

**TITLE OF REPORT:** Revenue Budget – First Quarter Review 2023/24

**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 2023/24 revenue budget at the end of the first quarter. 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 revenue budget for 2023/24 on 21 February 2023. This was set at £289.903m. The budget includes £25.883m of Council financing from the planned use of earmarked reserves.
4. The presentation of the monitoring has been reviewed to reflect the need for the budget to be actively managed by managers to ensure that it is delivered. The new format reinforces this management responsibility by recognising interventions that have a positive impact on the overall service budget.
5. Council agreed an HRA income budget of £88.274m to deliver a surplus budget of £1.456m in 2023/24.

### **Proposal**

6. Funding announcements made after the budget was set in February have resulted in increased funding available in relation to Better Care Funding (£0.416m) and ringfenced public health grant (£0.512m). To reflect this additional funding the expenditure budgets are proposed to be increased by this value to reflect new budget plans. The financing will also be increased to reflect the new funding available.
7. Furthermore as part of a review of reserves during the 2022/23 outturn, the pandemic reserves were merged into the budget sustainability reserve. As such the expenditure base budget of £8.996m in relation to pandemic costs is proposed to be removed along with the equivalent budgeted funding from the pandemic reserve (£8.996m) to reflect the approach to use budget sustainability to support the budget in future. The proposed change will mean that all covid related expenditure will be monitored within the base budgets and it will positively contribute to the planned use of the consolidated budget sustainability reserve to support the budget in future years.

8. It is proposed that Cabinet recommend to Council an amendment to decrease the net revenue budget by £8.017m to £281.885m as presented in appendix 2 to include the additional funding to be received in 2023/24 and removal of pandemic budget and reserve funding to allow for effective budget monitoring.
9. Due to the increasing financial challenges faced by the Council it is more important than ever that budgets are delivered. The forecasts at the first quarter have been challenged and Service Directors have identified interventions to deliver their budget responsibilities. This management activity will continue throughout the year.
10. The projected revenue outturn for 2023/24 at the first quarter following management intervention is £1.1m over budget.
11. It is the intention to deliver within the overall revised budget by the financial year end and progress will be reported at quarter two.

### **Housing Revenue Account**

12. At the first quarter review, in line with the Business Plan assumptions, the HRA budget is projected to be delivered on budget.
13. As outlined in the provisional revenue outturn 2022/23 report in June, an upward revaluation of council properties in 2021/22 has increased the amount of depreciation charged to the HRA and unlike the general fund this is a real charge to the HRA representing investment in the assets. This has resulted in an increase in the depreciation in 2023/24 of £2.440m. This additional budget pressure was identified after the budget was set therefore Cabinet is requested to recommend to Council an increase in the 2023/24 HRA budget to reflect the increase in the depreciation charge funded from the HRA reserve.

### **Recommendations**

14. It is recommended that Cabinet
  - i. Notes the Council's revenue expenditure position at the end of the first quarter, as set out in Appendix 1 and 2;
  - ii. Recommends that Council approves;
    - a. an amendment to the net revenue budget for 2023/24 from £289,902,826 to £281,884,964;
    - b. removal of pandemic budget and the equivalent reserve funding as presented in appendix 2.
    - c. a £2.4m increase in the 2023/24 HRA budget to reflect the increase in the depreciation charge funded from the HRA reserve.
  - iii. Notes 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.

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## **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 2023/24 revenue budget at the end of the first quarter and projects spending and income to the end of the financial year following management intervention.
4. Appendix 2 details the budget for 2023/24 compared to an assessment of the projected outturn for the year. This position is after the application of reserves and planned management intervention in areas facing budget challenges.

### **Key Budget Challenges**

5. The key financial challenges to note are set out below.
  - Continued significant budget pressures in Adult Social Care in provider services and assessments. This is being managed with vacancies and external income.
  - Significant budget pressures in Children's Social Care relating to high Looked after Children (LAC) numbers and increasing placement costs together with increasing Home to School Transport costs. Actions are being taken to address the overspend with a view to identifying management intervention to reduce the projected overspending in the next quarter review.
  - 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.
  - Major projects have a significant solar programme income shortfall and Heights (tower blocks) overpend due to utility costs.
  - Significant management intervention is required in locality services due to bed and breakfast costs which are under review by management.
6. It is the intention to deliver within overall budget by the financial year end and progress will be reported at quarter two. Finance Portfolio will also have oversight of progress.

