

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

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

Purpose of the Report

1. This report sets out the latest monitoring position on the 2022/23 revenue budget at the end of the third quarter. Cabinet is asked to note the contents of the report and agree to recommend to Council a budget virement to increase the contingency 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 agreed an HRA balanced budget of £82.3 million without use of the reserve in 2022/23. At the second quarter this was reviewed to include £3m use of reserves.

Proposal

5. The projected outturn now indicates that the original revenue budget set can be delivered. The projected revenue outturn for 2022/23 at the third quarter is £253.2m compared to the budget of £254.3m, this is £1.1m within budget which alongside a £0.2m reduction in financing income result in an overall position of £0.9m within budget.
6. This is an improved position on quarter two which estimated a £5.4 million overspend. The position at the third quarter reflects the organisation wide drive to take action in year to manage the position back within budget. This included a pause on recruitment and essential spend only in most areas as well as a review to maximise income and funding. This has resulted in positive movements across the Groups.
7. The majority of positive movements are considered one off in nature therefore they will not result in an ongoing budget reduction into next year. The exception to this is the investment income budget that is considered achievable next year and therefore has been included in the budget options for 2023/24.
8. The intention remains to deliver the general fund revenue outturn within the original budget to support medium term financial sustainability. Active budget management and scrutiny will continue to take place in order to help achieve this outcome.

9. The third quarter review shows that the contingency budgets are projected to exceed budget. As the 2022 pay award has now been agreed work is ongoing to determine the final cost and allocate the budget into groups and services. Due to several other pending issues as it stands the contingency will potentially be over committed. Cabinet is asked to recommend to Council a budget virement of £0.750 million from Capital Financing budget into contingency to ensure that appropriate costs can be considered for contingency funding. The proposed increase in contingency will be met from within the existing budget.

Housing Revenue Account

10. At the third quarter review the HRA budget is projected to overspend by £2.8 million which represents an increase in the use of reserves required. The main overspends are in relation to management and supervision (£1.1million) and repairs and maintenance (£0.9million).

Recommendations

11. 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
 - ii. recommends that Council approve a budget virement into contingency as set out in the report.

For the following reasons:

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 third 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. Any undelivered savings will contribute towards budget pressures in 2023/24. Progress will be closely monitored and those requiring further consultation and engagement will be the subject of future reports to Cabinet.

Variations

6. Whilst the overall budget is being managed there are still a number of key financial challenges and items to note at the third quarter these include;
 - **Children's social care** Significant challenges resulting in a projected £3.5m budget overspend this is in relation to children's placement related costs;
 - **Adult Social Care** shows significant positive movement following work on identifying eligible Continuing Health Care (CHC) and hospital discharge funding to meet costs.
 - **Home to school transport** pressure resulting in a £0.8m overspend on budget which is a £0.4m movement on the last period. This is being partly hidden by underspend elsewhere in the Service.
 - **Leisure Services** projecting a £1.7m overspend. The position includes unachieved income budgets (£1.3m), unachieved savings (£0.6m) and utilities cost pressures (£0.7m).
 - **Property & Assets - Building Management** - £0.7m utilities pressure offset by underspends. In the overall position is a further one off Business Rate refund of (£0.5m) for the Civic Centre.

- **Highways and Waste** Projected outturn is £2.3m under budget the majority of underspend is in relation to Waste and Traded services. This is due to a one off reduction (£0.5m) in Gateshead PFI payments to Suez relating to an Energy Refund for 21/22, alongside over achievement of traded and fees and charges income. The positive movement reflects the forecasted underspend on Materials Recycling Facility Contract of £1m.
- **Resources and Digital – School Meals** and catering have now moved group following a transfer in responsibilities. Projections reflect a 25% increase on catering supplies causing a £1m budget impact this is currently offset by increased income and staffing vacancies slippage.
- **I.T Services** Whilst it appears IT is overspent the Service position is actually an underspend of £0.3m. The position reflects the intention to charge the capital spend on IT equipment supporting hybrid working to the Service which will then be met from pandemic funding.
- **Contingencies** are projected to exceed budget. As the 2022 pay award has now been agreed work is ongoing to determine the final cost and allocate the budget into groups and services. Due to several other pending issues as it stands the contingency will potentially be over committed by the year end.

