

# Council Finances & Monitoring

CORPORATE RESOURCES OVERVIEW AND SRUTINY COMMITTEE

MARCH 2024

# Scope of today's Session

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Budget  
Management  
of the Council's  
Revenue  
General Fund.

2023/24 Budgeted Expenditure and Income	Budget Cost	LESS Budget	EQUALS
	Gross	Gross	Net
	<u>Expenditure</u>	<u>Income</u>	<u>Expenditure</u>
	£'000	£'000	£'000
Integrated Adults' and Social Care Services	134,598	(41,822)	92,776
Children's Social Care and Lifelong Learning	108,830	(55,139)	53,691
Health and Wellbeing (including Public Health)	30,198	(8,016)	22,182
Office of the Chief Executive	1,510	(531)	979
Housing, Environment and Healthy Communities	76,919	(46,757)	30,162
Economy, Innovation and Growth	14,155	(10,234)	3,921
Corporate Services and Governance	10,996	(3,806)	7,190
Resources and Digital	79,052	(64,648)	14,404
Corporate Growth	2,630	0	2,630
Non Council Services - Corporate Items			
Contingencies, levies etc	32,181	(11,049)	21,132
Revenue cost of capital	32,916	(98)	32,818
	<b>523,985</b>	<b>(242,100)</b>	<b>281,885</b>
<i>To be Financed By:</i>			
(RSG, Top up, Retained Rates)			(72,787)
Other Grants			(62,866)
Public Health			(17,787)
Council Tax			(110,473)
Collection Fund Surplus			(1,085)
Earmarked Reserves			(16,887)
<b>Total Budgeted Council Funding</b>			<b>(281,885)</b>

# Overview – Revenue Net Budget

# Senior Management Oversight

- ▶ The Council must manage its budget as a whole to make sure that expenditure is not more than its income or funding in any year.
- ▶ Budget holders are those responsible and accountable for managing a specific budget. These are usually Service Director level however they can delegate these responsibilities down the structure. Circa 94 budget holders in Gateshead Council.
- ▶ A budget holder will be responsible for managing specific areas of budget usually within a Service. The aim should always be to spend within their budget envelope and achieve income and they will be accountable for the financial consequences of any decisions made.
- ▶ Budgets are monitored on a risk basis based on size and volatility but all financial positions are reported into the Treasurer and Corporate Management team on a regular basis for accountability.
- ▶ Budget performance is reported to corporate resources OSC on an annual basis and is a corporate KPI

# Budget Management Support

## **Budget and Actual Visibility**

Budgets are loaded in the financial system each year before April 1<sup>st</sup> and available in "real time"

The aim is to issue monitoring reports in 5 working days of the period end. Meetings are scheduled to discuss and update the projections. The projection is a look forward to the end of year actual position or "outturn"

## **Designated Finance Support**

Each budget holder is assigned a specific Finance Business Partner to assist and support them.

## **Clear Deadlines**

A monitoring timetable is produced by financial management based on risk

The projection will be as good as the information available at a point in time, the time/ knowledge and experience of the budget holder and available trends and external info available.

