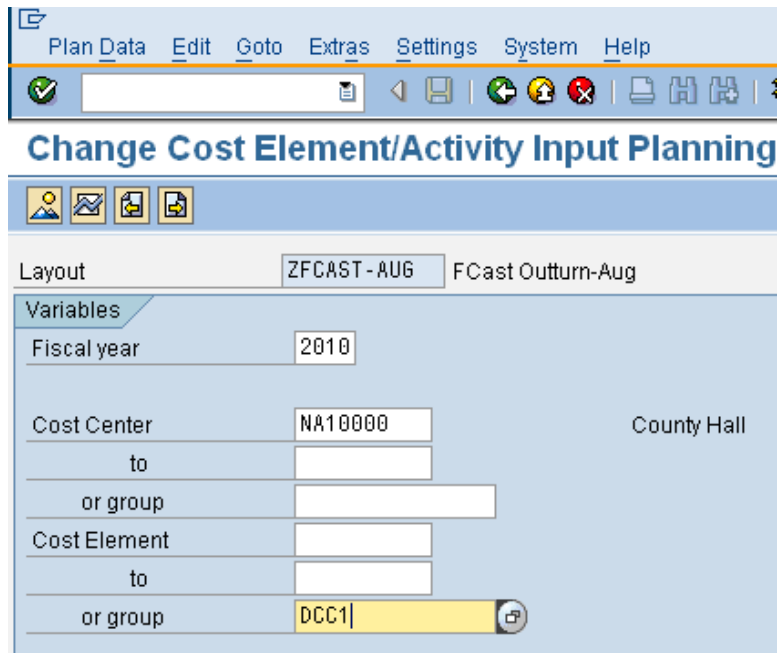
3.7 Controllable cost elements are currently:

100000 – 179999

190000 – 317999

For most service departments

318*** is also controllable for CAYA and should only be used by them.



And click 'Overview' .

Cost element	Text	Total Budget	Actual - April	Actual - May	Actual - June	Actual - July	Actual-to-Date
110301	C/tkrs DLO NI	0.00	31.85	38.67	35.24	44.16	149.92
110801	Cleaners Non-DLO NI	0.00	0.00	0.00	0.00	0.00	0.00
110901	Gen - SS NI	9,885.00	0.00	0.00	649.95	216.65	866.60
230000	Gen Sales	0.00	0.00	0.00	0.00	1,318.86-	1,318.86-
230060	Bar Sales	0.00	85.10-	0.00	0.00	0.00	85.10-
230140	Comm'y/Rst MIs & Re	0.00	76.20-	0.00	76.20	76.20-	76.20-
231110	Fees/Chgs - Gen	43,274.00-	1,221.32-	1,074.52-	1,325.71-	306.38-	3,927.93-
232020	Rents	0.00	0.00	1,960.00-	0.00	4,125.00-	6,085.00-
*Cost elem	Total	1,901,221.00	48,950.99	78,180.77	158,943.74	513,237.72	799,313.22

3.8 This shows the 'Total Budget' which is the current budget version 'C'. If any budget changes are uploaded while this period is open, then the budget amount on this report will update, after the budget consolidation has run overnight.

3.9 It also shows actual figures for April, May, June and July together with the total of these for the 'Actual to Date' column. These are coloured blue which means that they cannot be changed.

Tab right on the screen and FCast for August to March are shown.

Cost element	Text	FCast-August	FCast-September	FCast- October	FCast-November	FCast-December	Fcast-January	FCast-February
602000	Const Pay - Int Set							
602100	Const - Bridges							
319000	Build (DSO)							
319010	Build (Client)							
140000	Equip							
*Cost elem	Total	0.00	0.00	0.00	0.00	0.00	0.00	0.00

3.10 These are coloured white which means that they can be changed. They would normally be populated with a forecast amount derived from the budget for the year, and dependent on how it has been distributed over the 12 months. As information becomes available to the finance staff, they are able to refine these figures so may or may not change them depending on circumstances, to give a forecast figure for the year.

3.11 If information is input in each column to cover the remaining months then it will alleviate the need to alter them in future periods, as monthly forecasts may not need to be altered. If only a forecast for the year is input, say in the March column, then they will need to change this amount for every subsequent period's monitoring report.

Cost element	Text	FCast-March	Actual + Forecast	Diff from Total Bdgt	Previous Month's F	T...
602000	Const Pay - Int Set		283.50	283.50	283.50	<input type="checkbox"/>
602100	Const - Bridges		201.41	201.41	201.41	<input type="checkbox"/>
319000	Build (DSO)		17,936.94	17,936.94	17,936.94	<input type="checkbox"/>
319010	Build (Client)		18,034.31	18,034.31	18,034.31	<input type="checkbox"/>
140000	Equip		59.70	59.70	59.70	<input type="checkbox"/>
*Cost elem	Total	0.00	36,515.86	36,515.86	36,515.86	<input type="checkbox"/>

3.12 The finance officer may take into account such factors as previous year trends, previous year actual, current year trends, current year actual, timing anomalies etc., and their own knowledge and experience to determine a reasonable forecast for the year, or what figures to input into each column/row.

3.13 As soon as a purchase order is created (financially approved) in the orderpoint (SRM) system, a commitment appears in the ledger. It becomes an actual in the ledger when the shopping cart is goods received.

