

TITLE OF REPORT: Revenue Budget – Third Quarter Review 2020/21

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

Purpose of the Report

1. This report sets out the latest monitoring position on the 2020/21 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 and recommend the budget adjustments outlined within the report to Council.

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 original revenue budget for 2020/21 on 27 February 2020. This was set at £220.761m Additional funding received as a result of the pandemic and other ring fenced grants has increased the base budget by £20.200m to £240.961m, these amendments were agreed by Cabinet on 15 September 2020 and 17 November 2020.
4. The Council's Dedicated Schools Grant (DSG) budget for 2020/21 is £105.673m, with £1.212m held in reserve.
5. The Housing Revenue Account (HRA) budget 2020/21 was agreed by Council 27 February 2020. This was set as a use of £4.452m of the reserve.
6. The Council have received additional government funding; Outbreak Management funding of £2.425m and a Winter Plan grant of £0.121m.

Proposal

7. It is proposed that Cabinet recommend to Council an amendment to increase the net revenue budget by £2.546m as presented in appendix 2 to reflect the further additional funding received in 2020/21 to allow for effective budget monitoring. The Winter Plan grant allocation will be utilised to fund the enforcement of and compliance with restrictions. The Outbreak Management funding will be allocated to Public Health and the Winter Plan grant will be allocated to Planning, Policy, Climate Change and Strategic Transport. This would result in an adjusted budget for the basis of monitoring of £243.507m.
8. The projected revenue outturn for 2020/21 as at 30 November 2020 is £243.792m compared to the adjusted budget of £243.507m, resulting in a projected overspend of £0.285m. A reduction in business rates income of £0.246m results in an overall projected overspend of £0.531m an increase of £0.494m since October. The

projection for the year includes use of reserves of £0.472m and an appropriation of £1.485m to reserves in relation to the paused invest to save priorities. Ongoing actions to mitigate the budget shortfall are presented in appendix 1 of the report.

9. Within the projected outturn there is a financial impact of reduced income and increased costs attributed to COVID-19 of £28.523m.
10. Budget savings of £0.400m for 2020/21 in relation to a contract review and corporate landlord are not now expected to be achieved in the financial year. The undelivered savings will contribute to the funding gap in 2021/22.
11. 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 assumptions that have been used to calculate the figures may change as government guidance changes.

Virements

12. Virements have been actioned during the third quarter to reflect the operations of the Council and previously approved use of contingency.

Schools

13. The projected DSG outturn at quarter two is £104.958m compared to the budget of £105.673m, is an under spend of £0.715m, a movement of £0.107m since quarter 2. The projections are based on known activity in this academic year, but this may change once there is more clarity of funding Early years' providers in Spring 2021 term.
14. The DSG reserve is currently £1.212m, it is projected that the balance at the 31 March 2021 will increase to £1.729m. The movement of £0.517m accounts for the current projected under spend offset by the payment relating to clawback of the 2019/20 early years adjustment (£0.198m).

Housing Revenue Account

15. The projected HRA outturn requires £1.251m use of reserve compared to the budget of £4.452m, this is a reduction of £3.201m. This is a £1.506m reduction on the quarter 2 position.
16. The HRA reserve at quarter two is £31.035m, it is projected that the balance at the 31 March 2021 will decrease to £29.784m.

Recommendations

17. It is recommended that Cabinet:
 - a) notes the Council's revenue expenditure position at the end of the third quarter, as set out in Appendices 1 and 2;
 - b) recommends that Council approves the virements to contingency actioned for operational purposes as outlined in appendix 1 of the report;
 - c) recommends that Council approves an amendment to the net revenue budget for 2020/21 from £240.961m to £243.507m as presented in Appendix 1 to account for the additional grant funding.

For the following reason:

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

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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 2020/21 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 2020/21 on 27 February 2020. This was set at £220.761m. Additional funding received as a result of the pandemic and other ring-fenced grants has increased the base budget by £20.200m to £240.961m, these amendments were agreed by Cabinet on 15 September 2020 and 17 November 2020.
5. Appendix 2 details the budget for 2020/21 compared to an assessment of the projected outturn for the year. Without any further action the projected outturn on net budgets for 2020/21 results in a projected overspend of £0.531m.
6. This report recommends an amendment to the net revenue budget for 2020/21 from £240.961m to £243.507m to reflect the receipt of additional grant relating to Outbreak Management and Winter Plan grant. The total adjusted budget for the basis of monitoring is therefore £243.507m. The Outbreak Management allocation will be utilised to fund the additional cost associated with supporting proactive containment and intervention of the virus. The Winter Plan grant allocation will be utilised to fund the enforcement of and compliance with restrictions. The Outbreak Management funding will be allocated to Public Health and the Winter Plan grant will be allocated to Planning, Policy, Climate Change and Strategic Transport.
7. At the end of the third quarter of the year, the projected use of reserves is £9.610m.
8. Budget savings of £0.400m for 2020/21 are not expected to be achieved in year due to delays in the reviews as a consequence of the pandemic.

Variations

9. The main variances on a group basis are set out below.

Children, Adults & Families - £0.663m overspend

10. Impacts have been seen in Children's Social Care relating to increased LAC. The Adult Social Care over spends relate to packages of care. Additional costs of covid packages are being mitigated by reductions to Council costs, this may change as packages of care requirements are assessed as part of the hospital discharge schemes.

Public Health & Wellbeing - £1.484m overspend

11. Significant impacts relating to unachieved income in relation to closure of leisure facilities and loss of room hire as well as additional costs in relation to PPE, and mortuary costs.

Housing, Environment and Healthy Communities - £0.974m underspend.

