

**TITLE OF REPORT:** Revenue Budget – Second 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 second quarter. Cabinet is asked to note the contents of the report and to recommend to Council an increase in the 2022/23 Housing Revenue Account (HRA) budget.

### **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 £82.3 million without use of the reserve in 2022/23.

### **Proposal**

5. The projected revenue outturn for 2022/23 at the first quarter is £259.0 million compared to the budget of £254.3 million, a £4.7 million overspend this alongside a £0.7 million reduction in financing income result in an overall projected overspend of £5.4 million.
6. The intention remains to deliver the general fund revenue outturn within the original budget

### **Housing Revenue Account**

7. At the second quarter review the HRA budget is projected to overspend by £3 million which represents an increase in the use of reserves required. The main overspends are in relation to management and supervision (£1 million) and repairs and maintenance (£1.4 million). It is the intention to bring this within budget by year end.
8. In addition to the above position, a review of the repairs and maintenance service has identified a backlog in repairs jobs in the region of £3.0m which are planned to be completed during 2022/23. This additional budget pressure was identified after the budget was set, therefore, Cabinet is requested to recommend to Council an increase in the 2022/23 HRA budget to fund works from the HRA reserve.

## **Recommendations**

9. It is recommended that Cabinet
  - i. notes the Council's revenue expenditure position at the end of the second quarter, as set out in Appendices 1 and 2;
  - ii. recommends to Council the Housing Revenue Account budget as set out in Appendix 3.

For the following reasons:

- i. To contribute to sound financial management and the long-term financial sustainability of the Council.
- ii. To set a Housing Revenue Account for 2022/23 that is not in debit as required under the Local Government and Housing Act 1989 (Part VI).

## 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 second 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 £0.1m for 2020/21 in relation to a contract review have not been achieved to date and work is progressing to identify these. £8.1m of savings were agreed for 2021/22 along with budget mitigation. Savings in relation to the health and wellbeing review 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.
  - **Adults and children's social care** Significant challenges resulting in a projected £6m budget overspend - this is in relation to additional costs of care packages & fee uplifts and children's placement related costs.
  - **Leisure Services** Projected £2m overspend due to budget pressures arising from lost income as facilities are not yet fully operational combined with increasing utility costs which is slightly offset by salary slippage.
  - **Highways and Waste** Projected outturn is £1.2m under budget and the majority of underspend is in relation to Waste and Traded services. This is due to a one off reduction (£0.6m) in Gateshead PFI payments to Suez relating to an Energy Refund for 21/22, alongside a positive movement of £0.3m from increased income across several schemes.
  - **Capital Financing** A projected £2m 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.

- **Trading and investment income** There is currently a projected shortfall in income due to current economic conditions and impact on interest and dividends.

7. **Other budget challenges to note;**

- **Home to school transport** pressure resulting in a £0.4m overspend on budget
- **Property & Assets – School Meals** Projections include a 35% increase on catering supplies causing a £1.2m budget impact. This is currently offset by increased income and staffing vacancies slippage. Forecasting of take up is difficult. Income projections are based on 2022/23 actual to date and then 2019/20 numbers for the remainder of the year.
- **Property & Assets - Building Management** - £0.4m utilities pressure offset by underspends. In the overall position is a further Business Rate refund of (£0.5m) for the Civic Centre.
- **Contingencies** The 2022 pay award has now been agreed and work is ongoing to determine the final cost and allocate the budget into groups and services. This will require the use of the majority of the Council's contingency funds.

**Actions to Mitigate the Shortfall**

8. Budget management is a Council wide responsibility to which there is a proven track record of success. To mitigate the current budget position the Council has taken proactive action by;

- Sending a corporate wide message to all leadership to ensure efficiencies and savings are delivered in year alongside ceasing non-essential spend and pausing recruitment to non essential posts.
- Asking management teams to have clarity on areas of significant overspend and any interventions or actions that can be put in place to address these;
- Continue work on areas of savings yet to be fully delivered.

**Housing Revenue Account**

9. At the second quarter review the HRA budget is projected to overspend by £3m which represents an increase in the use of reserves required. The main overspends are in relation to management and supervision (£1m) and repairs and maintenance (£1.4m).

