

TITLE OF REPORT: Revenue Budget - Third 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 third quarter to 31 December 2017. Cabinet is asked to note the contents of the report.

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 31 December 2017.
3. Council agreed the original revenue budget for 2017/18 on 23 February 2017. This was set at £197.486m. Council approved an amendment to the net revenue budget of £5.163m in relation to the Improved Better Care Fund on 20 July 2017, resulting in a revised revenue budget for 2017/18 of £202.649m.

Proposal

4. Without any further action the projected outturn for 2017/18 at 31 December 2017 is £203.282m compared to the estimate of £202.649m which results in a projected over spend of £0.633m.
5. 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.
6. Key budget variances have been identified in the third quarter review in respect of Social Care. These areas of budget pressure are currently partially offset by under spends in Capital Financing Costs, one-off dividends and rebates, and an overachievement of income in other areas. 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.
7. 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

8. It is requested that Cabinet:

- Notes the Council's revenue expenditure position at 31 December 2017, as set out in Appendix 1.

For the following reason:

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

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 31 December 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. Council approved an amendment to the net revenue budget of £5.163m in relation to the Improved Better Care Fund on 20 July 2017, resulting in a revised revenue budget for 2017/18 of £202.649m.
6. Appendix 2 details the 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 31 December 2017 is £203.282m compared to the estimate of £202.649m which results in a projected over spend of £0.633m.

Variations

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

Care, Wellbeing and Learning

8. The projected over spend of £2.744m on Social Work - Children and Families relates mainly to placement expenditure and higher than expected staffing costs. Action planning is continuing in this area.
9. The projected over spend of £1.289m on Early Help and Education relates to Home to School/College transport costs and unachieved savings. Specific action planning is continuing to address the over spend.
10. The projected over spend of £0.256m on Commissioning and Quality Assurance relates to higher than expected agency costs and over spends on supporting people.
11. The projected under spend of £0.612m on Learning and Schools relates to employee costs and PFI.

12. The projected over spend of £2.039m on Adult Social Care relates to service pressures and savings yet to be delivered.
13. 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

14. The projected under spend of £0.233m on Development, Transport and Public Protection relates to lower than expected employee costs.
15. The projected over spend of £0.289m on Commissioning and Neighbourhoods relates to an over spend on the waste disposal contract and lower than anticipated income in relation to energy.
16. The projected under spend of £0.228m on Street Scene relates to under spends on waste services and fleet.
17. The projected under spend of £0.314m on Economic Development relates mainly to an overachievement of income and some under spends on employee costs.

Corporate Services and Governance

18. The projected under spend of £0.491m on Human Resources and Litigation relates mainly to an underutilisation of Invest to Save funding and the receipt of more income than expected for parliamentary elections and service level agreements.

Corporate Resources

19. The projected under spend of £0.338m on ICT Services relates mainly to the reprofiling of resources to support the roll out of technology improvements.

Other Services and Contingencies

20. The projected under spend of £1.107m on Other Services and Contingencies relates to an over spend on the Pension Equalisation Account which is offset by the receipt of a one-off NNDR refund for the Civic Centre for which consideration will be given to transfer to reserves. There is also an expectation that the Contingency funding will not be fully utilised.

Capital Financing Costs

21. The projected under spend of £1.523m 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.

Traded and Investment Income

22. The projected under spend of £1.500m on Traded and Investment Income relates to an overachievement of Trinity Square, SCAPE and Investment Income, and the receipt of a one-off dividend from Newcastle Airport.

Reserves

23. It was planned that £9.485m would be required to support the revenue budget in 2017/18 and projections currently show that actual use will be contained within this amount.

Balance Sheet Management

24. 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, when carried out on a timely basis, ensures the early identification of problems which could impact on the Council's financial position.
25. 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 31 December 2017 are operating satisfactorily.

Consultation

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

Alternative Options

27. There are no alternative options proposed.

Implications of Recommended Option

28. Resources

- a. **Financial Implications** – The Strategic Director, Corporate Resources confirms these are as set out in the report and Appendix 2.
- 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.

29. 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.

30. Equality and Diversity Implications - Nil.

31. Crime and Disorder Implications - Nil.

32. Health Implications - Nil

33. **Sustainability Implications** – Regular budget monitoring and allocated actions contributes to the financial sustainability of the Council.
34. **Human Rights Implications** - Nil.
35. **Area and Ward Implications** - Revenue spending supports the delivery of services across the whole of Gateshead.