

TITLE OF REPORT: Revenue Budget – First Quarter Review 2021/22

REPORT OF: Darren Collins, Strategic Director, Corporate Resources

Purpose of the Report

1. This report sets out the latest monitoring position on the 2021/22 revenue budget at the end of the first quarter, including impacts of the global pandemic. Cabinet is asked to note the contents of the report.

Background

2. As part of the Council's budget and policy framework Cabinet receives quarterly reports on the agreed revenue budget so that any variances can be identified and addressed at appropriate pace with Councillor oversight.
3. Council agreed the revenue budget for 2021/22 on 25 February 2021. This was set at £238.758m including £8.117m of budget savings.
4. Council agreed the HRA budget for 2021/22 on 25 February 2021. This was set as a £4.973m use of reserve.

Proposal

5. The projected revenue outturn for 2021/22 as at 30 June 2021 is £238.713m compared to the budget of £238.758m, resulting in a projected underspend of £0.045m. The Council have also received additional Public Health grant funding of £0.214m resulting in an overall projected underspend of £0.259m. The projection for the year also includes the application of £28.789m of reserves consistent with agreed usage.
6. The budget at the first quarter has been aligned to reflect the new organisational structure following the review of housing functions in Gateshead reported to Cabinet on 17 November 2021.
7. Within the projected outturn there is £6.564m of reduced income attributed to COVID-19 and £4.409m of additional costs.
8. General COVID grant funding of £6.130m is forecast to be used in 2021/22 and the remainder of the Contain Management Outbreak Funding is forecast to be spent in year (£8.130m). An estimate of £1.000m has been included in the figures for Round 4 of the Fees and Charges compensation scheme, which is expected to be the last round of compensation for April to June 2021 and will submitted after the end of July.
9. Due to the current operational and uncertain economic circumstances the Council finds itself in, several assumptions have had to be made to arrive at the current projected service outturn. There is the possibility that the current position is

understated as the assumptions that have been used to calculate the figures may change as government guidance changes. This position is also dependent on the success of the phased opening of leisure facilities, schools remaining open in September and there is no account for further local or national lockdowns.

10. Brought forward budget savings of £0.400m for 2020/21 and £8.117m agreed for 2021/22 will be carefully monitored and those requiring further consultation and engagement will be the subject of future reports to Cabinet. The reported position assumes savings will be achieved supported by agreed mitigations.
11. The Medium Term Financial Strategy 2022/23 to 2026/27 and plans for 2022/23 budget will be the subject of a report to Cabinet in October.

Administrative Virements

12. Virements have been actioned during the first quarter to reflect the operations of the Council. Cabinet are asked to agree the following administrative virements:
 - Budgets relating to the outcome of the housing review agreed in November 2020 have been realigned to reflect current Council operations effective from 1 April 2021. The former Housing, Compliance and Traded Services and Housing General Fund have been realigned and subsumed into the agreed new functions of:
 - Gateshead Construction Services (£0.308m)
 - Property and Assets (£1.371m)
 - Locality Services and Housing (£1.309m)
 - Strategic Services and Residential Growth (£1.137m)

Housing Revenue Account

13. The projected HRA outturn requires £4.982m use of reserve compared to the budget of £4.973m, this is an increase of £0.009m.
14. The unaudited HRA reserve balance at the 31 March 2021 is £30.786m.

Recommendations

15. It is recommended that Cabinet:
 - (i) notes the Council's revenue expenditure position at the end of the first quarter, as set out in Appendix 1 and 2; and
 - (ii) agrees the budget virements as set out in the report

For the following reason:

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

Contact: Darren Collins

Extension: 3582

APPENDIX 1

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 2021/22 revenue budget at the end of the first quarter and projects spending and income to the end of the financial year.
4. Council agreed the original revenue budget for 2021/22 on 25 February 2021. This was set at £238.758m.
5. The budget at the first quarter has been aligned to reflect the new organisational structure following the review of housing functions in Gateshead reported to Cabinet on 17 November 2021.
6. Appendix 2 details the budget for 2021/22 compared to an assessment of the projected outturn for the year. Without any further action the projected underspend of £0.045m. The Council have also received additional Public Health grant funding of £0.214m resulting in an overall projected underspend of £0.259m. The projection for the year also includes the application of £28.789m of reserves consistent with agreed usage.
7. At the end of the first quarter of the year, the projected use of reserves is £28.789m.
8. Brought forward budget savings of £0.400m for 2020/21 and £8.117m agreed for 2021/22 will be carefully monitored and those requiring further consultation and engagement will be the subject of future reports to Cabinet. It is critical that the agreed savings levels are actioned in year and do not add to the funding gap going into April 2022.