10. The review of the repairs and maintenance service has identified a backlog in repairs jobs caused by COVID-19 which is estimated to cost in the region of £3.0m and are planned to be completed during 2022/23. This additional budget pressure was identified after the budget was set and will require a Cabinet decision to fund works from the HRA reserve as this cannot be met fully from contingency. Contingency funds are required to fund the 2022/23 pay award. Therefore this report recommends an amendment to the HRA budget.

## Summary

11. The projected overspend for the Council at the end of the first quarter of £5.4m 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 medium-term position assumes all prior year budget savings will be achieved and overspends addressed.

## Consultation

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

## Alternative Options

15. There are no alternative options proposed.

## Implications of Recommended Option

### 16. 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.

### 17. 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.

### 18. Equality and Diversity Implications - Nil

### 19. Crime and Disorder Implications – Nil

### 20. Health Implications - Nil

### 21. Climate Emergency and Sustainability Implications - Nil

### 22. Human Rights Implications - Nil

### 23. Ward Implications - Revenue spending supports the delivery of services across the whole of Gateshead.

**Appendix 2- Revenue Monitoring Summary 2022/23**

<b>Group / Service</b>	<b>Budget £'000</b>	<b>Projected Outturn £'000</b>	<b>Variance £'000</b>
<b><u>Office of the Chief Executive</u></b>	871	944	73
<b><u>Integrated Adults and Social Care Services</u></b>			
Adult Social Care	73,851	75,976	2,125
Quality Assurance & Commissioning	5,873	6,069	196
<b><u>Children's Social Care and Lifelong Learning</u></b>			
Children's Social Care	41,182	45,093	3,911
Education, Schools and Inclusion	4,843	4,969	126
<b><u>Public Health &amp; Wellbeing</u></b>			
Public Health	17,225	17,225	0
Wellbeing	2,861	4,881	2,020
<b><u>Housing, Environment &amp; Healthy Communities</u></b>			
Gateshead Construction Services	345	445	100
Property & Assets	3,210	3,327	117
Locality Services & Housing	1,052	1,107	55
Strategic Services & Residential Growth	1,091	1,398	307
Highways and Waste	17,056	15,879	(1,177)
Environment & Fleet Management	2,909	2,901	(8)
<b><u>Economy, Innovation and Growth</u></b>			
Business, Employment & Skills	1,281	1,196	(85)
Planning Policy, Climate Change and Strategic Transport	3,274	3,709	435
Major Projects	(593)	(387)	206
<b><u>Corporate Services &amp; Governance</u></b>			
Legal & Democratic Services	4,043	4,128	85
Human Resources & Workforce Development	1,686	1,616	(70)
Corporate Commissioning & Procurement	591	671	80
Public Service Reform	396	222	(174)
<b><u>Resources and Digital</u></b>			
Financial Management	2,191	2,363	172
Customer Experience & Digital	3,459	3,633	174
Housing Benefits	200	200	0
IT	4,148	4,783	635
Commercialisation and Improvement	2,286	2,122	(164)
<b><u>Other Services &amp; Contingencies</u></b>	18,986	15,778	(3,208)
<b><u>Capital Financing Costs</u></b>	33,866	31,795	(2,071)
<b><u>Traded &amp; Investment Income</u></b>	(3,710)	(2,863)	847
<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>259,011</b>	<b>4,707</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>5,363</b>	<b>5,363</b>

## Appendix 3

### HRA Budget 2022/23

	<b>Budget</b>	<b>Revised</b>
	<b>2022/23</b>	<b>Budget</b>
	<b>£'000</b>	<b>2022/23</b>
		<b>£'000</b>
Rents - dwellings	(75,526)	(75,526)
Rents - non dwellings	(1,345)	(1,345)
Service charges	(4,426)	(4,426)
Water & Other Income	(977)	(977)
<b>Total Income</b>	<b>(82,274)</b>	<b>(82,274)</b>
Supervision & Management	27,661	27,661
Repairs and Maintenance	25,643	28,643
Interest on borrowing	12,010	12,010
Capital Programme Funding	16,119	16,119
Other Expenditure	768	768
Debt Management Expenses	73	73
<b>Total Expenditure</b>	<b>82,274</b>	<b>85,274</b>
<b>Net Operating Cost / (Surplus)</b>	<b>-</b>	<b>3,000</b>
<b>HRA Reserves</b>		
Opening Balance	24,330	24,330
Net Operating Cost for the year	-	(3,000)
<b>Closing Balance</b>	<b>24,330</b>	<b>21,330</b>