## Corporate Growth – Environmental Standard

7. Allocations for the environmental standard have now been agreed and during quarter two budgets will be moved into the appropriate Service areas as follows;

Priority Area	Responsible Officer	Value £
New Environmental ASB team	Kevin Scarlett	£440,000
New Flood Resilience team	Colin Swinney	£110,000
Planning and highways enforcement team (make permanent)	Anneliese Hutchinson	£140,000
Environmental communications campaign.	Phil Hindmarsh/Anneliese Hutchinson/Kevin Scarlett/Neil Bouch	£65,000
Environmental <i>Street cleansing, graffiti removal, weed control, dog warden, HGV apprenticeship, community development, tree safety team.</i>	Phillip Hindmarsh	£1,245,000
		<b>£2,000,000</b>

## Savings Delivery

8. Cabinet agreed £13m of savings in the 2023/24 revenue budget which will be challenging, financial control and monitoring of budgets is crucial. Progress will be closely monitored and those requiring further consultation and engagement will be the subject of future reports to Cabinet.

## Housing Revenue Account

9. The HRA faces a number of budget pressures however it is forecast overall to be delivered within the original budget set.
10. As outlined in the provisional revenue outturn 2022/23 report in June, an upward revaluation of council properties in 2021/22 has impacted the amount depreciation charged to the HRA and unlike the general fund this is a real charge to the HRA representing investment in the assets. This has resulted in an increase in the depreciation in 2023/24 of £2.440m. As this additional budget pressure was identified after the budget was set this report recommends an amendment to the HRA budget.
11. Construction Services have almost completed all backlog repairs, some of this work has slipped from 2022/23 into the current year but it is anticipated that these costs will be met from the existing repairs budget.
12. Void loss is currently running at 3.33% against a budgetted position of 2%. A plan is in place to reduce the number of void properties undergoing work down to 200 and the number of void properties Ready to Let (RTL) down to 75 by October 2023. The impact of this is factored into the first quarter review.
13. Due to a fall in in-house void completions Construction Services are engaging additional subcontractors to achieve the target number of 200 properties undergoing work. The service has set out a plan to absorb these costs from savings across the service over the course of the year, which includes improving in-house performance to minimise subcontractor spend.

## **Summary**

14. The projected budget position for the Council after applying reserves and planned management intervention at the end of the first quarter is a £1.1m over budget.
15. The reported position assumes all prior year budget savings will be achieved.
16. Senior management will ensure proactive budget management through regular monitoring will continue to take place with accountable intervention with the aim of containing spending within budget.

