

TITLE OF REPORT: Revenue Outturn 2018/19

REPORT OF: Darren Collins, Strategic Director, Corporate Resources

Purpose of the Report

1. This report sets out the Council's revenue outturn position for the financial year 2018/19 prior to audit.
2. This report also recommends to Council appropriations to and from reserves consistent with previous decisions, accounting policies, the principles set out in the Medium Term Financial Strategy (MTFS) and requirements of the Accounting Code of Practice.

Background

3. Cabinet receives quarterly reports on the agreed revenue budget so that any variances can be identified and addressed. This report sets out the final revenue outturn position for 2018/19 on a consistent basis to the revenue budget monitoring framework.
4. Council agreed the original revenue budget for 2018/19 on 22 February 2018. This was set at £203.466m.
5. Council approved the use of up to £2.1m of capital receipts to fund revenue costs associated with the delivery of transformational and reforming projects which deliver the key criteria of generating ongoing revenue on 24 January 2019.

Revenue Outturn 2018/19

6. Monitoring reported to Cabinet on 22 January 2019 projected an over spend of £1.239m. The report identified that management would continue to seek to deliver the outturn within the original budget envelope.
7. The final revenue outturn on services is £205.804m compared to the original budget of £203.466m, however the position is mitigated by additional funding of £3.477m in the year resulting in an under spend for 2018/19 of £1.139m.
8. The position includes the use of £5.527m of reserves and a proposal to appropriate £1.566m into reserves. This includes budget flexibility requests for 2018/19 of £1.149m.
9. Whilst the outturn position is positive, it should be noted that active management and some one-off areas of under spend and additional income have contributed to this position:

- There is a £1.792m under spend on Capital Financing which is due to active management of debt including deferral of borrowing by using cash balances which has resulted in reduced borrowing costs during 2018/19, as well as some slippage on the programme itself.
- Traded and Investment Income over achieved budget by £0.821m due to savings delivered by the Insurance Fund, and income received in relation to SCAPE.
- An under spend of £2.217m on Other Services and Contingencies was mainly a result of the requirement for contingency funding being managed down.
- The increased in year funding comprised additional grant funding of £1.133m received as a result of Government allocations to help councils alleviate winter pressures; distribution of the national levy account surplus resulting in a receipt of £0.883m and an additional £0.365m received in relation to business rates due to prior year adjustments by Government, along with additional Section 31 grant income of £0.398m.

10. Further detail on the outturn position can be found in Appendix 1.

Appropriations to/from Reserves

11. The proposed movement of Earmarked reserves is outlined below:

- The budget approach enables flexibility to carry forward appropriate under spent balances for reinvestment the following year within an agreed framework. It is proposed that a total of £1.430m is transferred from this reserve to match expenditure incurred and £1.149m is appropriated into this reserve.
- Appropriate expenditure totalling £1.326m be funded from the Economic Growth reserve, £0.113m be funded from the Discretionary Social Fund reserve, £0.138m be funded from the Voluntary Sector reserve and £0.105m be funded from the Anti-Poverty reserve.
- Appropriate expenditure totalling £0.942m be funded from the Grants and Contributions reserve. An additional £0.105m has been identified to be appropriated to the reserve.
- Receipts from Section 106 and Section 38 agreements are proposed to be appropriated into the Developers' Contributions reserve which can then be used to fund specific development expenditure. A total of £0.313m was received in year, which is proposed to be appropriated to the reserve. It is proposed that £1.034m be used to fund expenditure incurred in the current year.
- Public Health expenditure was £0.440m over budget and it is proposed that this be appropriated from the ring-fenced Public Health reserve.