Variations

9. The main variances on a group basis, before the application of additional COVID funding, are set out below.

Children, Adults & Families - £1.431m overspend after £1.770m savings mitigation is applied.

Impacts have been seen in Children's Social Care relates to high LAC numbers. Overspend in Adult Social Care relating to an increased cost of packages of care.

Public Health & Wellbeing - £4.192m overspend after £0.900m savings mitigation is applied.

Significant impacts relating to unachieved income in relation to closure of leisure facilities and loss of room hire.

Housing, Environment and Health Communities - £1.076m overspend after £0.027m savings mitigation is applied.

Reductions in catering, car park, grounds maintenance and waste services income, which will not recover fully in year.

Economy, Innovation and Growth - £0.667m overspend

Reductions in planning income and design technical recharges, which will not recover fully in year.

Other Services, Capital Financing and Trading and Investment income - £0.687m underspend after £0.020m savings mitigation is applied.

Reductions in trading and investment income relating to various dividends and investments and a reduction in interest rates has resulted in reduced borrowing costs.

COVID Funding - £7.090m projected funding

COVID funding of £7.090m has been assumed in the budget projection to offset projected net expenditure.

Administrative Virements

10. Virements have been actioned during the first quarter to reflect the operations of the Council and enable effective monitoring. The virements actioned which Cabinet are asked to note are as follows:
 - Budgets relating to the outcome of the housing review agreed in November 2020 have been realigned to reflect current Council operations effective from 1 April 2021. The former Housing, Compliance and Traded Services and Housing General Fund have been realigned and subsumed into the agreed new functions of:
 - Gateshead Construction Services (£0.308m)
 - Property and Assets (£1.371m)
 - Locality Services and Housing (£1.309m)
 - Strategic Services and Residential Growth (£1.137m)

Housing Revenue Account

11. The projected HRA outturn requires £4.982m use of reserve compared to the budget of £4.973m, this is an increase of £0.009m.
12. Income is forecast to be £0.525m less than the budget which is due to a combination of the percentage of void properties being higher than budgeted and a

reduction in the level of investment income due to borrowing strategy of using internal balances rather than actually taking on new loans this is offset in part by a reduction in interest due on borrowing.

13. The quarter one HRA capital programme has reduced by £0.558m which is a result of a reduction in the level of slippage from 2020/21 and therefore the budget for 2021/22 has been adjusted accordingly.
14. The projection assumes at this stage that the £3.000m contingency budget will be utilised in full providing headroom to meet any unforeseen costs arising during 2021/22.

Summary

15. The projected underspend for the Council at the end of the first quarter of £0.259m is after the application of £28.789m of reserves in line with the usage agreed as part of 2021/22 budget.
16. General COVID grant funding of £6.130m is forecast to be used in 2021/22 and the remainder of the Contain Management Outbreak Funding is forecast to be spent in year (£8.130m). An estimate of £1.000m has been included in the figures for Round 4 of the Fees and Charges compensation scheme, which is expected to be the last round of compensation for April to June 2021 and will submitted after the end of July.
17. The reported position assumes all budget savings will be achieved supported by agreed mitigations. It is critical that the agreed savings levels are actioned in year and do not add to the funding gap for 2022/23.
18. For all projected over spends senior management will ensure proactive budget management through regular monitoring will continue to take place with action plans being monitored with the aim of containing spending within budget.