## **Consultation**

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

## **Alternative Options**

18. There are no alternative options proposed.

## **Implications of Recommended Option**

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

## Appendix 2- Revenue Monitoring Summary 2023/24

Service	Original Budget £'000	Proposed Budget £'000	Projected Outturn After reserves Before Action £'000	Management Intervention £'000	Under/Over Budget £'000
<b><u>Office of the Chief Executive</u></b>	979	979	1,017	(38)	0
<b><u>Integrated Adults and Social Care Services</u></b>					
Adult Social Care	85,838	85,975	86,022	(47)	0
Quality Assurance & Commissioning	5,839	6,118	6,355	(237)	0
<b><u>Children's Social Care and Lifelong Learning</u></b>					
Children's Social Care	46,827	46,827	48,029	0	1,202
Education, Schools and Inclusion	6,605	6,605	7,187	0	582
<b><u>Public Health &amp; Wellbeing</u></b>					
Public Health	17,225	17,787	17,787	0	0
Wellbeing - Leisure / Libraries	3,934	3,934	5,357	0	1,423
Wellbeing - Resilience & Other	161	161	183	(22)	0
<b><u>Housing, Environment &amp; Healthy Communities</u></b>					
Gateshead Construction Services	414	414	601	(136)	51
Property & Assets	3,588	3,588	3,602	(109)	(95)
Locality Services & Housing	1,479	1,479	2,408	(929)	0
Strategic Services & Residential Growth	1,135	1,135	1,680	(545)	0
Highways and Waste	18,287	18,287	16,857		(1,430)
Environment & Fleet Management	3,196	3,196	3,196		0
<b><u>Economy, Innovation and Growth</u></b>					
Business, Employment and Skills	925	925	750		(175)
Planning Policy, Climate Change and Strategic Transport	3,732	3,732	4,240	(40)	468
Major Projects and Corporate Property	(1,142)	(1,142)	(733)	(35)	374
<b><u>Corporate Services &amp; Governance</u></b>					
Legal & Democratic Services	4,325	4,325	4,325	0	0
Human Resources & Workforce Development	1,905	1,905	1,926	(21)	0
Corporate Commissioning & Procurement	621	621	621	0	0
Public Service Reform	339	339	236		(103)
<b><u>Resources &amp; Digital</u></b>					
Financial Management	2,662	2,662	2,708	(46)	0
Customer Experience & Digital	4,433	4,433	4,682	(249)	0
Housing Benefits	200	200	200	0	0
IT	4,207	4,207	4,094		(113)
Commercialisation and Improvement	2,133	2,133	2,055		(78)
School Meals & Catering	900	900	248		(652)
<b>Other Services &amp; Contingencies</b>	17,340	17,340	17,502	(162)	0
<b>Corporate Budget Growth</b>	5,700	5,700	5,700		0
<b>Pandemic</b>	8,996	0	0		0
<b>Capital Financing</b>	32,818	32,818	31,889		(929)
<b>Expenditure Passed outside the General Fund</b>	(1,855)	(1,855)	(1,855)		0
<b>Traded &amp; Investment Income</b>	(5,865)	(5,865)	(5,551)	(154)	160
<b>Levies</b>	12,022	12,022	12,022		0
<b>NET BUDGET</b>	<b>289,903</b>	<b>281,885</b>	<b>285,340</b>	<b>(2,770)</b>	<b>685</b>
<b><u>Financed By</u></b>					
Settlement Funding Assessment (SFA)	(72,787)	(72,787)	(72,365)		422
Other Grants	(62,450)	(62,866)	(62,866)		0
Public Health	(17,225)	(17,787)	(17,787)		0
Council Tax	(110,473)	(110,473)	(110,473)		0
Collection Fund Deficit	(1,085)	(1,085)	(1,085)		0
Earmarked Reserves	(25,883)	(16,887)	(16,887)		0
<b>TOTAL FUNDING</b>	<b>(289,903)</b>	<b>(281,885)</b>	<b>(281,463)</b>	<b>0</b>	<b>422</b>
<b>PROJECTED (UNDER) / OVER SPEND</b>	<b>0</b>	<b>0</b>	<b>3,877</b>	<b>(2,770)</b>	<b>1,107</b>

## HRA Proposed Budget 2023/24

	Budget	Budget Q1
	£000	£000
Rents - dwellings	(80,604)	(80,604)
Rents - non dwellings	(1,297)	(1,297)
Service charges	(4,953)	(4,953)
Water & Other Income	(1,420)	(1,420)
<b>Total Income</b>	<b>(88,274)</b>	<b>(88,274)</b>
Supervision & Management	30,011	30,011
Repairs & Maintenance	26,868	26,868
Interest on Borrowing	12,231	12,231
Capital Programme Funding	16,824	19,264
Other Expenditure	805	805
Debt Management Expenses	78	78
<b>Total Expenditure</b>	<b>86,818</b>	<b>89,258</b>
<b>Net Operating Cost / (Surplus)</b>	<b>(1,456)</b>	<b>984</b>
<b>HRA Reserves</b>		
Opening Balance	19,561	
Net Operating Cost for the year	984	
<b>Closing Balance</b>	<b>18,577</b>	