

**TITLE OF REPORT:** Revenue Budget – First Quarter Review 2022/23

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

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### **Purpose of the Report**

1. This report sets out the latest monitoring position on the 2022/23 revenue budget at the end of the first quarter. 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 2022/23 on 24 February 2022. This was set at £254.3 million. The position includes £5.8 million of council financing from the Budget Sustainability Reserve to allow time for a planned schedule of cuts and efficiencies.
4. Council also agreed an HRA balanced budget of £82.3m without use of the reserve in 2022/23.

### **Proposal**

5. The projected revenue outturn for 2022/23 at the first quarter is £254.8m compared to the budget of £254.3m, a £0.5m overspend. This is alongside a £0.7m reduction in financing income resulting in an overall projected overspend of £1.2m. The monitoring has reported by exception in this period with more detailed analysis on higher risk, volatile budgets.
6. The budget at the first quarter has been aligned to reflect the 2021/22 pay award agreed after the 2022/23 budget was set.
7. Savings in relation to a contract review, the health and wellbeing review and adult social care remain undelivered in full. The undelivered savings will contribute towards budget pressures in 2022/23. Progress will be closely monitored and those requiring further consultation and engagement will be the subject of future reports to Cabinet.
8. The Medium Term Financial Strategy 2023/24 to 2027/28 and plans for 2023/24 budget will be the subject of a report to Cabinet in October.

### **Administrative Virements**

9. Virements have been actioned during the first quarter to reflect the operations of the Council. Cabinet is asked to note that budgets relating to the outcome of the 2021/22 agreed pay award have been actioned from contingency into relevant service areas.

## **Housing Revenue Account**

10. The projected HRA outturn is anticipated to be within the current budget with no planned use of reserves in 2022/23, meaning the HRA reserve balance is expected to remain at £24.3m.

## **Recommendations**

11. It is recommended that Cabinet notes:

- (i) the Council's revenue expenditure position at the end of the first quarter, as set out in Appendix 1 and 2; and
- (ii) the budget virement 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 which represent financial management good practice, recommend that councillors should receive regular reports on performance against revenue and capital budgets.
2. 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

3. This report sets out the latest budget monitoring position on the 2022/23 revenue budget at the end of the first quarter and projects spending and income to the end of the financial year.
4. Appendix 2 details the budget for 2022/23 compared to an assessment of the projected outturn for the year.
5. Budget savings of £0.2 million for 2020/21 in relation to a contract review have not been achieved to date. £8.1 million of savings were agreed for 2021/22 along with budget mitigation. Savings in relation to the health and wellbeing review and adult social care remain undelivered in full. The undelivered savings will contribute towards budget pressures in 2022/23. Progress will be closely monitored and those requiring further consultation and engagement will be the subject of future reports to Cabinet.

### Variations

6. The key points to note regarding main variances on a group basis are set out below.
  - Continued budget pressures in Adult Social Care due to an uplift to fees added together with modelled impact on income.
  - A projected underspend in Children's Social Care and Lifelong Learning due to Early Help and Premature retirement costs.
  - Budget pressures in leisure due to lost income as facilities are not yet fully operational combined with increasing utility costs, which is slightly offset by salary slippage.
  - Projected unachieved planning income in Planning.
  - A projected £3m underspend on capital financing due to the revised quarter 1 capital programme position and lower costs arising from the optional minimum revenue payment (MRP) made as part of the 2021/22 revenue outturn.
  - There is an expected shortfall in trading and investment income due to current economic conditions and impact on interest and dividends.

### Administrative Virements

7. Virements have been actioned during the first quarter to reflect the operations of the Council. Cabinet is asked to note that budgets relating to the outcome of the 2021/22 agreed pay award have been actioned from contingency into relevant service areas.

### **Housing Revenue Account**

8. The projected HRA outturn is anticipated to be within the current budget with no planned use of reserves in 2022/23. This means the HRA reserve balance is expected to remain at £24.3m.
9. The on-going review of the repairs and maintenance service is close to identifying the anticipated backlog in repairs jobs, which are planned to be completed during 2022/23. It is anticipated that the cost of this work will be met from the existing budget, however inflationary pressures continue to grow and are being monitored closely.
10. Void loss is currently running at 2.75% which equates to approximately £2.1m per annum in lost income to the HRA. The additional investment in the 2022/23 voids budget should reduce the number of void properties and the associated void loss over the remainder of the year.