3.14 These commitments could also be taken into account as this gives additional information to determine the forecast. For example:

Cost Elements	Actual	Commitment	Allotted	Plan
85 130020 Vehicle R/C - Parts	158.00		158.00	
86 131000 Hire Of Vehicles	37,208.60	39.00	37,247.60	135,680.00
87 133000 Staff Trav Car Allow	102,516.73	158.03	102,674.76	33,120.00
88 134000 Vehicles Insurance	190,995.55		190,995.55	310,000.00
89 134001 Vehcl Insurance	10,215.00		10,215.00	
90 140000 Equipment	21,344.91	7,536.09	28,881.00	24,110.00
91 140010 Clean/Crtkg Equip	7,138.96	387.66	7,526.62	19,793.00
92 140050 Equip Mtce Agree		220.00	220.00	
93 140060 Build Mtce & Improv	162.00		162.00	
94 140100 Furniture	6,058.54		6,058.54	
95 140200 Materials	10,437.64	854.67	11,292.31	2,696.00
96 140299 Goods Issue	44.54		44.54	

This information is from report S_ALR_87013620, others may be available.

3.15 Back to the KP06 monitoring report, the system calculates 'Actual + Forecast' by adding up the 'Actual to Date' column and all the forecast months. It then calculates the over/underspend forecast for the year ('Diff from Total Budget' column). For information, the previous month's forecast is also given.

3.16 This part of the system only allows monitoring at cost centre/cost element level. As accountants will normally require this information at various group levels rather than individual cost centre level an additional report has been developed to summarise this information.

4. Summary Monitoring Report

4.1 Transaction ZCO_F**.The ** relates to the version which is required as below:

Version	Month	Actual	Plan
F01	N/A	N/A	April – March
F02	May	April	May – March
F03	June	April – May	June – March
F04	July	April – June	July – March
F05	August	April – July	August – March
F06	September	April – August	September – March
F07	October	April – September	October – March
F08	November	April – October	November – March
F09	December	April – November	December – March
F10	January	April – December	January – March
F11	February	April – January	February – March
F12	March	April - February	March

In this scenario it will be F05.

4.2 Enter cost centre or group and relevant cost elements or group. In the above scenario 'dcc1' has been chosen as the cost element group. In reality only controllable costs are normally required for monitoring purposes as referred to previously. A cost element hierarchy group could be set up to avoid the need to keep having to input just the controllable ones.

Click 'Execute' :

Report Edit Goto View Extras Settings System Help

SAP

Current Budget Report

Variation: Cost Center

Cost Elements	Budget	Act Costs	RoY Est.	YE Fcast	(Unde
190000 Unall Budgets	1,777,586.00				1,77
190200 Unall Efficienc	44,000.00-				4
*** Unallocated Budgets	1,733,586.00				1,73
313150 Catering Fee		8.40		8.40	
317010 DBMR Non CCont		29.00		29.00	
317011 DBMR Non CCont		915.40		915.40	
319120 ABM Catering re		125.30		125.30	
*** Negotiated Recharges		1,078.10		1,078.10	
910100 Payments	743.28-	53.17		53.17	
910200 Income	201.12-	1.77		1.77	
910300 Audit	3,122.16-	580.40		580.40	
910700 Corp Fin Accoun	3,456.72-	136.64		136.64	
912000 Legal Services	522.04-	110.78		110.78	
914200 Bus Supp Accoun	513.60	225.83		225.83	
922000 Insurance	0.48	247.44		247.44	
*** SCE Recharges / Assessm	7,531.24-	1,356.03		1,356.03	
133000 Staff Trav Car		1,727.75		1,727.75	
*** Transport Related		1,727.75		1,727.75	
140000 Equipment					
141010 Catering					
143000 P&S					
143020 Gen Office Exp					
144000 Solicitors Fees		11,505.97		11,505.97	1
144050 Prof Cons Fees	35,174.00	130,867.50		130,867.50	9
144130 Trade Waste Ser		1,027.16		1,027.16	
144180 Projects & Acts	93,798.00				9
144230 Project Funds 1	2,980.00-				
144310 Project Funds 9	18,000.00-				
145010 Telephones	1,557,144.00	143,828.63		143,828.63	1,41
145020 Mobile Telephon		4,825.00		4,825.00	
145500 Computer Hardwa	1,272,123.00	29,551.20		29,551.20	1,24
145510 Hardware Mtce	722,479.00				72
145520 Computer Softwa		8,222.50		8,222.50	

This summarises the information to the level required but Chief Officers will often require the information in a much more summarised statement. SAP is unable to produce this information so a spreadsheet statement may need to be produced.

4.4 All figures should be reconciled to the ledger for controllables; including uncontrollables; virements identified and agreed to Council agreed budget.

4.5 This information should be communicated to the relevant budget holder/s and meetings take place with them to discuss and complete any amendments before the statement version is finalised and submitted to the Director of Finance. He will then summarise all this information for inclusion into a report to be submitted to Cabinet 4 times a year as identified in this note in addition to the outturn report.

Budget Monitoring Statement of Assurance

Month/Period 10

Department	Budget	Y/E Forecast	Forecast Y/E over/(under) spend	Portfolio
Corporate	17,586,111	16,987,589	(598,522)	F & M

I have reviewed month 10 monitoring and can confirm that the forecast remains the same as reported previously at month 9 as summarised above.

OR

Month/Period 10

Department	Section	Budget	Y/E Forecast	Forecast Y/E over/(under) spend	Portfolio
Corporate	County Buildings	2,116,127	2,191,365	75,238	F & M
Corporate	Coroners	919,079	1,491,858	572,779	F & M

I have completed budget monitoring for the above area/s of the departmental budget. The revised forecast for the year is as follows:

Department	Budget	Y/E Forecast	Forecast Y/E over/(under) spend	Portfolio
Corporate	17,586,111	17,358,773	(227,338)	F & M

The main changes are:

County Buildings:

Unexpected rates invoice 100,000

Coroners:

Post mortem fees due to increase in case numbers and complexity of cases 250,000

Signed Karen Howes Post Title Principal Accountant – Corporate Accountancy

Date 20 February 2011