

TITLE OF REPORT: Revenue Budget - Second 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 second quarter to 30 September 2018. Cabinet is asked to note the contents of the report and recommend the approval of an administrative virement.

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 September 2018.
3. Council agreed the original revenue budget for 2018/19 on 22 February 2018. This was set at £203.466m.
4. The projected outturn for 2018/19 at 30 June 2018 was an over spend of £7.922m. This included planned use of £3.371m of reserves, plus £1.337m from the Strategic Revenue Investment reserve and this was reported to Cabinet on 17 July 2018. The Cabinet report identified that management would continue to seek to deliver the outturn within the original estimate.

Proposal

5. Without any further action the projected outturn for 2018/19 at 30 September 2018 is £208.655m compared to the estimate of £203.466m, an over spend of £5.189m. The projection for the year includes the planned use of £4.582m reserves, plus £1.337m from the Strategic Revenue Investment reserve.
6. Active management by Corporate Management Team and the wider Leadership Team of the Council will continue 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, although lower than in the first quarter, have continued in the second quarter in respect of Social Care. Action plans to address the areas of over spend 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.
9. In relation to the management of the budget the following administrative budget virement is required in order to align budgets with responsibility for service delivery:
 - £0.628m from Social Work – Children & Families to Early Help & Education to realign budgets following a service restructure.

Recommendations

10. It is requested that Cabinet:
 - (i) notes the Council's revenue expenditure position at 30 September 2018, as set out in Appendix 1.
 - (ii) approves the administrative virement outlined in Paragraph 9.

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 latest position on the 2018/19 revenue budget as at 30 September 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 September 2018 is £208.655m compared to the budget of £203.466m, this therefore results in a projected over spend of £5.189m.
7. At the end of the second quarter of the year, the projected use of reserves is £4.582m, plus £1.337m from the Strategic Revenue Investment reserve.
8. Additional funding of £240m for adult social care has been announced by the Department of Health and Social Care. This funding is to help councils alleviate winter pressures on the NHS by getting patients home quicker and freeing up hospital beds across England. Gateshead have been allocated £1.133m of the funding available but as detailed guidance and conditions have not been made available to date this has not been included in the overall outturn position in this report.

Variations

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

Care, Wellbeing and Learning

10. The projected over spend of £4.945m on Social Work - Children and Families relates mainly to placement expenditure and higher than expected employee costs. Action planning is continuing in this area.

11. The projected over spend of £1.061m on Early Help and Education relates to higher than expected direct payments and employee costs. There are also £0.403m of 2017/18 savings remaining to be allocated. Specific action planning is continuing to address the over spend.
12. The projected over spend of £2.761m on Adult Social Care relates to service pressures and savings yet to be delivered. Action is being taken to reduce demand and package costs.

Communities and Environment

13. The projected under spend of £0.174m on Development, Transport and Public Protection relates to reduced employee costs as a result of vacant posts offset by unachieved income from bus lane enforcement.
14. The projected under spend of £0.433m on Street Scene relates to an over achievement of fleet income offset by over spends on highway repair costs.

Corporate Services & Government

15. The projected under spend of £0.173m on Legal & Democratic Services relates to reduced employee costs and an over achievement of income for data protection services and conveyancing.
16. The projected over spend of £0.183m on Property & Corporate Asset Management is as a result of higher than anticipated repairs and maintenance costs and reduced rental income partially offset by additional income from Trinity Square.
17. The projected over spend of £0.103m on Corporate Commissioning and Procurement relates to an underachievement of print unit income.

Corporate Resources

18. The projected under spend of £0.213m on Customer & Financial Services relates to an over achievement of income for fees and charges.
19. The projected over spend of £0.168m on Housing Benefits relates to an increase to the bad debt provision to offset the potential non-recovery of bad debt overpayments.
20. The projected under spend of £0.204m on IT Services relates to reduced employee costs and an under spend on general IT costs.
21. The projected over spend of £0.649m on Trading and Commercialisation relates mainly to an underachievement of income and over spends on employee costs within Leisure Services.

Virements

22. The virement of £0.628m is required from Social Work – Children & Families to Early Help & Education to realign budgets to the Service with the responsibility for service delivery.

Summary

23. The projected over spend as at 30 September 2018 of £5.189m is after the application of reserves in line with the usage agreed as part of 2018/19 budget.
24. 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

25. 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.
26. 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 September 2018 are operating satisfactorily.

Consultation

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

Alternative Options

28. There are no alternative options proposed.

Implications of Recommended Option

29. Resources

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

30. 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.

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