

TITLE OF REPORT: Revenue Budget Monitoring 2015/16

REPORT OF: Darren Collins, Strategic Director, Corporate Resources

Purpose of the Report

1. This report sets out the latest monitoring position on the 2015/16 revenue budget at the end of the third quarter to 31 December 2015. Cabinet is asked to note the contents of the report and agree to recommend to Council a revised net revenue budget that incorporates additional Public Health grant income following the transfer of responsibility to the Council for the funding of public health services for children aged 0-5 years old.

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 31 December 2015.
3. Council agreed the original revenue budget for 2015/16 on 26 February 2015. This was set at £215.270m (excluding schools). An amendment was approved by Cabinet on 14 July 2015 when the budget was adjusted to reflect the direct funding of the Better Care Fund to the CCG resulting in a revised revenue budget of £205.400m.
4. From 1 October 2015 the responsibility for provision of public health services for children aged 0-5 years old has transferred to the Council together with grant funding. The additional funding for the final six months of 2015/16 is £1.987m, increasing the total Public Health grant from £14.851m to £16.838m. This report therefore requests Cabinet to recommend to Council a revision to the net revenue budget for 2015/16 from £205.400m to £207.387m.
5. The Council also received confirmation on 4 November 2015 that it would be subject to an in-year cut in Public Health grant funding of £1.042m as part of a national £200m reduction in Public Health funding by Government. The monitoring assumes that the in-year cut of Public Health grant income will be covered by the deployment of ring-fenced reserves to support the existing budget.
6. The previous projected outturn at the end of Quarter 2 as at 30 September 2015 was £207.157m compared to the revised estimate of £205.400m; a projected over spend of £1.757m for the year.

Proposal

7. Without any further action, the projected outturn for 2015/16 at 31 December 2015 is £208.247m compared to the revised estimate of £207.387m, a projected over spend of £0.860m for the year.
8. Continued monitoring within services, regular reports to Strategy Group and the delivery of action plans to address budget variances and shortfall on savings targets will aim to ensure that spending for the year remains contained within the current estimate. This report does not recommend a change to the current revised revenue budget as a consequence of the budget monitoring position.
9. Key budget variances have been identified in the third quarter review in respect of the Children and Families Service in relation to Looked After Children (LAC) and fostering placements, and in Communities & Environment to reflect a shortfall in relation to leisure facilities' income. There are also a number of areas where there is currently a shortfall in the achievement of agreed savings for 2015/16. These areas of budget pressure are currently partially offset by additional health income in Adult Social Care, projected underspends in contingencies and lower than planned capital financing costs. Specific action plans have been prepared to address the areas of overspend and these areas will remain under review.
10. It is important that effective budget monitoring and action planning is in place to ensure that spending in 2015/16 is contained within approved budgets as this will contribute to a sustainable financial position for the Council. Any overspend at the end of the financial year will result in the 2016/17 funding gap being increased.

Recommendations

11. Cabinet is asked to:
 - i. Note the Council's revenue expenditure position at 31 December 2015, as set out in Appendix 1 and 2.
 - ii. Agree to recommend to Council a revised net revenue budget for 2015/16 from £205.400m to £207.387m to reflect the additional Public Health grant income following the transfer of responsibilities to the Council for the provision of public health services for children aged 0-5 years old.

For the following reason:

To contribute to the sound financial management 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 Vision 2030 and the Council Plan objective of 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 2015/16 revenue budget as at 31 December 2015 and projects spending and income to the end of the financial year.
4. Council agrees the revenue budget and it also approves any variations and revisions to the original budget.
5. Council agreed the original revenue budget for 2015/16 on 26 February 2015. This was set at £215.270m (excluding schools). An amendment was approved by Cabinet on 14 July 2015 when the budget was adjusted to reflect the direct funding of the Better Care Fund to the CCG resulting in a revised revenue budget of £205.400m. It is recommended this is adjusted to £207.387m to reflect additional Public Health grant income. The monitoring assumes that an in-year cut of Public Health grant income will be covered by the deployment of ring-fenced reserves to support the existing budget.
6. Appendix 2 details the revised budget for 2015/16 compared to an assessment of the projected outturn for the year.
7. At the end of the third quarter of the year, the projected outturn of £208.247m is £0.860m more than the revised budget.

Variations

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

Care, Wellbeing & Learning

9. The projected over spend of £1.261m on Social Work - Children and Families relates to placement expenditure for Looked After Children (LAC) in Out of Borough Residential, Independent Fostering, In-House Fostering, Special Guardianships and the Adoption Service. There has been an increase in LAC numbers at the end of the period, with 372 compared to the 370 reported at Quarter 2. Action planning is continuing in this area which is linked to the Children's Social Care Financial Strategy.

10. The projected under spend of £0.282m on Children and Families Support relates mainly to a reduction in grant income for the Youth Offending Team and salary slippage.
11. The projected over spend of £0.396m on Children's Commissioning relates to Home to School/College transport costs, with specific focussed action planning continuing to address the over spend.
12. The projected under spend of £0.316m on Learning and Schools relates to higher than anticipated premature retirement and dismissal costs and reductions in income from schools that have been more than offset by reductions in salary costs.
13. The projected over spend of £0.718m on the Housing General Fund relates mainly to the timing of agreed savings with delivery currently being discussed with the Gateshead Housing Company. A strategic review of housing services is currently being undertaken to incorporate changes in Government policy, the financial position of the Housing Revenue Account and the services provided by Gateshead Housing Company and the Council.
14. The expectation remains that expenditure on Public Health will be managed to ensure that the outturn will be consistent with the ring-fenced allocation.

Communities & Environment

15. The projected over spend of £0.324m on Transport Strategy is in relation to an under recovery of technical costs income from the capital programme.
16. The projected over spend of £1.050m on Culture, Communities, Leisure and Volunteering mainly relates to a projected shortfall on income of £1.117m in relation to Leisure Services.
17. The projected under spend of £0.267m on Facilities Management mainly relates to additional income from school meals.
18. The projected under spend of £0.244m on Waste Services, Grounds Maintenance and Fleet Management relates mainly to lower tonnages forecast for the residual waste contract.

Corporate Resources

19. The projected over spend of £0.205m on Customer & Financial Services relates to the under recovery of court prosecution costs.

Capital Financing Costs and Investment Income

20. The projected out turn for Capital Financing Costs is £1.439m less than budget due to reduced borrowing costs. The income from Investments is also expected to increase by £0.277m compared to budget due to a dividend received from Heritable Bank and additional investment interest.

Summary

21. The projected over spend as at 31 December 2015 of £0.860m is after the application of reserves in line with the usage agreed as part of 2015/16 budget and the 2014/15 revenue outturn report.
22. For all projected overspends, 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 Strategy Group and with updates to Cabinet.

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, if carried out on a timely basis, ensures the early identification of problems which could 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 as at 31 December 2015 are operating satisfactorily.

Consultation

25. The Leader has been consulted on this report.

Alternative Options

26. There are no alternative options proposed.

Implications of Recommended Option

27. 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.

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.