

TITLE OF REPORT: Revenue Budget – Second 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 second quarter. Cabinet is asked to note the contents of the report and approve the administrative budget virement outlined within the report.

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. At the first quarter Cabinet agreed an amendment to the net revenue budget for 2023/24 from £289.903m to £281.885m.
5. 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 portfolio budget.
6. Council agreed an HRA income budget of £88.274m to deliver a surplus budget of £1.456m in 2023/24. At first quarter a £2.440m increase in budget to reflect the increase in the depreciation charge results in a budgeted deficit of £0.984m which will be funded from the HRA reserve.

Proposal

7. Due to the increasing financial challenges faced by the Council it is more important than ever that budgets are delivered. The forecasts at the second quarter have been challenged and Service Directors have identified interventions to deliver their budget responsibilities. This management activity will continue throughout the year.
8. The projected revenue outturn for 2023/24 at the second quarter following management intervention is £2.775m over budget (First quarter was £1.107m over).
9. It is the intention to deliver within the overall revised budget by the financial year end and progress will be reported at quarter three.

Administrative Virement for Supported Housing

10. Cabinet is asked to approve a proposed administrative budget virement of £1.415m. The proposal is to move budgets from Quality assurance & Commissioning of £0.872m and Children's Social Care of £0.543m to Strategic Housing and Residential Growth. This is to facilitate taking forward the proposals agreed by Cabinet in March 2023 allowing the recommissioning and remodelling of supported accommodation for young people, and for adults with multiple and/or complex needs.
11. Once approved this virement will be actioned for the next reported period.

Housing Revenue Account

12. The HRA faces a number of budget pressures (set out below) and is forecast to overspend by £5.1m in 2023/24.

Recommendations

13. It is recommended that Cabinet
 - i. Notes the Council's revenue expenditure position at the end of the second quarter, as set out in Appendix 1 and 2; and
 - ii. Approves the administrative budget virement transfer of £1.415m for supported housing as set out in the report and appendices.

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 second 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.
 - Significant budget pressures in Children's Social Care resulting in an overpend relating to placement costs (Independent fostering agencies £1.5m, external residential £0.6m) together with Home to School Transport costs £1.6m). Actions are being taken to mitigate the overspend with a view to identifying management intervention.
 - Budget pressures in Leisure Services due to unachieved income which is in part offset by salary slippage.
 - Overspends in the Economy Innovation and Growth group due to projected unachieved fee income and solar programme income shortfall.
 - Management intervention is required in Locality Services & Housing due to temporary accommodation costs which are under review.
6. It is the intention to deliver within overall budget by the financial year end and progress will be reported at quarter three. Finance Portfolio will also have oversight of progress.

Corporate Growth

- Budget transfers have been actioned to agreed capacity fund service areas as well as the full allocation for the environment standard.

Savings Delivery

- Cabinet agreed £13m of savings in the 2023/24 revenue budget which will be challenging, financial control and monitoring of budgets is crucial. Progress is being closely monitored (95% is considered achieved) and those requiring further consultation and engagement will be the subject of future reports to Cabinet.

Supported Housing Transfer of Budget

- The proposal is to move budgets from Quality assurance & Commissioning of £0.872m and Children's Social Care of £0.543m to Strategic Housing and Residential Growth. This is to facilitate taking forward the proposals allowing the recommissioning and remodelling of supported accommodation for young people, and for adults with multiple and/or complex needs.
- The budget adjustment is shown below. Once approved this virement will be actioned for the next reported period.

Service	Original Budget 2023/24 £000	Proposed Budget 2023/24 £000
Quality Assurance and Commissioning	6,677	5,805
Children's Social Care	47,020	46,477
Strategic Services and Residential Growth	1,575	2,989
Total	55,272	55,272

Housing Revenue Account

- The HRA faces a number of budget pressures (set out below) and is forecast to overspend by £5.1m in 2023/24.

Voids

- The void service had planned to reduce the number of void properties down to 300 by the end of September 2023, however given the increase in level of work identified, this target date has now been extended to 31 March 2024. This means the service will need to continue using the same level of subcontractors until the end of the current financial year which is driving the £1.8m overspend in voids.
- The impact of the increased number of void properties is driving the £1.7m shortfall in estimated income for the 2023/24 financial year. The budgeted void loss for the 2023/24 financial year was set at 2% or £1.7m. The void loss

incurred to the end of September was 3.46% or £1.7m and the forecast total void loss for the financial year is £3.4m.