12. These proposals would result in a reduction in Earmarked reserves of £3.960m.

13. It is proposed that the overall under spend against budget of £1.139m is included in the General Fund reserve.

14. In addition to this it is proposed that the under spend on school budgets in 2018/19 of £1.044m is appropriated to the ring-fenced Schools LMS Budget Share reserve, and the over spend of £0.340m on Dedicated Schools Grant (DSG) be appropriated from the Earmarked DSG reserve.
15. There is an overall deficit on the Housing Revenue Account (HRA) of £2.401m for 2018/19. The HRA is ring-fenced and does not form part of the General Fund reserve. It is proposed that the deficit be transferred from the HRA reserve.
16. The outcomes set out in this report have been reflected in the draft Statement of Accounts for 2018/19 that is subject to audit.

Recommendations

17. It is requested that Cabinet:
 - (i) Notes the Council's 2018/19 revenue outturn position as an under spend of £1.139m, subject to audit.
 - (ii) Recommends to Council the appropriations to and from reserves outlined in paragraphs 11-15.

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 final outturn position on the 2018/19 revenue budget.
4. Council agreed the original revenue budget for 2018/19 on 22 February 2018. This was set at £203.466m.
5. Council approved the use of up to £2.1m of capital receipts to fund revenue costs associated with the delivery of transformational and reforming projects which deliver the key criteria of generating ongoing revenue on 24 January 2019.
6. Appendix 2 details the agreed budget for 2018/19 compared to the outturn for the year.
7. Appendix 3 provides further details on the proposed use of reserves for 2018/19.

Revenue Outturn 2018/19

8. Monitoring reported to Cabinet on 22 January 2019 projected an over spend of £1.239m. The report identified that management would continue to seek to deliver the outturn within the original budget envelope.
9. The final revenue outturn on services is £205.804m compared to the original budget of £203.466m, however the position is mitigated by additional funding of £3.477m resulting in an under spend for 2018/19 of £1.139m.
10. The position includes the use of £5.527m of reserves and a proposal to appropriate £1.566m into reserves. This includes budget flexibility requests for 2018/19 of £1.149m.
11. It is proposed that the under spend of £1.139m be appropriated to the General Fund reserve.
12. In addition to this it is proposed that the under spend on school budgets in 2018/19 of £1.044m is appropriated to the ring-fenced Schools LMS Budget Share reserve, and the over spend of £0.340m on Dedicated Schools Grant (DSG) be appropriated from the Earmarked DSG reserve.

13. There is an overall deficit on the Housing Revenue Account (HRA) of £2.401m for 2018/19. The HRA is ring-fenced and does not form part of the General Fund reserve. It is proposed that the deficit be transferred from the HRA reserve.
14. A full review of reserves will be considered as part of the Medium Term Financial Strategy (MTFS) to be reported to Cabinet in September 2019.
15. Service outturn is shown in Appendix 2. Although the outturn is positive, it masks over spends in some services and also includes a number of areas of one-off additional funding. The positive outturn remains a significant achievement given the financial pressures faced by all services and enables the Council's sound financial position to be maintained within an extremely challenging economic and financial context.
16. Quarterly reports to Cabinet have identified that the Council's budget has continued to face increasing pressures in a number of areas. The main variances to budget on a group basis are outlined below:

Care, Wellbeing and Learning

17. The over spend of £5.101m on Social Work - Children and Families relates mainly to placement expenditure for Looked After Children, and higher than expected agency staffing costs.
18. The over spend of £0.562m on Early Help and Education relates to Home to School/College transport costs and Family Support.
19. The over spend of £3.482m on Adult Social Care relates to higher than expected care costs for Direct Payments.
20. As planned Public Health expenditure is higher than budgeted, it is proposed that the over spend of £0.440m be moved from the ring fenced Public Health reserve.

Communities and Environment

21. The under spend of £0.842m on Development, Transport and Public Protection relates to increased income and reduced staffing costs.
22. The under spend of £0.251m on Council Housing, Design and Technical Service relates to an over achievement of income and the use of budget flexibility.
23. The under spend of £0.240m on Street Scene is due to additional income from the Gateshead Housing Company and trade waste, along with the utilisation of reserves.

