

TITLE OF REPORT: Revenue Outturn 2017/18

REPORT OF: Darren Collins, Strategic Director, Corporate Resources

Purpose of the Report

1. This report sets out the Council's revenue outturn position for the financial year 2017/18 prior to audit.
2. This report also recommends to Council appropriations to and from reserves consistent with previous decisions, accounting policies, the principles set out in the Medium Term Financial Strategy (MTFS) and requirements of the Accounting Code of Practice.

Background

3. Cabinet receives quarterly reports on the agreed revenue budget so that any variances can be identified and addressed. This report sets out the final revenue outturn position for 2017/18 on a consistent basis to the revenue budget monitoring framework.
4. 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.

Revenue Outturn 2017/18

5. Monitoring during the year projected an over spend of £0.633m as reported to Cabinet on 23 January 2018 although it was concluded that the outturn would be delivered within budget.
6. The final revenue outturn on services is £202.790m and there is an increase in funding from original budget of £1.409m, which results in an overall under spend of £1.268m after proposed movement of reserves.
7. The position includes the use of £3.951m of reserves and a proposal to appropriate £3.941m into reserves. This includes budget flexibility requests for 2017/18 of £1.880m, and a proposed appropriation to reserves of the dividend received from Newcastle Airport of £0.952m.
8. Whilst the outturn position is positive, it should be noted that some one-off areas of under spend and additional income have contributed to this position:
 - There is a £1.436m under spend on Capital Financing which is due to active management of debt including deferral of borrowing by using cash balances

which has resulted in reduced borrowing costs during 2017/18, as well as some slippage on the programme itself.

- Traded and Investment Income over achieved budget by £2.518m due to savings delivered by the Insurance Fund, and income received in relation to the Trinity Square Partnership with Northumbria University, SCAPE and the Housing Company.
- An under spend of £0.999m on Other Services and Contingencies was mainly a result of the receipt of a one off refund in relation to business rates.
- Additional grant funding of £1.409m was received as a result of Government changes in relation to business rates funding.

9. The outturn position includes a provision for workforce management totalling £3.514m.

10. Further detail on the outturn position can be found in Appendix 1.

Appropriations to/from Reserves

11. The proposed movement of Earmarked reserves is outlined below:

- The agreed budget framework allows flexibility to carry forward appropriate underspent balances for reinvestment the following year. It is proposed that a total of £1.102m is transferred from this reserve to match expenditure incurred and £1.880m appropriated into this reserve.
- It is proposed that appropriate expenditure totalling £0.128m be funded from the Economic Growth reserve, and that the dividend of £0.952m, received from Newcastle Airport, be appropriated into this reserve to support the Council's Thrive Agenda.
- It is proposed that appropriate expenditure totalling £0.133m be funded from the Discretionary Social Fund reserve.
- It is proposed that appropriate expenditure totalling £0.025m be funded from the Voluntary Sector reserve.
- It is proposed that appropriate expenditure totalling £0.138m be funded from the Anti-Poverty reserve.
- It is proposed that £0.314m be appropriated from the Grant Clawback reserve as this is no longer required.
- It is proposed that appropriate expenditure totalling £1.690m be funded from the Grants and Contributions reserve.
- Receipts from Section 106 and Section 38 agreements should be appropriated into the Developers' Contributions reserve which can then be used to fund specific development expenditure. A total of £0.907m was received in year, which is proposed to be appropriated to the reserve, and it is proposed that £0.421m be used to fund expenditure incurred in the current year.

- Public Health expenditure was £0.202m under budget and so it is proposed that this be appropriated into the ring-fenced Public Health reserve.
12. These proposals would result in a reduction in Earmarked reserves of £0.010m.
 13. It is proposed that the overall under spend against budget of £1.268m is included in the General Fund reserve.
 14. In addition to this it is proposed that the over spend on school budgets in 2017/18 of £0.268m is appropriated from the ring-fenced Schools LMS Budget Share reserve, and the over spend of £2.011m on Dedicated Schools Grant (DSG) be appropriated from the Earmarked DSG reserve.
 15. There is an overall surplus on the Housing Revenue Account (HRA) of £6.595m. The HRA is ring-fenced and does not form part of the General Fund reserve. It is proposed that the surplus be transferred to the HRA reserve.
 16. The outcomes set out in this report have been reflected in the draft Statement of Accounts for 2017/18 that is subject to audit.

Recommendations

17. It is requested that Cabinet:
 - Notes the Council's 2017/18 revenue outturn position as an under spend of £1.268m, subject to audit.
 - Recommend to Council the appropriations to and from reserves outlined in paragraphs 11-16.

For the following reason:

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

APPENDIX 1

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's objectives of making Gateshead a place where everyone thrives by 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 final outturn position on the 2017/18 revenue budget.
4. 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.
5. Appendix 2 details the agreed budget for 2017/18 compared to the outturn for the year.
6. Appendix 3 provides further details on the proposed use of reserves for 2017/18.