Repairs

14. There has been an increase in the level of repairs required to keep ageing stock of council houses in a decent condition over time. To meet this increase in demand, the service has had to rely on additional contractors which is the main factor behind the £2.6m overspend in repairs.
15. The service is currently preparing a business case to review operational delivery of repairs to improve responsiveness and value for money.

Summary

16. The projected budget position for the Council after applying reserves and planned management intervention at the end of the second quarter is £2.7m over budget.
17. The MTFS position assumes all prior year budget savings will be achieved going into 2024/25.
18. The intention is to deliver an outturn within budget. 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

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

Alternative Options

20. There are no alternative options proposed.

Implications of Recommended Option

21. **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.
22. **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.
23. **Equality and Diversity Implications** - Nil

24. **Crime and Disorder Implications – Nil**
25. **Health Implications - Nil**
26. **Climate Emergency and Sustainability Implications - Nil**
27. **Human Rights Implications - Nil**
28. **Ward Implications** - Revenue spending supports the delivery of services across the whole of Gateshead.

Appendix 2- Revenue Monitoring Summary 2023/24

Service	Budget	Projected Outturn After reserves Before Action	Management Intervention	Under/ Over Budget
	£'000	£'000	£'000	£'000
Office of the Chief Executive	979	1,000	(21)	0
Integrated Adults and Social Care Services				
Adult Social Care	86,099	86,099	0	0
Quality Assurance & Commissioning	6,677	6,775	(98)	0
Children's Social Care and Lifelong Learning				
Children's Social Care	47,020	49,043	0	2,023
Education, Schools and Inclusion	6,671	8,375	0	1,704
Public Health & Wellbeing				
Public Health	17,788	17,788	0	0
Wellbeing - Leisure / Libraries	4,082	5,001	0	919
Wellbeing - Resilience & Other	311	329	0	18
Housing, Environment & Healthy Communities				
Gateshead Construction Services	414	550	0	136
Property & Assets	3,756	4,462	(258)	448
Locality Services & Housing	1,595	2,561	(466)	500
Strategic Services & Residential Growth	1,575	1,595	(20)	0
Highways and Waste	18,407	16,627		(1,780)
Environment & Fleet Management	4,943	5,111		168
Economy, Innovation and Growth				
Business, Employment and Skills	1,085	720		(365)
Planning Policy, Climate Change and Strategic Transport	3,925	4,693	0	768
Major Projects and Corporate Property	(1,089)	(303)	0	786
Corporate Services & Governance				
Legal & Democratic Services	4,325	4,598	0	273
Human Resources & Workforce Development	1,905	1,817	0	(88)
Corporate Commissioning & Procurement	621	583	0	(38)
Public Service Reform	339	173		(166)
Resources & Digital				
Financial Management	2,380	2,319	0	(61)
Customer Experience & Digital	4,433	4,770	0	337
Housing Benefits	200	200	0	0
IT	4,209	3,875		(334)
Commercialisation and Improvement	2,283	1,953		(330)
School Meals & Catering	900	482		(418)
NET PORTFOLIO BUDGETS	225,833	231,196	(863)	4,500
Other Services & Contingencies	16,302	15,295	0	(1,007)
Corporate Budget Growth	2,630	2,630		0
Capital Financing	32,818	31,889		(929)
Expenditure Passed outside the General Fund	(1,855)	(1,855)		0
Traded & Investment Income	(5,865)	(6,076)	0	(211)
Levies	12,022	12,022		0
NET BUDGET	281,885	285,101	(863)	2,353
Financed By				
Settlement Funding Assessment (SFA)	(72,787)	(72,365)		422
Other Grants	(62,866)	(62,866)		0
Public Health	(17,787)	(17,787)		0
Council Tax	(110,473)	(110,473)		0
Collection Fund Surplus	(1,085)	(1,085)		0
Earmarked Reserves	(16,887)	(16,887)		0
TOTAL FUNDING	(281,885)	(281,463)	0	422
PROJECTED (UNDER) / OVER SPEND	0	3,638	(863)	2,775