12. Impacts from loss of catering and room hire income. Reductions in car park and waste services income offset by reductions in employee costs, reductions in building maintenance expenditure, increased crematoria income and government funding allocations.

Resources and Digital - £0.563m underspend

13. Reductions in court cost income relating to NNDR and Council Tax offset by overachievement of employee slippage and government funding allocations.

Other Services, Contingency, Capital Financing and Trading and Investment income - £0.369m underspend

14. Capital financing costs are projected to be lower than budget. This is offset by an estimate for the reinstatement of the redundancy and bad debt provisions at the end of the financial year.

Virements

15. Budget virements Cabinet are asked to recommend to Council are;
 - £0.315m to be removed from Neighbourhood Services and held in contingency. Budget relates to underspend on CLLD match funding.

Actions to Mitigate the Shortfall

16. The council will;
 - Continue to work closely with the Clinical Commissioning Group (CCG) to ensure that the appropriate contribution is received for all relevant packages of care;
 - Submit further compensation claims to government under the fees and charges guarantee;
 - Continue proactive budget management by budget holders to ensure efficiencies and savings can be delivered in year;

- Continue work on the recommissioning and decommissioning of service areas as agreed by Council in the 2020/21 budget report.
- Further refine and develop relationships with the voluntary sector which may require positive growth and/or a resources shift;

Schools

17. The projected DSG outturn at quarter three is £104.958m compared to the budget of £105.673m, an underspend of £0.715m. The projections are based on known activity in this academic year but may change once there is more clarity of funding Early Years' providers in Spring 2021 term.

Housing Revenue Account

18. The projected HRA outturn requires £1.251m use of reserve compared to the budget of £4.452m, this is a reduction of £3.201m.
19. Income is forecast to be £1.030m less than the budget which is due to a combination of an increase in the percentage of void properties, an estimated increase in the bad debt position and reduction in services charges income.
20. The quarter three HRA capital programme has reduced by £3.128m however due to the addition of grant funded schemes the reduction on the amount required to fund the programme from the HRA is £3.481m. The reduction represents slippage into 2021/22.
21. The projection assumed the contingency budget will be utilised in full. This provides some headroom in year for additional costs/lost income, arising from the implications of COVID-19 that cannot otherwise be absorbed.
22. Given the self-financing nature of the account and the reliance upon the tenant income to service the expenditure the level of reduced income is concerning as the need for investment within the capital programme will continue over the medium term.

Summary

23. The projected overspend at the end of the third quarter of £0.531m is after the application of £0.472m of reserves in line with the usage agreed as part of 2020/21 budget and after an appropriation of £1.485m to reserves in relation to the paused invest to save priorities.
24. 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 the revised budget.

Consultation

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

Alternative Options

26. Cabinet could decide not to amend the budget to take into account additional funding expected in 2020/21 however this would be to the detriment of effective financial management and accountability.

Implications of Recommended Option

27. 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.
- c) **Property Implications** - There are no direct property implications as a consequence of this report.

28. 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.

29. Equality and Diversity Implications - Nil

30. Crime and Disorder Implications – Nil

31. Health Implications - Nil

32. Climate Emergency and Sustainability Implications - Nil

33. Human Rights Implications - Nil

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

Revenue Monitoring Summary 2020/21

Service	Revised Budget £'000	Projected Outturn £'000	Variance £'000
<u>Children, Adults & Families</u>			
Children's Social Care	35,163	35,724	561
Education, Schools and Inclusion	3,784	3,818	34
Quality Assurance & Commissioning	6,755	7,086	331
Adult Social Care	69,639	69,376	(263)
<u>Public Health & Wellbeing</u>			
Public Health	20,481	20,481	0
Wellbeing	7,516	9,000	1,484
<u>Housing, Environment & Healthy Communities</u>			
Housing, Compliance and Traded Services	5,069	5,145	76
Highways and Waste	16,777	16,212	(565)
Environment & Fleet Management	3,308	2,823	(485)
<u>Economy, Innovation and Growth</u>			
Business, Employment and Skills	1,049	951	(98)
Planning Policy, Climate Change and Strategic Transport	2,674	2,762	88
Major Projects and Corporate Property	(1,379)	(1,092)	287
<u>Office of the Chief Executive</u>	1,012	983	(29)
<u>Corporate Services & Governance</u>			
Legal & Democratic Services	3,633	3,385	(248)
Human Resources & Workforce Development	1,467	1,407	(60)
Corporate Commissioning & Procurement	454	534	80
Public Service Reform	334	358	24
<u>Corporate Resources</u>			
Financial Management	1,715	1,665	(50)
Customer Experience & Digital	3,880	3,378	(502)
Housing Benefits	421	421	0
IT	3,203	3,253	50
Commercialisation and Improvement	1,730	1,669	(61)
Other Services & Contingencies	14,571	13,886	(685)
Capital Financing Costs	33,700	32,518	(1,182)
Traded & Investment Income	(2,680)	(1,182)	1,498
Expenditure Passed outside the General Fund	(1,855)	(1,855)	0
Levies	11,086	11,086	0
NET BUDGET	243,507	243,792	285
<u>Financed By</u>			
Settlement Funding Assessment (SFA)	(73,792)	(73,546)	246
Additional Grant Funding	0	0	0
New Burden Funding	(170)	(170)	0
Other Grants	(42,665)	(42,665)	0
Public Health	(18,966)	(18,966)	0
Council Tax	(95,671)	(95,671)	0
Collection Fund (Council Tax)	(1,620)	(1,620)	0
Earmarked Reserves	(10,623)	(10,623)	0
TOTAL FUNDING	(243,507)	(243,261)	246
PROJECTED (UNDER) / OVER SPEND	0	531	531