

TITLE OF REPORT: Revenue Budget – Third 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 third quarter. Cabinet is asked to note the contents of 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 an 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. 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 resulted in a budgeted deficit of £0.984m which will be funded from the HRA reserve.

Proposal

6. The projected revenue outturn for 2023/24 at the third quarter is £281.8m compared to the budget of £281.9m. This is £0.1m within budget alongside a £0.5m increase in financing income, resulting in an overall position of £0.6m within budget, which is an improved position on the quarter two position of £2.8m over budget.
7. The projected outturn masks a number of significant financial challenges within certain areas as group portfolio budgets are projected to overspend by £3.9m after management intervention.

Virements

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

Housing Revenue Account

9. The HRA revenue budget faces several budget pressures especially in relation to repairs and maintenance and voids and is forecast to overspend by £5.1m in 2023/24.

10. Plans are being put in place to mitigate the issues associated with the overspends but the impact of savings is not likely to materialise until 2024/25.

Recommendations

11. It is recommended that Cabinet notes the Council's revenue expenditure position at the end of the third quarter, as set out in Appendix 1 and 2;

For the following reason:

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

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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 third 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.
 - **Children's Social Care and Lifelong Learning is £4.4m over budget**, due to an overspend of £1.7m on foster agencies, £1.1m on external residential care and £1.6m on home to school transport.
 - **Leisure is £0.350m over budget** due to an under achievement on income of £1.3m offset by a £0.9m underspend on staffing and the addition of a Sport England grant.
 - **Major Projects & Energy are £0.6m over budget** due to a £0.5m underachievement on income and £0.3m overspend on schemes, offset by a £0.2m underspend on staffing.
 - **Property Services is £0.6m over budget** due mainly to overspends on staffing £0.1m, Security £0.1m, Professional fees £0.1m and underachievement on income of £0.2m.
6. The quarter three outturn also includes some changes to Council Financing. The settlement announced a reduction in Top Up Grant (0.791m) that must be recognised in 2023. An additional Market Sustainability and Improvement Fund grant was announced in August of £1.7m and has now been received.
7. Utility budgets have been amended using contingency funding following a review of actual bills and whether budgets were assessed as being inadequate.
8. The budget and outturn impacts of the agreed pay award are not reflected in this reported position. Budgets to meet the costs will be passed to Services and met from contingency within 2023/24.

Housing Revenue Account

9. The HRA continues to face several budget pressures especially in relation to repairs and maintenance and voids and is forecast at the third quarter to overspend by £5.1m in 2023/24.
10. Whilst overall there is no change from the second quarter, repairs and maintenance projections have increased by £1.2m, there has been an increase in projected income of £0.1m and a reduction in supervision and management of £1.1m this includes £0.5m related to projected use of contingency and £0.5m related to the impact on the HRA from a review of service level agreements.
11. Plans are being put in place to mitigate the issues associated with the overspends which includes reducing the use of contractors and internalising a proportion of repairs and maintenance and void capacity. Due to timing, it is unlikely that there will be a significant savings impact in 2023/24.
12. This approach will deliver a 2024/25 cost reduction and enable:
 - Better controls on work programmes.
 - Improved customer service and quality controls.
 - Reduce the levels of repeat visits to properties.
 - Improve property condition.
 - Improve customer satisfaction.
 - Reduce repair related turnover.
 - Support the wider housing policy objectives

Summary

13. The projected General Fund Revenue budget position for the Council after applying reserves and planned management intervention at the end of the third quarter is £0.6m under budget.
14. The MTFs position assumes all prior year budget savings will be achieved going into 2024/25.
15. 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

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

Alternative Options

17. There are no alternative options proposed.

Implications of Recommended Option

18. **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.
19. **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.
 20. **Equality and Diversity Implications** - Nil
 21. **Crime and Disorder Implications** – Nil
 22. **Health Implications** - Nil
 23. **Climate Emergency and Sustainability Implications** - Nil
 24. **Human Rights Implications** - Nil
 25. **Ward Implications** - Revenue spending supports the delivery of services across the whole of Gateshead.

Appendix 2- Revenue Monitoring Summary 2023/24

Service	Budget £'000	Projected Outturn After reserves Before Action £'000	Management Intervention £'000	Under/ Over Budget £'000
<u>Office of the Chief Executive</u>	979	974	0	(5)
<u>Integrated Adults and Social Care Services</u>				
Adult Social Care	85,663	85,431	0	(232)
Quality Assurance & Commissioning	6,302	6,125	0	(177)
<u>Children's Social Care and Lifelong Learning</u>				
Children's Social Care	46,498	49,217	0	2,719
Education, Schools and Inclusion	6,671	8,367	0	1,696
<u>Public Health & Wellbeing</u>				
Public Health	17,788	17,788	0	0
Wellbeing - Leisure / Libraries	4,317	4,764	0	447
Wellbeing - Resilience & Other	311	317	0	6
<u>Housing, Environment & Healthy Communities</u>				
Gateshead Construction Services	414	698	0	284
Property & Assets	3,962	4,421	(26)	433
Locality Services & Housing	1,590	1,906	0	317
Strategic Services & Residential Growth	2,959	2,967	0	8
Highways and Waste	18,399	17,112		(1,287)
Environment & Fleet Management	4,838	5,203		365
<u>Economy, Innovation and Growth</u>				
Business, Employment and Skills	1,045	527		(518)
Planning Policy, Climate Change and Strategic Transport	3,930	4,524	0	594
Major Projects and Corporate Property	(1,089)	(426)	0	663
<u>Corporate Services & Governance</u>				
Legal & Democratic Services	4,329	4,497	0	169
Human Resources & Workforce Development	1,905	1,776	0	(129)
Corporate Commissioning & Procurement	621	579	0	(42)
Public Service Reform	339	173		(166)
<u>Resources & Digital</u>				
Financial Management	2,380	2,283	0	(97)
Customer Experience & Digital	4,733	4,712	0	(21)
Housing Benefits	200	200	0	0
IT	4,209	3,762		(447)
Commercialisation and Improvement	2,283	1,989		(294)
School Meals & Catering	900	538		(362)
NET PORTFOLIO BUDGETS	226,475	230,424	(26)	3,923
Other Services & Contingencies	15,660	14,653	0	(1,007)
Corporate Budget Growth	2,630	2,630		0
Capital Financing	32,818	31,805		(1,013)
Expenditure Passed outside the General Fund	(1,855)	(1,855)		0
Traded & Investment Income	(5,865)	(7,866)	0	(2,001)
Levies	12,022	12,022		0
NET BUDGET	281,885	281,813	(26)	(98)
Financed By				
Settlement Funding Assessment (SFA)	(72,787)	(71,574)		1,213
Other Grants	(62,866)	(64,590)		(1,724)
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)	(282,396)	0	(511)
PROJECTED (UNDER) / OVER SPEND	(0)	(583)	(26)	(609)