## **Training**

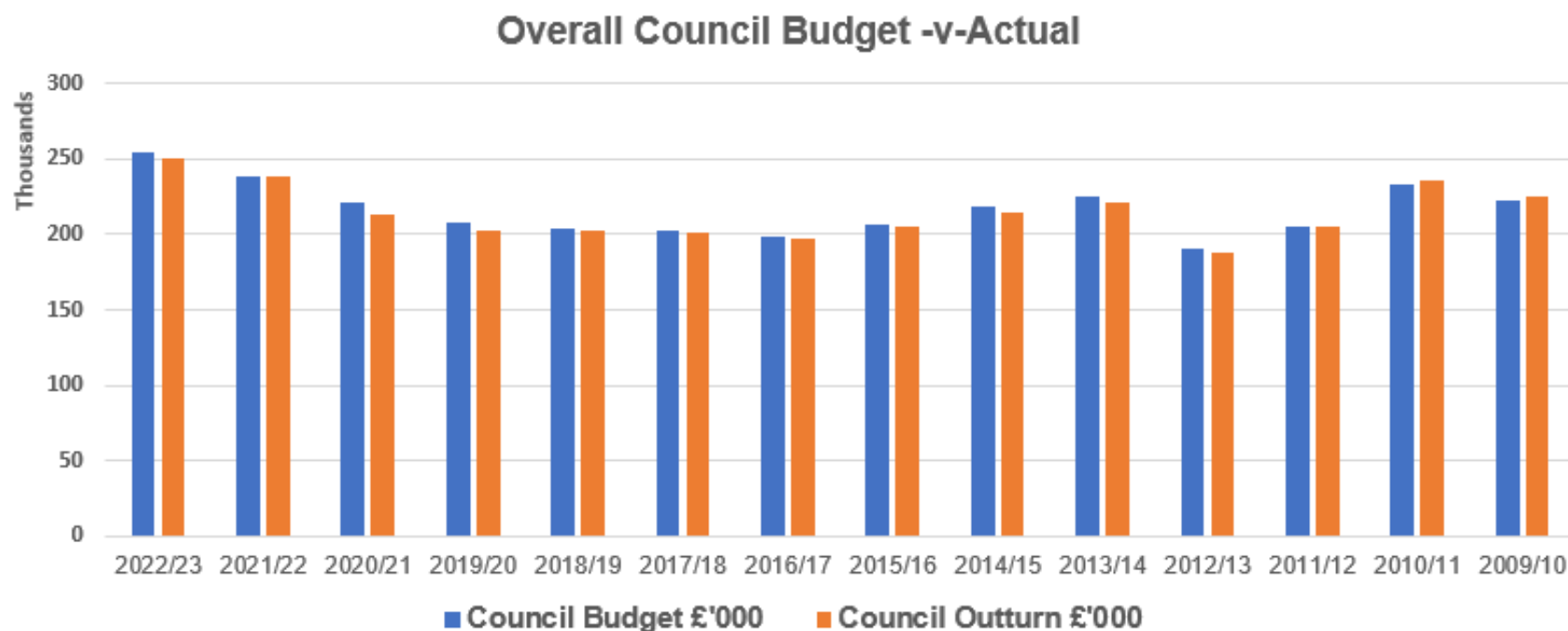
The development of Online E modules have provided extra training and guidance for officers. A budget holder manual is also available on the Councils intranet.

# Audit of Budget Management

- ▶ The budget monitoring processes of the Council are a key system which is subject to annual audit by Internal Audit.
- ▶ The results of those audits over the last 5 years is:
  - ▶ 2019/20 Operating Well
  - ▶ 2020/21 Operating Well
  - ▶ 2021/22 Satisfactory
  - ▶ 2022/23 Operating Well
  - ▶ 2023/24 Operating Well
- ▶ In addition to internal audit. Mazars the Council's external auditor considers the effectiveness of the Council's budget management systems as part of the Value for Money assessment and has never made any adverse comments on the arrangements we have in place.

# Overall Budget Performance

- Gateshead has a strong track record – 11 years of budget delivery



Aim: To deliver within budget

An overspend would require unplanned use of reserves which is a red flag to external audit and Public Sector bodies

An underspend adds money to the general reserve

# Quarterly Budget Performance

	Budget £m	Outturn £m	Variance £m
<b>2021/22</b>			
Qtr1	238.758	238.499	(0.259)
Qtr2	238.758	238.103	(0.655)
Qtr3	238.758	239.025	0.267
Qtr4 Outturn	238.758	238.327	(0.431)
<b>2022/23</b>			
Qtr1	254.304	255.505	1.201
Qtr2	254.304	259.667	5.363
Qtr3	254.304	253.431	(0.873)
Qtr4 Outturn	254.304	250.931	(3.373)
<b>2023/24</b>			
Qtr1	289.903	291.01	1.107
Qtr2	281.885	284.66	2.775
Qtr3	281.885	281.276	(0.609)
Qtr4 Outturn			