### **Summary**

11. The projected overspend for the Council at the end of the first quarter of £1.2m is after the application of £29.2m of budgeted reserves in line with the usage agreed as part of 2022/23 budget.
12. General COVID grant funding of £8.9m is forecast to be used in 2022/23 and the remainder of the Contain Management Outbreak Funding is forecast to be spent in year (£4.0m).
13. The reported position assumes all prior year budget savings will be achieved.
14. 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**

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

### **Alternative Options**

16. There are no alternative options proposed.

### **Implications of Recommended Option**

17. **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.
18. **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.
  19. **Equality and Diversity Implications** - Nil
  20. **Crime and Disorder Implications** – Nil
  21. **Health Implications** - Nil
  22. **Climate Emergency and Sustainability Implications** - Nil
  23. **Human Rights Implications** - Nil
  24. **Ward Implications** - Revenue spending supports the delivery of services across the whole of Gateshead.



## Appendix 2- Revenue Monitoring Summary 2022/23

Group / Service	Revised Budget £'000	Projected Outturn £'000	Variance £'000
<b><u>Office of the Chief Executive</u></b>	871	871	0
<b><u>Integrated Adults and Social Care Services</u></b>			
Adult Social Care	73,611	74,702	1,091
Quality Assurance & Commissioning	6,990	6,990	0
<b><u>Children's Social Care and Lifelong Learning</u></b>			
Children's Social Care	40,113	39,826	(287)
Education, Schools and Inclusion	4,701	4,534	(167)
<b><u>Public Health &amp; Wellbeing</u></b>			
Public Health	17,225	17,225	0
Wellbeing	2,779	4,549	1,770
<b><u>Housing, Environment &amp; Healthy Communities</u></b>			
Gateshead Construction Services	344	344	0
Property & Assets	3,247	3,247	0
Locality Services & Housing	1,096	1,096	0
Strategic Services & Residential Growth	1,101	1,101	0
Highways and Waste	16,989	16,989	0
Environment & Fleet Management	2,611	2,611	0
<b><u>Economy, Innovation and Growth</u></b>			
Business, Employment & Skills	1,274	1,274	0
Planning Policy, Climate Change and Strategic Transport	3,196	3,349	153
Major Projects	(593)	(593)	0
<b><u>Corporate Services &amp; Governance</u></b>			
Legal & Democratic Services	4,034	4,034	0
Human Resources & Workforce Development	1,683	1,683	0
Corporate Commissioning & Procurement	497	497	0
Public Service Reform	448	448	0
<b><u>Resources and Digital</u></b>			
Financial Management	2,126	2,126	0
Customer Experience & Digital	3,428	3,428	0
Housing Benefits	200	200	0
IT	4,239	4,239	0
Commercialisation and Improvement	2,233	2,233	0
<b><u>Other Services &amp; Contingencies</u></b>	19,874	19,838	(36)
<b><u>Capital Financing Costs</u></b>	33,866	30,527	(3,339)
<b><u>Traded &amp; Investment Income</u></b>	(3,710)	(2,350)	1,360
<b><u>Expenditure Passed outside the General Fund</u></b>	(1,855)	(1,855)	0
<b><u>Levies</u></b>	11,686	11,686	0
<b>NET BUDGET</b>	<b>254,304</b>	<b>254,849</b>	<b>545</b>
<b><u>Financed By</u></b>			
Settlement Funding Assessment (SFA)	(56,907)	(56,251)	656
Other Grants	(47,235)	(47,235)	0
Public Health	(17,225)	(17,225)	0
Council Tax	(103,856)	(103,856)	0
Collection Fund Deficit	159	159	0
Earmarked Reserves - to support retained rates	(12,675)	(12,675)	0
Earmarked Reserves	(16,565)	(16,565)	0
<b>TOTAL FUNDING</b>	<b>(254,304)</b>	<b>(253,648)</b>	<b>656</b>
<b>COUNCIL OUTTURN (Surplus) / Deficit</b>	<b>0</b>	<b>1,201</b>	<b>1,201</b>