

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

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

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 deprecation 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 deprecation 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 |
| | | £2,000,000 |

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 | Proposed Budget | Projected Outturn After reserves Before Action | Management Intervention | Under/Over Budget |
|--|------------------|------------------|--|-------------------------|-------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| <u>Office of the Chief Executive</u> | 979 | 979 | 1,017 | (38) | 0 |
| <u>Integrated Adults and Social Care Services</u> | | | | | |
| Adult Social Care | 85,838 | 85,975 | 86,022 | (47) | 0 |
| Quality Assurance & Commissioning | 5,839 | 6,118 | 6,355 | (237) | 0 |
| <u>Children's Social Care and Lifelong Learning</u> | | | | | |
| 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 |
| <u>Public Health & Wellbeing</u> | | | | | |
| 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 |
| <u>Housing, Environment & Healthy Communities</u> | | | | | |
| 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 |
| <u>Economy, Innovation and Growth</u> | | | | | |
| 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 |
| <u>Corporate Services & Governance</u> | | | | | |
| 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) |
| <u>Resources & Digital</u> | | | | | |
| 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) |
| Other Services & Contingencies | 17,340 | 17,340 | 17,502 | (162) | 0 |
| Corporate Budget Growth | 5,700 | 5,700 | 5,700 | | 0 |
| Pandemic | 8,996 | 0 | 0 | | 0 |
| Capital Financing | 32,818 | 32,818 | 31,889 | | (929) |
| Expenditure Passed outside the General Fund | (1,855) | (1,855) | (1,855) | | 0 |
| Traded & Investment Income | (5,865) | (5,865) | (5,551) | (154) | 160 |
| Levies | 12,022 | 12,022 | 12,022 | | 0 |
| NET BUDGET | 289,903 | 281,885 | 285,340 | (2,770) | 685 |
| <u>Financed By</u> | | | | | |
| 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 |
| TOTAL FUNDING | (289,903) | (281,885) | (281,463) | 0 | 422 |
| PROJECTED (UNDER) / OVER SPEND | 0 | 0 | 3,877 | (2,770) | 1,107 |

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) |
| Total Income | (88,274) | (88,274) |
| 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 |
| Total Expenditure | 86,818 | 89,258 |
| Net Operating Cost / (Surplus) | (1,456) | 984 |
| HRA Reserves | | |
| Opening Balance | 19,561 | |
| Net Operating Cost for the year | 984 | |
| Closing Balance | 18,577 | |