

TITLE OF REPORT: **Revenue Budget - First Quarter Review 2017/18**

REPORT OF: **Darren Collins, Strategic Director, Corporate Resources**

Purpose of the Report

1. This report sets out the latest monitoring position on the 2017/18 revenue budget at the end of the first quarter to 30 June 2017. Cabinet is asked to note the contents of the report and recommend a revision to the net revenue budget for 2017/18 to Council.

Background

2. Cabinet receives quarterly reports on the agreed revenue budget so that any variances can be identified and addressed. This report sets out the revenue monitoring position at 30 June 2017.
3. Council agreed the original revenue budget for 2017/18 on 23 February 2017. This was set at £197.486m.
4. In March 2017 Improved Better Care Fund (IBCF) funding of £5.163m for social care was announced as part of the spring budget, to be paid under Section 31 arrangements. This report requests Cabinet to recommend to Council a revision to the net revenue budget to include this additionality and to set a revised revenue budget for 2017/18 of £202.649m.

Proposal

5. Without any further action the projected outturn for 2017/18 at 30 June 2017 is £206.514m compared to the estimate of £202.649m, which includes the additional IBCF funding and the projected expenditure, and this therefore results in a projected over spend of £3.865m. The projection for the year includes the planned use of £1.839m reserves.
6. The following administrative budget virements are required in order to re-align budgets to the Service with the responsibility for service delivery:
 - £0.634m from Commissioning and Quality Assurance to Adult Social Care for Supporting People and MCA Dols.
 - £0.197m from Economic to Housing Growth to Development, Transport and Public Protection for Housing Growth.
 - £0.140m from Street Scene to Commissioning and Quality Assurance for Central Transport Unit.
 - £0.480m from Other Services to Human Resources and Litigation for Coroners.

7. Continued monitoring within services, regular reports to Strategy Group and the delivery of action plans to address budget variances and shortfall on savings targets will aim to ensure that spending for the year remains contained within the current estimate. No change in the total revenue budget is therefore recommended in this report.
8. Key budget variances have been identified in the first quarter review in respect of Social Care. These areas of budget pressure are currently partially offset by under spends in Capital Financing Costs. Specific action plans have been prepared to address the areas of over spend and these areas will remain under review. The agreed savings for 2017/18 will continue to be actively monitored to facilitate delivery of the agreed budget.
9. It is important that effective budget monitoring and action planning is in place to ensure that spending in 2017/18 is contained within approved budgets as this will contribute to a sustainable financial position for the Council. Any over spend at the end of the financial year will result in the 2018/19 funding gap being increased and reserve levels being reduced which will impact on the financial plans of the Council.

Recommendations

10. It is requested that Cabinet:
 - Notes the Council's revenue expenditure position at 30 June 2017, as set out in Appendix 1.
 - Recommends to Council approval of an amendment to the net revenue budget for 2017/18 from £197.486m to £202.649m to account for the IBCF funding.
 - Recommends to Council approval of the administrative virements outlined in Paragraph 7.

For the following reason:

- To contribute to sound financial management and the long term financial sustainability of the Council.

CONTACT: Deborah Clark - Extension 2093

Policy Context

1. This report meets the standards required to comply with the Accounts and Audit Regulations 2015. It is also consistent with Vision 2030 and the Council Plan of ensuring a sustainable financial position for the long term.

Background

2. The Accounts and Audit Regulations 2015, which represent financial management good practice, recommend that councillors should receive regular reports on performance against revenue and capital budgets. The frequency of the reports is determined following a risk assessment of the budget, and Cabinet currently receives a report on a quarterly basis.
3. This report sets out the latest position on the 2017/18 revenue budget as at 30 June 2017 and projects spending and income to the end of the financial year.
4. Council agrees the revenue budget and it also approves variations and revisions to this budget.
5. Council agreed the original revenue budget for 2017/18 on 23 February 2017. This was set at £197.486m.
6. In March 2017 Improved Better Care Fund (IBCF) funding of £5.163m for social care was announced as part of the spring budget, to be paid under Section 31 arrangements. This report requests Cabinet to recommend to Council a revision to the net revenue budget to include this additionality and to set a revised revenue budget for 2017/18 of £202.649m.
7. Appendix 2 details the proposed revised budget for 2017/18 compared to an assessment of the projected outturn for the year. Without any further action the projected outturn for 2017/18 at 30 June 2017 is £206.514m compared to the estimate of £202.649m, which includes the additional IBCF funding and the projected expenditure, and this therefore results in a projected over spend of £3.865m.
8. Appendix 3 details the expected use of reserves for 2017/18. At the end of the first quarter of the year the projected use of reserves is £1.839m.