# Quarterly Budget Performance

- ▶ In 2022/23 the quarter 2 projected outturn forecast an overspend of £5.4 million. Following the reporting of this urgent managerial actions were taken, led by the Deputy Chief Executive to address the overspend, including special leadership sessions highlighting the importance of senior management to address the issue and their accountability as budget holders.
- ▶ The actions included a freeze on all but essential recruitment, a freeze on or deferral of non-essential expenditure, further maximisation of income opportunities, additional energy savings measures, review of commissioning.
- ▶ This approach had an immediate positive impact and an underspend was forecast by quarter 3.

# Budget Management Principles

- ▶ CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for accountants in public finance.
- ▶ All accountants are trained to be “prudent” – they plan for the worst!



## Key definition

### Prudence:

A reserved approach which recognises losses as they arise, but defers profits until they are fully realised.

The preparation of financial statements is based upon a number of judgements and estimates. These include depreciation, allowance for debts and accruals. Prudence requires that these judgements are not over optimistic. As a consequence, when preparing financial statements, it is considered prudent to recognise in full any potential losses that might arise whilst anticipated profits are not recorded until fully realised.

# Outturn Projection - Variables

- ▶ Projections at the start of the year are more likely to capture known cost pressures and known income losses leading to a more pessimistic position.
- ▶ Staffing – vacancies will be projected to be filled in full however and delays in finding suitable replacements can lead to underspends against budget.
- ▶ Projections will become more refined throughout the year as trends can be assessed and as more accurate information is received from external partners, or third party costs or funding is confirmed.
- ▶ By quarter two all budget holders will have had a meeting and an opportunity to discuss projections with financial management.
- ▶ Budget holders should always feed financial updates in a timely manner to accountants.
- ▶ It is vital Groups and Service portfolio budgets are carefully managed and proactive action and intervention taken to deliver. This can take time and change the outturn by the end of the year.
- ▶ Significant one-off unbudgeted income streams and additional grants are received in year and cannot be captured until fully confirmed.

# Improvements

- ▶ Due to the increasing financial challenges faced by the Council it is more important than ever that budgets are delivered.
- ▶ From 2023/24 the presentation of the monitoring has been reviewed to reflect the need for the budget to be actively managed by managers to ensure that it is delivered. The new format reinforces this management responsibility by recognising interventions that have a positive impact on the overall service budget. Service Directors are now asked to identify interventions to deliver their budget responsibilities.

**Appendix 2- Revenue Monitoring Summary 2023/24**

Service	Budget	Projected Outturn After reserves Before Action	Management Intervention	Under/ Over Budget
	£'000	£'000	£'000	£'000

- ▶ Work is ongoing to reinforce the ordering process across the Council this will ensure all financial commitments in relation to orders can be captured accurately within the monitoring.
- ▶ Overall financial awareness and training will continue to be rolled out to Services

# Conclusion

## Strong Effective Financial Management Remains Critical,

- ▶ Many of the drivers for cost pressures continue,
  - ▶ Quantum of savings requirement over Medium Term Financial Strategy.
  - ▶ Continued increase in demand in Adult and Children's Social Care Services.
  - ▶ Unfunded pay pressures, such as public sector pay award and the Governments National Living Wage aspirations, which also impacts on negotiations with care providers and commissioning costs.
  - ▶ The performance of traded and investment income linked to the wider economy.
  - ▶ Increased cost pressures in relation to utilities and inflation on supplies.
  - ▶ Significant uncertainties and volatility in relation to the pandemic impact on income from business rates and council tax.
  - ▶ Addressing the health, employment and poverty inequalities that the pandemic has added to. Increased demand for services such as business advice and support. welfare, mental health services and debt advice.
  - ▶ Continue to improve budget process through training and systems development.



# Any Questions?