

TITLE OF REPORT: Revenue Budget - First Quarter Review 2018/19

REPORT OF: Darren Collins, Strategic Director, Corporate Resources

Purpose of the Report

1. This report sets out the latest monitoring position on the 2018/19 revenue budget at the end of the first quarter to 30 June 2018. Cabinet is asked to note the contents of the report and recommend the approval of administrative virements 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 2018.
3. Council agreed the original revenue budget for 2018/19 on 22 February 2018. This was set at £203.466m.

Proposal

4. Without any further action the projected outturn for 2018/19 at 30 June 2018 is £213.020m compared to the estimate of £203.466m. A review of the projected requirement for contingency mitigates this position by £1.632m, and this therefore results in a projected over spend of £7.922m. The projection for the year includes the planned use of £3.371m reserves, plus £1.337m from the Strategic Revenue Investment reserve.
5. The following administrative budget virements are required in order to re-align budgets to the Service with the responsibility for service delivery:
 - £0.777m from Learning and Schools to Capital Financing for PFI interest payable.
 - £0.264m from Commissioning and Quality Assurance to Early Help in relation to a staffing restructure for Early Help Hub.
 - £0.412m from Public Health to various services (£0.084m Communities and Neighbourhoods, £0.032m Development, Transport and Public Protection, £0.015m Early Help and Education, £0.037m Street Scene and £0.244m Trading and Commercialisation) in relation to recharges.
6. Active management by Corporate Management Team and the wider Leadership Team of the Council 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. The overall budget position will continue to be subject to close review as services change to deliver the Council's Thrive policy priorities.

7. Key budget variances have been identified in the first quarter review in respect of Social Care. Specific action plans have been prepared to address the areas of over spend and these areas will remain under review. The agreed savings for 2018/19 will continue to be actively monitored to facilitate delivery of the agreed budget.
8. It is important that effective budget monitoring and action planning is in place to ensure that spending in 2018/19 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

9. It is requested that Cabinet:
 - Notes the Council's revenue expenditure position at 30 June 2018, as set out in Appendix 1.
 - Recommends to Council approval of the administrative virements outlined in Paragraph 5.

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'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 latest position on the 2018/19 revenue budget as at 30 June 2018 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 2018/19 on 22 February 2018. This was set at £203.466m.
6. Appendix 2 details the proposed revised budget for 2018/19 compared to an assessment of the projected outturn for the year. Without any further action the projected outturn for 2018/19 at 30 June 2018 is £213.020m compared to the estimate of £203.466m. A review of the projected requirement for contingency mitigates this position by £1.632m, and this therefore results in a projected over spend of £7.922m.
7. At the end of the first quarter of the year, the projected use of reserves is £3.371m, plus £1.337m from the Strategic Revenue Investment reserve.

Variations

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

Care, Wellbeing and Learning

9. The projected over spend of £4.181m on Social Work - Children and Families relates mainly to placement expenditure and higher than expected employee costs. Action planning is continuing in this area.
10. The projected over spend of £0.923m on Early Help and Education relates to higher than expected direct payments and employee costs. Specific action planning is continuing to address the over spend.
11. The projected over spend of £0.254m on Commissioning and Quality Assurance relates to higher than expected employee costs and expenditure with voluntary organisations.

12. The projected under spend of £0.330m on Learning and Schools relates to employee costs and PFI.
13. The projected over spend of £4.523m on Adult Social Care relates to service pressures and savings yet to be delivered.

Corporate Resources

14. The projected over spend of £0.901m on Trading and Commercialisation relates mainly to an underachievement of income and over spends on employee costs within Leisure Services.

Virements

15. The following administrative budget virements are required in order to re-align budgets to the Service with the responsibility for service delivery:
 - £0.777m from Learning and Schools to Capital Financing for PFI interest payable.
 - £0.264m from Commissioning and Quality Assurance to Early Help in relation to a staffing restructure for Early Help Hub.
 - £0.412m from Public Health to various services (£0.084m Communities and Neighbourhoods, £0.032m Development, Transport and Public Protection, £0.015m Early Help and Education, £0.037m Street Scene and £0.244m Trading and Commercialisation) in relation to recharges.

Summary

16. The projected over spend as at 30 June 2018 of £9.554m is after the application of reserves in line with the usage agreed as part of 2018/19 budget.
17. 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 Corporate Management Team and with updates to Cabinet.

Balance Sheet Management

18. 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 should ensure the early identification of issues that may impact on the Council's financial position.
19. 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 2018 are operating satisfactorily.

Consultation

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

Alternative Options

21. There are no alternative options proposed.

Implications of Recommended Option

22. 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.

23. 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.

24. Equality and Diversity Implications - Nil.

25. Crime and Disorder Implications - Nil.

26. Health Implications - Nil

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

28. Human Rights Implications - Nil.

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