Revenue Outturn 2017/18

7. Monitoring during the year projected an over spend of £0.633m as reported to Cabinet on 23 January 2018 although it was concluded that the outturn would be delivered within budget.
8. The final revenue outturn on services was £202.790m and there was an increase in funding from original budget of £1.409m. This results in an overall under spend of £1.268m after proposed movement of reserves.
9. The position includes the use of £3.951m of Earmarked reserves and a proposal to appropriate £3.941m into Earmarked reserves.
10. It is proposed that the under spend of £1.268m be appropriated to the General Fund reserve.
11. In addition to this it is proposed that the over spend on school budgets in 2017/18 of £0.268m is appropriated from the ring-fenced Schools LMS Budget Share reserve, and the over spend of £2.011m on Dedicated Schools Grant (DSG) be appropriated from the Earmarked DSG reserve.
12. There is an overall surplus on the Housing Revenue Account (HRA) of £6.595m. The HRA is ring-fenced and does not form part of the General Fund reserve. It is proposed that the surplus be transferred to the HRA reserve.

13. The overall reserves position will be considered further with a review of the Council's reserve strategy as part of the Medium Term Financial Strategy (MTFS) to be reported to Cabinet on 17 July 2018.
14. Service outturn is shown in Appendix 2. Although the outturn is positive, it masks over spends in some services and also includes a number of areas of one-off additional funding. The positive outturn remains a significant achievement given the financial pressures faced by all services and enables the Council's sound financial position to be maintained within an extremely challenging economic and financial context.
15. Quarterly reports to Cabinet have identified that the Council's budget has continued to face increasing pressures in a number of areas. The main variances to budget on a group basis are outlined below:

Care, Wellbeing and Learning

16. The over spend of £2.718m on Social Work - Children and Families relates mainly to placement expenditure for Looked After Children, and higher than expected agency staffing costs.
17. The over spend of £1.258m on Early Help and Education relates mainly to Home to School/College transport costs, Family Support, and over spends on staffing budgets.
18. The under spend of £0.691m on Learning and Schools relates mainly to an over achievement of income from PFI unitary and funding gap charges, as well as some under spends on staffing and premises costs.
19. The over spend of £3.325m on Adult Social Care relates to mainly to higher than expected care costs for Direct Payments, over spends on staffing costs, and one off reductions in income.
20. Public Health expenditure benefitted from lower than expected contract costs. It is proposed that the under spend of £0.202m be moved to the ring fenced Public Health reserve.

Communities and Environment

21. The under spend of £0.288m on Council Housing, Design and Technical Service relates to an over achievement of income and an increase in grant income.
22. The under spend of £0.346m on Street Scene relates to an over achievement of recharge income for Fleet and a surplus on the Maintenance trading account.

Corporate Services and Governance

23. The under spend of £0.624m on Human Resources and Litigation relates to an over achievement of income.

Corporate Resources

24. The over spend of £0.302m on Trading and Commercialisation relates mainly to an under achievement of income in relation to Leisure, which is partly offset by an over achievement of income for School Catering and Building Cleaning.

Other Services and Contingencies

25. An amount of £3.811m of Contingency remained unused at the end of the year. This relates to contractual inflation, winter maintenance and workforce management. Within Other Services, £3.514m was moved to the redundancy provision to cover the expected costs for the next two financial years. The council also received a one-off NNDR refund for the Civic Centre.

Capital Financing Costs

26. The under spend of £1.436m on Capital Financing Costs is mainly due to active management of debt including deferral of borrowing by using cash balances which has resulted in reduced borrowing costs during 2017/18, as well as some slippage on the programme itself.

Traded and Investment Income

27. The under spend of £2.518m relates to an increase in expected income from the Trinity Square Partnership with Northumbria University, SCAPE and from the Housing Company in relation to construction works. The Insurance Fund also delivered a saving against budget due to an overall reduction in claim costs. It is proposed that the dividend from Newcastle Airport of £0.952m be appropriated to the Earmarked reserves.

Schools

28. Schools reserves have decreased from £5.473m to £5.205m, as there was an over spend on schools of £0.268m for 2017/18, which is proposed to be funded from the LMS Schools reserve. This forms part of the total General Fund reserve.
29. The Dedicated Schools Grant (DSG) also over spent in 2017/18 by £2.011m and it is proposed that this be met from the DSG reserve, which is a ring-fenced Earmarked reserve.

Housing Revenue Account

30. There is an overall surplus on the Housing Revenue Account (HRA) of £6.595m. The HRA is ring-fenced and does not form part of the General Fund reserve. It is proposed that the surplus be transferred to the HRA reserve, which will increase, from £27.359m to £33.954m.

Savings

31. The overall target for revenue savings in 2017/18 was £13.190m. The final outturn for achieved savings was £9.344; a shortfall of £3.846m, the majority of which relates to the delivery of social care savings. This shortfall formed part of the

approach to the financial planning underpinning the setting of the 2018/19 revenue budget.

Reserves

32. A summary of the proposed movements to and from reserves is attached at Appendix 3. The actual proposed usage of reserves for the year is £3.951m. In addition, it is also proposed that £3.941m is moved to reserves; this includes the £0.952m dividend from Newcastle Airport, £1.880m budget flexibility and £1.109m ring-fenced reserves.
33. The final position on reserves has been reflected in the draft 2017/18 Financial Statements. The overall reserve position and strategy will be reviewed as part of the Medium Term Financial Strategy (MTFS) to be reported to Cabinet on 17 July 2018. The 2017/18 Financial Statements are subject to audit.

Consultation

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

Alternative Options

35. There are no alternative options proposed.

Implications of Recommended Option

36. **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.

37. **Risk Management Implication**

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

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

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

40. **Health Implications** - Nil

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

42. **Human Rights Implications** - Nil.

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