

TITLE OF REPORT: Revenue Budget - Second Quarter Review 2016/17

REPORT OF: Darren Collins, Strategic Director, Corporate Resources

Purpose of the Report

1. This report sets out the latest monitoring position on the 2016/17 revenue budget at the end of the second quarter to 30 September 2016. Cabinet is asked to note the contents of the report and to recommend to Council a budget virement in relation to Adult Social Care.

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 30 September 2016.
3. Council agreed the original revenue budget for 2016/17 on 23 February 2016. This was set at £198.883m.

Proposal

4. Without any further action, the projected outturn for 2016/17 at 30 September 2016 is £202.232m compared to the estimate of £198.883m. There is an expected increase in funding from original budget of £0.048m and this results in a projected over spend of £3.397m. The projection for the year includes the use of £8.877m of reserves, including £3.847m from the General Reserve. A comparison of projected use of reserves against original estimated use is presented in Appendix 3.
5. 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. No change in the total revenue budget is therefore recommended in this report.
6. Key budget variances have been identified in the second quarter review in respect of the Social Work - Children and Families Service and Adult Social Care. These areas of budget pressure are currently partially offset by under spends in Contingencies, Capital Financing Costs and Traded Income. Specific action plans have been prepared to address the areas of over spend and these areas will remain under review. The agreed savings for 2016/17 continue to be actively monitored to facilitate delivery of the original budget.
7. It is important that effective budget monitoring and action planning is in place to ensure that spending in 2016/17 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 2017/18 funding gap being increased.

8. A budget virement is required in order to re-align budgets relating to the delivery of the agreed saving of £3.300m for a Revised Demand Management Model for Adult Social Care. The net budget movement required in order to accurately reflect the delivery of the saving within revenue monitoring is set out below; this has a neutral impact on the budget overall:

- Development and Public Protection to be reduced by £0.106m
- Housing General Fund to be reduced by £0.122m
- Commissioning and Quality Assurance to be reduced by £0.983m
- Early Help to be reduced by £0.018m
- Social Work Children and Families to be reduced by £0.033m.
- Adult Social Care to be increased by £1.262m

Recommendations

9. It is requested that Cabinet:
- i. Recommend to Council the budget virement in relation to the Adult Social Care saving as set out in Paragraph 8.
 - ii. Notes the Council's revenue expenditure position at 30 September 2016, as set out in Appendix 1.

For the following reason:

To contribute to the sound financial management of the Council and medium term financial sustainability.

CONTACT: Deborah Clark - Extension 2093

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 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 2016/17 revenue budget as at 30 September 2016 and projects spending and income to the end of the financial year.
4. Council agrees the revenue budget and it also approves variations and revisions to the original budget.
5. Council agreed the original revenue budget for 2016/17 on 23 February 2016. This was set at £198.883m.
6. Appendix 2 details the agreed budget for 2016/17 compared to an assessment of the projected outturn for the year. At the end of the second quarter of the year, the projected outturn of £202.232m is £3.349m more than the agreed budget and the revenue financing is £0.048m less than the agreed budget which results in a total projected under spend of £3.397m.
7. Appendix 3 details the expected use of reserves for 2016/17. At the end of the second quarter of the year the projected use of reserves is £8.877m.

Variations

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

Care, Wellbeing and Learning

9. There has been a re-alignment of budget responsibilities within Care, Wellbeing and Learning following a service review. This has resulted in a new service: Commissioning and Quality Assurance which combines the Children's and Adult's Commissioning functions, and Children and Families Support has been renamed Early Help and Education. Budget responsibilities have mainly been re-aligned across Early Help and Education, Commissioning and Quality Assurance and Adult Social Care.
10. The projected over spend of £1.662m on Social Work - Children and Families relates to placement expenditure for Looked After Children in Out of Borough Residential, Independent Fostering and In-House Fostering. Action planning is

continuing in this area which is linked to the Children's Social Care Financial Strategy.

11. The projected over spend of £0.804m on Early Help and Education relates to Home to School/College transport costs, with specific focussed action planning continuing to address the over spend.
12. The projected over spend of £1.635m on Adult Social Care relates to an over spend on employee costs, higher than expected care costs for Older People and Learning Disabilities, and a delay in the service review which has resulted in an underachievement of savings.
13. The expectation remains that expenditure on Public Health will be managed to ensure that the outturn will be consistent with the ring-fenced allocation and any over spends will be funded from the ring fenced Public Health reserve.

Communities and Environment

14. The projected over spend of £0.703m on Housing General Fund relates mainly to delays in the delivery of agreed savings.
15. The projected over spend of £0.255m on Council Housing, Design and Technical Services relates mainly to an underachievement of income.
16. The projected over spend of £0.250m on Culture, Communities, Leisure and Volunteering relates mainly to an over spend on employee costs at Birtley Leisure Centre and an underachievement of income across all leisure facilities.
17. The projected over spend of £0.351m on Waste Services, Grounds Maintenance and Fleet Management relates mainly to an under achievement of income.

Corporate Resources

18. The projected over spend of £0.318m on Housing Benefits relates mainly to a projected underachievement of income due to the ongoing impact of Welfare Reform.

Other Services and Contingencies

19. The projected under spend of £0.619m relates to under spends on debt management expenses within Other Services, and in the expected use of Contingencies.

Capital Financing Costs

20. The projected under spend of £0.629m on Capital Financing Costs is mainly due to a lower than expected revenue requirement for the Capital Programme financing for 2016/17, a reduction in the Bank of England base rate which has brought down investment and borrowing costs, and active management of the Council's cash balances.

Traded and Investment Income

21. The projected under spend of £0.597m relates to an increase in Investment Income and an increase in expected income from the Trinity Square Partnership with Northumbria University in 2016/17.
22. The Council received a dividend of £2.897m from Newcastle Airport beyond the second quarter on 6 October 2016 arising from a refinancing exercise. This income has not been included within the projections for the year end position as Cabinet will determine its use.

Reserves

23. A summary of the intended use of reserves is attached at Appendix 3. It was estimated that £11.431m would be required to support the revenue budget in 2016/17 and projections currently show that £8.877m will be required. This usage includes £3.847m from the General Reserve.

Virement

24. Work is progressing on a new staffing model in order to achieve the agreed saving of £3.300m in 2016/17 for a Revised Demand Management Model for Adult Social Care. A first phase saving of £2.096m has been delivered which impacts budgets across Groups and Services. The budget movement set out below is required in order to accurately reflect the expected delivery of the saving within revenue monitoring; this has a neutral impact on the budget overall:
 - Development and Public Protection to be reduced by £0.106m
 - Housing General Fund to be reduced by £0.122m
 - Commissioning and Quality Assurance to be reduced by £0.983m
 - Early Help to be reduced by £0.018m
 - Social Work Children and Families to be reduced by £0.033m.
 - Adult Social Care to be increased by £1.262m

Summary

25. The projected over spend as at 30 September 2016 of £3.397m is after the application of reserves in line with the usage agreed as part of 2016/17 budget and the 2015/16 revenue outturn report.
26. 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 Strategy Group and with updates to Cabinet.

Balance Sheet Management

27. 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.

28. 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 30 September 2016 are operating satisfactorily.

Consultation

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

Alternative Options

30. There are no alternative options proposed.

Implications of Recommended Option

31. Resources

a. Financial Implications – The Strategic Director, Corporate Resources confirms these are as set out in the report and Appendix 2 and 3.

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.

32. 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.

33. Equality and Diversity Implications - Nil.

34. Crime and Disorder Implications - Nil.

35. Health Implications - Nil

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

37. Human Rights Implications - Nil.

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