Housing Revenue Account

7. At the third quarter review the HRA budget is projected to overspend by £2.8m which represents an increase in the use of reserves required. The main overspends are in relation to management and supervision (£1.1m) and repairs and maintenance (£0.9m).

Summary

8. The projected third quarter position is after the application of £29.2m of budgeted reserves in line with the usage agreed as part of 2022/23 budget.
9. 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). Permission to carry forward this grant into 2023 has recently been given therefore a review of use in the final quarter will take place.
10. The medium-term position assumes all prior year budget savings will be achieved and overspends addressed or mitigated.

Consultation

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

Alternative Options

12. There are no alternative options proposed.

Implications of Recommended Option

13. **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.

- 14. **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.
- 15. **Equality and Diversity Implications** - Nil
- 16. **Crime and Disorder Implications** – Nil
- 17. **Health Implications** - Nil
- 18. **Climate Emergency and Sustainability Implications** - Nil
- 19. **Human Rights Implications** - Nil
- 20. **Ward Implications** - Revenue spending supports the delivery of services across the whole of Gateshead.

Appendix 2- Revenue Monitoring Summary 2022/23

Group / Service	Budget £'000	Projected Outturn £'000	Variance £'000
<u>Office of the Chief Executive</u>	871	924	53
<u>Integrated Adults and Social Care Services</u>			
Adult Social Care	73,893	74,037	144
Quality Assurance & Commissioning	5,770	5,819	49
<u>Children's Social Care and Lifelong Learning</u>			
Children's Social Care	41,243	44,814	3,571
Education, Schools and Inclusion	4,843	5,284	441
<u>Public Health & Wellbeing</u>			
Public Health	17,225	17,225	0
Wellbeing	2,861	4,694	1,833
<u>Housing, Environment & Healthy Communities</u>			
Gateshead Construction Services	345	445	100
Property & Assets	2,710	2,003	(707)
Locality Services & Housing	1,052	1,014	(38)
Strategic Services & Residential Growth	1,091	1,275	184
Highways and Waste	17,034	14,691	(2,343)
Environment & Fleet Management	2,931	2,760	(171)
<u>Economy, Innovation and Growth</u>			
Business, Employment & Skills	1,281	980	(301)
Planning Policy, Climate Change and Strategic Transport	3,274	3,709	435
Major Projects	(593)	(394)	199
<u>Corporate Services & Governance</u>			
Legal & Democratic Services	4,043	4,163	120
Human Resources & Workforce Development	1,686	1,561	(125)
Corporate Commissioning & Procurement	591	563	(28)
Public Service Reform	396	222	(174)
<u>Resources and Digital</u>			
Financial Management	2,191	2,424	233
Customer Experience & Digital	3,459	3,486	27
Housing Benefits	200	200	0
IT	4,148	4,683	535
Commercialisation and Improvement	2,286	2,092	(194)
School Meals & Catering	380	626	246
Other Services & Contingencies	19,106	16,466	(2,640)
Capital Financing Costs	33,866	31,671	(2,195)
Traded & Investment Income	(3,710)	(4,099)	(389)
Expenditure Passed outside the General Fund	(1,855)	(1,855)	0
Levies	11,686	11,686	0
NET BUDGET	254,304	253,169	(1,135)
<u>Financed By</u>			
Settlement Funding Assessment (SFA)	(56,907)	(56,251)	656
Other Grants	(47,235)	(47,629)	(394)
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
TOTAL FUNDING	(254,304)	(254,042)	262
COUNCIL OUTTURN (Surplus) / Deficit	0	(873)	(873)