

**TITLE OF REPORT:** Revenue Budget – First Quarter Review 2019/20

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

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### **Purpose of the Report**

1. This report sets out the latest monitoring position on the 2019/20 revenue budget at the end of the first quarter. 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 the end of the first quarter.
3. Council agreed the original revenue budget for 2019/20 on 21 February 2019. This was set at £206.999m.

### **Proposal**

4. Without any further action the projected outturn for 2019/20 at the end of the first quarter is £210.172m compared to the budget of £206.999m, this represents an over spend of £3.173m. The over spend is mitigated by known additional funding of £0.110m resulting in an overall projected over spend of £3.063m. The projection for the year includes the use of £3.262m of reserves consistent with agreed usage.
5. Active management by council officers across the council will aim to ensure that spending for the year remains contained within the current estimate, therefore no change in the total revenue budget is recommended in this report.
6. Key budget variances have been identified in the first quarter review in respect of Adult Social Care, Street Scene and Trading and Commercialisation. Action plans to address areas of over spend are being put in place to ensure that budget variances and shortfalls on savings targets are addressed. Progress against action plans will be monitored by Corporate Management Team.
7. The agreed savings for 2019/20 will continue to be actively monitored to facilitate delivery of the approved budget.
8. It is important that effective budget monitoring and action planning is in place to ensure that spending in 2019/20 is contained within approved budgets as this will contribute to a sustainable financial position for the Council.

## Recommendations

9. It is requested that Cabinet:

- Notes the Council's revenue expenditure position at the end of the first quarter, 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.

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**PLAN REF:**

## 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 the Council's objectives of making Gateshead a place where everyone thrives by assisting in 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 2019/20 revenue budget at the end of the first quarter and projects spending and income to the end of the financial year.
4. Council agreed the original revenue budget for 2019/20 on 21 February 2019. This was set at £206.999m.
5. The reported position includes £0.110m of additional funding in respect of Better Care Funding.
6. Appendix 2 details the budget for 2019/20 compared to an assessment of the projected outturn for the year. Without any further action the projected outturn for 2019/20 results in a projected over spend of £3.063m.
7. At the end of the first quarter of the year, the projected use of reserves is £3.262m.
8. It is currently projected that £1.574m (12%) of the £13.113m agreed savings proposals will not be achieved. Action is being taken now to address this as well as ensuring those areas with temporary mitigation from reserves are achieved by March 2020.

### Variations

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

### Care, Wellbeing and Learning

10. The projected over spend of £0.234m on Social Work - Children and Families relates mainly to placement expenditure and higher than expected employee costs.
11. The projected over spend of £2.346m on Adult Social Care relates to packages of care and contractual cost increases.
12. The projected over spend of £0.408m on Commissioning & Quality Assurance relates to delayed changes to contractual payments for voluntary organisations and delays to the remodelling of the supporting people service.

## **Communities and Environment**

13. The projected over spend of £0.742m on Street Scene relates to an underachievement of income due to the planned six months closure of Birtley Crematorium, which may be delayed, and an over spend on employee costs.
14. The projected over spend of £0.420m on Development, Transport and Public Protection relates to unachieved income for bus lane enforcement, car parking permits and parking enforcement.
15. The projected over spend of £0.361m on Council Housing, Design and Technical Services relates to projected underachievement of income and an over spend on employee costs.

## **Corporate Services & Governance**

16. The projected over spend of £0.250m on Corporate Commissioning and Procurement relates to a projected shortfall in rebate income and a projected deficit in relation to the print unit.

## **Corporate Resources**

17. The projected over spend of £0.545m on Trading and Commercialisation relates mainly to an underachievement of income within Leisure services and Civic Catering mitigated by under spends in other areas of the service.

## **Other Services, Capital Financing and Trading and Investment income**

18. There is a positive contribution to the reported position as a consequence of less borrowing being undertaken than estimated within original budget estimates due to anticipated changes to the capital programme.
19. There is a projected under spend of £0.477m on Other Services and Traded and Investment Income this relates to a positive contribution from the Insurance Fund and higher than anticipated investment income, offset by an under achievement of income from Trinity Square.

## **Summary**

20. The projected over spend at the end of the first quarter of £3.063m is after the application of £3.262m of reserves in line with the usage agreed as part of 2019/20 budget.
21. 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.

## Reserves

22. The £3.262m projected use of reserves includes £2.264m of Strategic Reserves and £0.998m of ringfenced reserves in line with agreed usage as follows:

### *Strategic Reserves*

- £1.867m Budget Flexibility Reserve
- £0.157m Economic Growth, Culture and Place Shaping Reserve
- £0.150m Discretionary Social Fund
- £0.090m Anti-Poverty Reserve

### *Ringfenced Reserves*

- £0.286m Grants and Contributions Reserve
- £0.159m Developers Contributions Reserve
- £0.553m Public Health Reserve

## 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 should ensure the early identification of issues that may 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 at the end of the first quarter 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**

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