Variations

9. The main variances on a group basis are set out below.

Care, Wellbeing and Learning

10. The projected over spend of £1.026m on Social Work - Children and Families relates mainly to placement expenditure and higher than expected staffing costs. Action planning is continuing in this area.

11. The projected over spend of £1.351m on Early Help and Education relates to Home to School/College transport costs and underachievement of income. Specific action planning is continuing to address the over spend.
12. The projected over spend of £0.218m on Commissioning and Quality Assurance relates to higher than expected employee costs.
13. The projected under spend of £0.604m on Learning and Schools relates to employee costs and PFI.
14. The projected over spend of £1.863m on Adult Social Care relates to service pressures and savings yet to be delivered.
15. The expectation remains that expenditure on Public Health will be managed to ensure that the outturn will be consistent with the ring-fenced allocation, and any over spends will be funded from the ring fenced Public Health reserve.

Communities and Environment

16. The projected over spend of £0.325m on Culture, Communities, Leisure and Volunteering relates mainly to an underachievement of income across leisure facilities offset by some under spends in other areas.

Corporate Resources

17. The projected over spend of £0.256m on Customer and Financial Services relates mainly to an underachievement of income in relation to prosecution costs recovered, and lower than expected grant income.

Capital Financing Costs

18. The projected under spend of £1.182m on Capital Financing Costs is mainly due to the continuance of the current Treasury Management policy of internal borrowing and a lower than expected revenue requirement for the Capital Programme financing.

Virements

19. The following administrative budget virements are required in order to re-align budgets to the Service with the responsibility for service delivery:
 - £0.634m from Commissioning and Quality Assurance to Adult Social Care for Supporting People and MCA Dols.
 - £0.197m from Economic to Housing Growth to Development, Transport and Public Protection for Housing Growth.
 - £0.140m from Street Scene to Commissioning and Quality Assurance for Central Transport Unit.
 - £0.480m from Other Services to Human Resources and Litigation for Coroners.

Reserves

20. A summary of the intended use of reserves is attached at Appendix 3. It was planned that £4.235m would be required to support the revenue budget in 2017/18 and projections currently show that £1.839m will be required.

Summary

21. The projected over spend as at 30 June 2017 of £3.865m is after the application of reserves in line with the usage agreed as part of 2017/18 budget.
22. For all projected over spends, regular monitoring will continue to take place with action plans being monitored with the aim of containing spending within the original budget. Plans will be incorporated into the internal monthly revenue monitoring timetable with regular updates to Strategy Group and with updates to Cabinet.

Balance Sheet Management

23. Balance Sheet control accounts, which cover the Council's assets and liabilities, are reconciled on a quarterly basis. In addition, a number of key Balance Sheet control accounts are now reconciled on a monthly basis as part of the revenue monitoring process. This is part of a proactive approach to Balance Sheet management which, if carried out on a timely basis, ensures the early identification of problems which could impact on the Council's financial position.
24. Key control accounts are assessed based on experience from previous years, materiality and reliance on third party data. Those key control accounts reconciled as at 30 June 2017 are operating satisfactorily.

Consultation

25. The Leader of the Council has been consulted on this report.

Alternative Options

26. There are no alternative options proposed.

Implications of Recommended Option

27. Resources

- a. **Financial Implications** – The Strategic Director, Corporate Resources confirms these are as set out in the report and Appendix 2 and 3.
- b. **Human Resource Implications** – There are no direct Human Resource implications as a consequence of this report.
- c. **Property Implications** – There are no direct property implications as a consequence of this report.

28. **Risk Management Implication**

Regular budget monitoring and the associated action planning that arise from this activity assists in reducing the risk of the Council overspending its agreed budget. This enables effective financial planning which allows the Council to deploy resources in line with priorities.

29. **Equality and Diversity Implications - Nil.**

30. **Crime and Disorder Implications - Nil.**

31. **Health Implications - Nil**

32. **Sustainability Implications –** Regular budget monitoring and allocated actions contributes to the financial sustainability of the Council.

33. **Human Rights Implications - Nil.**

34. **Area and Ward Implications -** Revenue spending supports the delivery of services across the whole of Gateshead.