Corporate Services and Governance

24. The under spend of £0.370m on Legal & Democratic Services relates to an over achievement of income and receipt of grant income.
25. The over spend of £0.238m on Property & Corporate Asset Management relates to shortfalls in rental income for various sites.

26. The under spend of £0.145m on Human Resources and Workforce Development is income from The Gateshead Housing Company in relation to health and safety.
27. The over spend of £0.180m on Corporate Commissioning and Procurement relates to unachieved rebate income and unachieved income from the Print Unit.

Corporate Resources

28. The under spend of £0.111m on Corporate Finance relates to income from schools and savings on employee costs.
29. The under spend of £0.333m on Customer and Financial Services relates to additional income from grants and financial assessments.
30. The over spend of £0.138m on Trading and Commercialisation relates mainly to an under achievement of income in relation to Leisure, which is partly offset by an over achievement of income for School Catering and Building Cleaning.

Other Services and Contingencies

31. An amount of £2.720m of Contingency remained unused at the end of the year. This mainly relates to council wide cost pressures that have been managed in year but remain a pressure going forward. Within Other Services £0.595m was moved to the redundancy provision. The provision held is £1.405m which will be used to cover expected costs for the next two financial years.

Capital Financing Costs

32. The under spend of £1.792m on Capital Financing Costs is mainly due to active management of debt including deferral of borrowing by using cash balances which has resulted in reduced borrowing costs during 2018/19, as well as some slippage on the programme itself.

Traded and Investment Income

33. The under spend of £0.821m relates to an increase in investment income, SCAPE dividend and income from the Housing Company in relation to construction works. The Insurance Fund also delivered a saving against budget due to an overall reduction in claim costs.

Schools

34. Schools reserves have increased from £5.205m to £6.249m, as there was an under spend on schools of £1.044m for 2018/19, which is proposed to be transferred to the LMS Schools reserve. This forms part of the total General Fund reserve.
35. The Dedicated Schools Grant (DSG) over spent in 2018/19 by £0.340m and it is proposed that this be met from the DSG reserve, which is a ring-fenced earmarked reserve.

Housing Revenue Account

36. There is an overall deficit on the Housing Revenue Account (HRA) of £2.401m for 2018/19. The HRA is ring-fenced and does not form part of the General Fund

reserve. It is proposed that the surplus be transferred to the HRA reserve, which will decrease, from £33.954m to £31.553m.

Savings

37. The overall target for revenue savings in 2018/19 was £13.650m. The final outcome for achieved savings was £7.846m and a projected achievement of £1.552m against the previous year residual target of £4.735m giving an overall shortfall of £8.988m, the majority of which relates to the delivery of social care savings. This shortfall formed part of the approach to the financial planning underpinning the setting of the 2019/20 revenue budget.

Reserves

38. A summary of the proposed movements to and from reserves is attached at Appendix 3. The actual proposed usage of reserves for the year is £5.527m. In addition, it is also proposed that £1.567m is moved to reserves; this includes £1.149m budget flexibility and £0.418m ring-fenced reserves.
39. The final position on reserves has been reflected in the draft 2018/19 Financial Statements. The overall reserve position and strategy will be reviewed as part of the Medium Term Financial Strategy (MTFS) to be reported to Cabinet in September 2019. The 2018/19 Financial Statements are subject to audit.

Consultation

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

Alternative Options

41. There are no alternative options proposed.

Implications of Recommended Option

42. 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.

43. Risk Management Implication

Regular budget monitoring and the associated action planning that arise from this activity assists in reducing the risk of the Council over spending its agreed budget. This enables effective financial planning which allows the Council to deploy resources in line with priorities.

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

45. **Crime and Disorder Implications** - Nil.
46. **Health Implications** - Nil
47. **Sustainability Implications** – Regular budget monitoring and allocated actions contributes to the financial sustainability of the Council.
48. **Human Rights Implications** - Nil.
49. **Area and Ward Implications** - Revenue spending supports the delivery of services across the whole of Gateshead.