

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

REPORT OF: Darren Collins, Strategic Director, Resources & Digital

Purpose of the Report

1. This report sets out the latest monitoring position on the 2019/20 revenue budget at the end of the third 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 third quarter.
3. Council agreed the original revenue budget for 2019/20 on 21 February 2019. This was set at £206.999m. This was subsequently revised to £207.262m on 20 November 2019 following the receipt of additional funding of £0.263m.
4. The Dedicated Schools Grant (DSG) budget for 2019/20 was agreed by Council on 21 February 2019 as £102.441m.
5. Council agreed the original Housing Revenue Account (HRA) budget for 2019/20 on 24 January 2019. This was set as a net deficit of £8.382m funded from planned use of reserves.

Proposal

6. Without any further action the projected outturn for 2019/20 at the end of the third quarter is £209.072m compared to the budget of £207.262m, this represents an overspend of £1.810m. The projection for the year includes the use of £3.640m of reserves and £0.737m of contingency.
7. It remains the intention to deliver the revenue outturn at the year end in line with budget.
8. Key budget variances identified in the third quarter review are those in respect of Children's Social Care and Adult Social Care. Action plans to address areas of overspend are in place to ensure that budget variances and shortfalls on savings targets are addressed. Progress against action plans is being monitored by Corporate Management Team.
9. The agreed savings for 2019/20 will continue to be actively monitored to facilitate delivery of the approved budget.

10. The HRA outturn at quarter 3 is projected to be a £7.451m use of reserve, compared to the budget of £8.382m, this is a reduction of £0.932m.
11. 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

12. It is requested that Cabinet notes the Council's revenue expenditure position at the end of the third 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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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 third 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. This was subsequently revised to £207.262m on 20 November 2019 following the receipt of additional funding of £0.263m.
5. 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 £1.810m. It remains the intention to deliver the revenue outturn at the year end in line with budget.
6. At the end of the third quarter of the year, the projected use of reserves is £3.640m.
7. It is currently projected that £1.171m (11%) 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.
8. The Council retained element of the DSG budget is agreed in February within the Budget and Council Tax Level Report. The 2019/20 budget was agreed as £102.441m. During the first six months of the year adjustments were made reducing the budget to £101.620m.
9. The projected HRA outturn at quarter 3 is on target with an estimated £7.451m use of reserve compared to the budget of £8.382m, this is a reduction of £0.932m. This is mainly due to £1.273m of slippage on the budgeted capital expenditure, offset by income on void properties.

Variations

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

Children, Adults & Families

11. The projected over spend of £0.830m on Children's Social Care relates to additional expenditure on placement costs.
12. The projected over spend of £2.146m on Adult Social Care relates to an increased cost of packages of care which is being considered in overall action planning.

Public Health & Wellbeing

13. The projected over spend of £0.290m relates to unachieved income and increased premises costs in relation to Leisure Services.

Housing, Environment and Healthy Communities

14. The projected over spend of £0.460m Highways and Waste relates to unachieved income in several areas including bus lane enforcement and parking.
15. The projected over spend on Environment and Fleet Management of £0.618m relates to an underachievement of income relating to cemeteries and crematoria, an unachieved saving on fuel and unbudgeted expenditure in relation to fly tipping.

Other Services, Capital Financing and Trading and Investment income

16. There is a positive contribution to the reported position as a consequence of less borrowing being undertaken than estimated within the original budget estimates.
17. There is a projected under spend of £0.646m 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.

Housing Revenue Account

18. There is currently a shortfall in income of £0.713m relating to rental income (£0.418m), fees and charges (£0.104m) and other income (£0.208m). This is offset by reduced expenditure of £1.645m, which mainly relates to a projected underspend on the capital programme of £1.273m and lower than budgeted borrowing costs of £0.338m.

Summary

19. The projected over spend at the end of the third quarter of £1.810m is after the application of £3.640m of reserves in line with the usage agreed as part of 2019/20 budget.
20. 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

21. The £3.640m projected use of reserves includes £2.656m of Strategic Reserves and £0.984m of ringfenced reserves in line with agreed usage as follows:

Strategic Reserves

- £1.868m Financial Risk and Resilience Reserve
- £0.020m Budget Sustainability Reserve
- £0.461m Economic, Housing and Environmental Investment Reserve
- £0.307m Poverty, Health and Equality Investment Reserve

Ringfenced Reserves

- £0.209m Grants and Contributions Reserve
- £0.226m Developers Contributions Reserve
- £0.549m Public Health Reserve

Balance Sheet Management

22. 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.
23. 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 third quarter are operating satisfactorily.

Consultation

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

Alternative Options

25. There are no alternative options proposed.

Implications of Recommended Option

26. Resources

- Financial Implications** – The Strategic Director, Resources and Digital 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.

27. **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.

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

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

30. **Health Implications - Nil**

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

32. **Human Rights Implications - Nil.**

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