Consultation

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

Alternative Options

20. There are no alternative options proposed.

Implications of Recommended Option

21. **Resources:**

- a) **Financial Implications** – The Strategic Director, Resources and Digital confirms these are as set out in the report and appendices.
- b) **Human Resources Implications** – There are no direct Human Resource implications as a consequence of this report. Budget savings proposals will be subject to separate reporting.

c) **Property Implications** - There are no direct property implications as a consequence of this report. Budget savings proposals will be subject to separate reporting.

22. **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.

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

24. **Crime and Disorder Implications** – Nil

25. **Health Implications** - Nil

26. **Climate Emergency and Sustainability Implications** - Nil

27. **Human Rights Implications** - Nil

28. **Ward Implications** - Revenue spending supports the delivery of services across the whole of Gateshead.

Revenue Monitoring Summary 2021/22

Service	Revised Budget £'000	Projected Outturn £'000	Variance £'000	COVID Expenditure Impact £'000	COVID Income Impact £'000
<u>Children, Adults & Families</u>					
Children's Social Care	36,475	37,307	832	866	69
Education, Schools and Inclusion	4,197	3,667	(530)	40	168
Quality Assurance & Commissioning	6,734	6,926	192	0	0
Adult Social Care	67,154	68,091	937	2,555	0
<u>Public Health & Wellbeing</u>					
Public Health	16,541	16,755	214	0	0
Contain Outbreak Management	0	0	0	0	0
Emergency Resilience	147	209	62	60	0
Wellbeing	3,056	6,972	3,916	138	4,881
<u>Housing, Environment & Healthy Communities</u>					
Gateshead Construction Services	308	408	100	0	0
Property & Assets	1,371	1,187	(184)	(490)	639
Locality Services & Housing	1,309	1,325	16	28	0
Strategic Services & Residential Growth	1,137	1,328	191	0	104
Highways and Waste	16,185	16,874	689	862	372
Environment & Fleet Management	3,212	3,476	264	198	36
<u>Economy, Innovation and Growth</u>					
Business, Employment and Skills	1,348	1,265	(83)	0	0
Planning Policy, Climate Change and Strategic Transport	1,716	1,835	119	0	(19)
Major Projects and Corporate Property	(1,319)	(688)	631	0	0
				0	0
<u>Office of the Chief Executive</u>	854	848	(6)	0	16
<u>Corporate Services & Governance</u>					
Legal & Democratic Services	3,671	3,766	95	0	63
Human Resources & Workforce Development	1,458	1,458	0	64	22
Corporate Commissioning & Procurement	461	660	199	0	0
Public Service Reform	528	477	(51)	0	0
<u>Corporate Resources</u>					
Financial Management	1,869	1,869	0	0	0
Customer Experience & Digital	3,143	3,309	166	0	213
Housing Benefits	200	200	0	0	0
IT	3,781	3,762	(19)	88	0
Commercialisation and Improvement	2,071	2,053	(18)	0	0
Other Services & Contingencies	13,324	12,724	(600)	0	0
COVID Funding	6,090	(1,000)	(7,090)	0	0
Savings Mitigation	2,718	2,718	0	0	0
Capital Financing Costs	33,427	32,238	(1,189)	0	0
Traded & Investment Income	(3,566)	(2,464)	1,102	0	0
Expenditure Passed outside the General Fund	(1,855)	(1,855)	0	0	0
Levies	11,013	11,013	0	0	0
NET BUDGET	238,758	238,713	(45)	4,409	6,564
<u>Financed By</u>					
Settlement Funding Assessment (SFA)	(51,134)	(51,134)	0	0	0
New Burden Funding	0	0	0	0	0
Other Grants	(35,672)	(35,672)	0	0	0
Additional Grant Funding	0	0	0	0	0
Public Health	(16,541)	(16,755)	(214)	0	0
Council Tax	(100,503)	(100,503)	0	0	0
COVID Grant	(6,130)	(6,130)	0	0	0
Collection Fund Deficit	328	328	0	0	0
Earmarked Reserves - to support retained rates	(26,564)	(26,564)	0	0	0
Earmarked Reserves	(2,542)	(2,542)	0	0	0
TOTAL FUNDING	(238,758)	(238,972)	(214)	0	0
PROJECTED (UNDER) / OVER SPEND	0	(259)	(259)	4,409	6,564