

TITLE OF REPORT: Revenue Budget – Third 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 third 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 November 2021 is £239.749m compared to the budget of £238.758m, resulting in a projected overspend of £0.991m. The Council has 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 overspend of £0.267m. The projection for the year also includes the application of £9.857m of reserves consistent with agreed usage.
6. It remains the intention to deliver the revenue outturn in line with the original budget.
7. The budget at the first quarter was aligned to reflect the new organisational structure following the review of housing functions in Gateshead reported to Cabinet on 17 November 2020.
8. Within the projected outturn there is £6.789m of reduced income attributed to COVID-19 and £8.455m of additional costs.
9. General COVID grant funding of £6.130m is forecast to be used in 2021/22 and the remainder of the Contain Outbreak Management Funding is forecast to be spent in year (£8.130m).

10. 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.
11. 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.
12. The Medium Term Financial Strategy 2022/23 to 2026/27 was approved by Cabinet in October 2021.

Virements

13. Virements have been actioned during the third quarter to reflect the operations of the Council.

Housing Revenue Account

14. The projected HRA outturn requires £6.455m use of reserve compared to the budget of £4.973m, this is an increase of £1.482m.
15. The HRA reserve balance at the 31 March 2021 is £30.786m.

Recommendations

16. It is recommended that Cabinet:
 - i. notes the Council's revenue expenditure position at the end of the third 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.

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 third 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. It remains the intention to deliver the revenue outturn in line with the original budget.
6. The budget at the first quarter was aligned to reflect the new organisational structure following the review of housing functions in Gateshead reported to Cabinet on 17 November 2020.
7. Appendix 2 details the budget for 2021/22 compared to an assessment of the projected outturn for the year with a projected overspend of £0.991m. The Council has 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 overspend of £0.267m.
8. At the end of the third quarter of the year, the projected use of reserves is £9.857m.
9. 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

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

Children, Adults & Families - £3.531m overspend after £1.750m savings mitigation is applied.

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

Public Health and Wellbeing - £2.183m overspend after £0.900m savings mitigation is applied.

Significant impacts relating to unachieved income due to the closure of leisure facilities and loss of room hire.

Housing, Environment and Health Communities - £1.029m 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 - £0.896m overspend

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

Other Services and Trading and Investment income - £1.327m overspend

Reductions in trading and investment income relating to various dividends and investments.

Capital Financing - £1.470m underspend

Active cash flow management has reduced the Council requirement for borrowing and as a consequence this has reduced borrowing costs.

COVID Funding - £6.130m projected funding

COVID funding of £6.130m has been assumed in the budget projection to offset projected net expenditure.

Administrative Virements

11. Virements to be actioned at the third quarter to reflect the operations of the Council and enable effective monitoring, which Cabinet is asked to agree are as follows:
 - £0.580m virement from Public Health and Wellbeing to Commercialisation and Improvement on 1 December 2021 to reflect the transfer of responsibility for Major Sporting Events.

Housing Revenue Account

12. The projected HRA outturn requires £6.455m use of reserve compared to the budget of £4.973m, this is an increase of £1.482m.

13. Income is forecast to be £0.252m 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 taking on new loans. This is offset by a reduction in interest due.
14. COVID-19 restrictions have resulted in the repairs service focusing on the delivery of emergency, urgent and essential repairs only, which resulted in a backlog of repairs at the end of 2020/21. The service has now started to complete larger repairs and is working through the small-scale works, previously paused. It is in the process of engaging a contractor to deliver the larger scale backlog works to start in January 2022.
15. In relation to compliance the voluntary undertaking with the Regulator of Social Housing has been successfully completed. A key understanding with the Regulator is that the Council will continue with a robust governance schedule with all building safety and compliance transparently reported. Costs associated with remedial works identified through compliance reviews are included in the monitoring position.
16. The HRA budget includes a HRA capital programme of £25.603m, of which £21.671m is to be met from the 2021/22 HRA budget, with the remaining £3.932m funded from grant and the use of right to buy capital receipts. There is no change to the 2021/22 programme presented at quarter two and spend is estimated to be £25.218m. The impact of this is reflected in the projected HRA outturn.

Summary

17. The projected overspend for the Council at the end of the third quarter of £0.267m is after the application of £9.857m of reserves in line with the usage agreed as part of 2021/22 budget.
18. General COVID grant funding of £6.130m is forecast to be used in 2021/22 and the remainder of the Contain Outbreak Management Funding is forecast to be spent in year (£8.130m).
19. 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

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

Alternative Options

21. There are no alternative options proposed.

Implications of Recommended Option

22. **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.

- 23. **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.
- 24. **Equality and Diversity Implications** - Nil
- 25. **Crime and Disorder Implications** – Nil
- 26. **Health Implications** - Nil
- 27. **Climate Emergency and Sustainability Implications** - Nil
- 28. **Human Rights Implications** - Nil
- 29. **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	39,026	2,884	1,514	56
Education, Schools and Inclusion	4,710	4,396	(314)	38	420
Quality Assurance & Commissioning	6,745	6,806	61	0	0
Adult Social Care	67,614	68,514	900	5,838	0
<u>Public Health & Wellbeing</u>					
Public Health	16,541	16,755	214	0	0
Wellbeing	2,893	4,862	1,969	241	4,459
<u>Housing, Environment & Healthy Communities</u>					
Gateshead Construction Services	308	408	100	0	0
Property & Assets	1,259	1,015	(244)	(689)	947
Locality Services & Housing	1,413	1,502	89	88	(28)
Strategic Services & Residential Growth	1,107	1,381	274	0	104
Highways and Waste	15,849	16,289	440	480	399
Environment & Fleet Management	3,412	3,782	370	120	14
<u>Economy, Innovation and Growth</u>					
Business, Employment & Skills	1,388	1,148	(240)	0	0
Planning Policy, Climate Change and Strategic Transport	2,275	2,506	231	0	0
Major Projects	(1,273)	(368)	905	0	0
<u>Office of the Chief Executive</u>	808	763	(45)	0	16
<u>Corporate Services & Governance</u>					
Legal & Democratic Services	3,758	3,739	(19)	40	33
Human Resources & Workforce Development	1,444	1,561	117	85	22
Corporate Commissioning & Procurement	311	506	195	0	0
Public Service Reform	271	109	(162)	0	0
<u>Corporate Resources</u>					
Financial Management	1,917	1,936	19	0	0
Customer Experience & Digital	3,143	2,920	(223)	0	347
Housing Benefits	200	200	0	0	0
IT	3,781	3,625	(156)	0	0
Commercialisation and Improvement	2,286	2,205	(81)	0	0
<u>Other Services & Contingencies</u>	21,437	15,201	(6,236)	0	0
<u>Capital Financing Costs</u>	33,427	31,957	(1,470)	0	0
<u>Traded & Investment Income</u>	(3,566)	(2,153)	1,413	700	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	239,749	991	8,455	6,789
<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	267	267	8,455	6,789