

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

REPORT OF: Darren Collins, Strategic Director, Resources and Digital

Purpose of the Report

1. This report sets out the latest monitoring position on the 2021/22 revenue budget at the end of the second 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 September 2021 is £238.827m compared to the budget of £238.758m, resulting in a projected overspend of £0.069m. The Council have also received additional Public Health grant funding of £0.214m, a Wellbeing for Education Recovery grant from the DfE of £0.025m, additional Business Rates s.31 grant funding of £0.185m and additional Better Care Fund grant funding of £0.300m resulting in an overall projected underspend of £0.655m. The projection for the year also includes the application of £11.766m of reserves consistent with agreed usage.
6. The budget at the first quarter was 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 £7.059m of reduced income attributed to COVID-19 and £7.424m 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 £1.449m 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.

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. This position is also dependent on the success of the phased opening of leisure facilities, schools remaining open 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.
11. The Medium Term Financial Strategy 2022/23 to 2026/27 was approved by Cabinet in October and plans for 2022/23 budget will be the subject of a report to Cabinet in November.

Virements

12. Virements have been actioned during the second quarter to reflect the operations of the Council.

Housing Revenue Account (HRA)

13. The projected HRA outturn requires £5.223m use of reserve compared to the budget of £4.973m, this is an increase of £0.250m.
14. The 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 second quarter, as set out in Appendix 1 and 2;
 - ii. Agree 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.

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 second 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 was 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 with a projected underspend of £0.069m. The Council have also received additional Public Health grant funding of £0.214m, a Wellbeing for Education Recovery grant from the DfE of £0.025m, additional Business Rates s.31 grant funding of £0.185m and additional Better Care Fund grant funding of £0.300m resulting in an overall projected underspend of £0.655m.
7. At the end of the second quarter of the year, the projected use of reserves is £11.766m.
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 - £2.626m overspend after £1.750m savings mitigation is applied.

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

Public Health and Wellbeing - £3.452m 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 - £1.183m overspend after £0.028m savings mitigation is applied.

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

Economy, Innovation and Growth - £0.848m 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 - £0.478m 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 - £7.539m projected funding

COVID funding of £7.539m has been assumed in the budget projection to offset projected net expenditure.

Administrative Virements

10. Virements to be actioned at the second quarter to reflect the operations of the Council and enable effective monitoring, which Cabinet is asked to agree are as follows:
 - £0.300m virement from contingency to Adult Social Care to reflect the increase in the Better Care Fund Grant.
 - £0.264m virement from Public Health and Wellbeing to Commercialisation and Improvement on 1 October 2021 to reflect the transfer of responsibility for Events and Culture.

Housing Revenue Account (HRA)

11. The projected HRA outturn requires £5.223m use of reserve compared to the budget of £4.973m, this is an increase of £0.250m.
12. Income is forecast to be £0.030m 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 two HRA capital programme has reduced by £1.247m which is in part due to the additional expenditure on decent homes.

Summary

14. The projected underspend for the Council at the end of the second quarter of £0.655m is after the application of £11.766m of reserves in line with the usage agreed as part of 2021/22 budget.
15. 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 £1.449m 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.
16. For all projected overspends 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

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

Alternative Options

18. There are no alternative options proposed.

Implications of Recommended Option

19. **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.

20. **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.

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

22. **Crime and Disorder Implications – Nil**
23. **Health Implications - Nil**
24. **Climate Emergency and Sustainability Implications - Nil**
25. **Human Rights Implications - Nil**
26. **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	36,142	38,595	2,453	1,514	60
Education, Schools and Inclusion	4,663	4,007	(656)	40	403
Quality Assurance & Commissioning	6,745	6,918	173	0	0
Adult Social Care	67,614	68,270	656	5,632	0
<u>Public Health & Wellbeing</u>					
Public Health	16,541	16,755	214	0	0
Wellbeing	3,203	6,441	3,238	218	4,833
<u>Housing, Environment & Healthy Communities</u>					
Gateshead Construction Services	308	408	100	0	0
Property & Assets	1,259	1,187	(72)	(689)	947
Locality Services & Housing	1,283	1,342	59	88	(28)
Strategic Services & Residential Growth	1,107	1,359	252	0	104
Highways and Waste	15,849	16,397	548	433	407
Environment & Fleet Management	3,212	3,508	296	124	14
<u>Economy, Innovation and Growth</u>					
Business, Employment & Skills	1,388	1,134	(254)	0	0
Planning Policy, Climate Change and Strategic					
Transport	2,275	2,500	225	0	0
Major Projects	(1,273)	(396)	877	0	0
<u>Office of the Chief Executive</u>	761	761	0	0	16
<u>Corporate Services & Governance</u>					
Legal & Democratic Services	3,701	3,832	131	0	63
Human Resources & Workforce Development	1,444	1,594	150	64	22
Corporate Commissioning & Procurement	461	641	180	0	0
Public Service Reform	528	270	(258)	0	0
<u>Corporate Resources</u>					
Financial Management	1,869	1,869	0	0	0
Customer Experience & Digital	3,143	3,196	53	0	218
Housing Benefits	200	200	0	0	0
IT	3,781	3,622	(159)	0	0
Commercialisation and Improvement	2,071	1,951	(120)	0	0
<u>Other Services & Contingencies</u>	21,464	13,876	(7,588)	0	0
<u>Capital Financing Costs</u>	33,427	31,957	(1,470)	0	0
<u>Traded & Investment Income</u>	(3,566)	(2,525)	1,041	0	0
<u>Expenditure Passed outside the General Fund</u>	(1,855)	(1,855)	0	0	0
<u>Levies</u>	11,013	11,013	0	0	0
NET BUDGET	238,758	238,827	69	7,424	7,059
<u>Financed By</u>					
Settlement Funding Assessment (SFA)	(51,134)	(51,134)	0	0	0
Other Grants	(35,672)	(36,157)	(485)	0	0
Public Health	(16,541)	(16,755)	(214)	0	0
Council Tax	(100,503)	(100,503)	0	0	0
COVID Grant	(6,130)	(6,155)	(25)	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)	(239,482)	(724)	0	0
COUNCIL OUTTURN (Surplus) / Deficit	0	(655)	(655)	7,424	7,059