

TITLE OF REPORT: Revenue Budget – First Quarter Review 2024/25

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

Purpose of the Report

1. This report sets out the latest monitoring position on the 2024/25 revenue budget at the end of the first 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 2024/25 on 22 February 2024. This was set at £306.3m. The budget included £5m of Council financing from the Budget Sustainability Reserve to allow time for a planned schedule of cuts and efficiencies.
4. Council also agreed a Housing Revenue Account budget for 2024/25 that would deliver a surplus budget of £0.3m (Income £95.0m and Expenditure £94.7m)

Proposal

5. 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.
6. The projected revenue outturn for 2024/25 at the first quarter following management intervention and application of reserves is £3.6m over budget.
7. It is the intention to deliver within the overall revised budget by the financial year end and progress will be reported at quarter two.

Virements

8. Virements have been actioned during the first quarter to reflect the operations of the Council and delegated use of contingency.
9. This report reflects the approval by Cabinet in April to an administrative budget virement of £0.6m to reflect the Community, Health and Wellbeing service moving to Public Health.
10. The £0.7m budget for voluntary sector development fund has been moved into the Quality Assurance and Commissioning Service to reflect the responsibilities for taking forward this work.

Housing Revenue Account

11. At the first quarter review, the HRA budget is projected to be overspent by £0.9m. The main areas of overspend are in relation to council tax on void properties as well as contractor and material costs in repairs and maintenance. The services are working on several action plans and saving proposals to reduce expenditure and increase income so that the HRA is delivered on budget.

Recommendations

12. 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 to 3.

for the following reason(s)

- I. 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. Appendix 2 details the projected outturn per service against budget for 2024/25. This position is after the application of reserves and management interventions.

Virements

4. Virements have been actioned during the first quarter to reflect the operations of the Council and delegated use of contingency.
5. This report reflects the approval by Cabinet in April to;
 - i. Move the Communities and Volunteering Service from Housing, Environmental and Health Communities to Public Health and Wellbeing.
 - ii. To the change the name for the service to Community, Health and Wellbeing.
 - iii. Approve an administrative budget virement of £0.607m to reflect the movements above.
6. The £0.7m budget for voluntary sector development fund has been moved into the Quality Assurance and Commissioning Service to reflect the responsibilities for taking forward this work.

Key Budget Challenges

7. The overspend is made up in the main of significant budget pressures in three key areas set out below;
 - **Children's Social Care £3.8m over agreed budget**

Significant budget pressures remain in Children's Social Care in relation to placement costs. This is driven by high Children in Our Care (CIOC) numbers creating placement sufficiency issues resulting in significant overspends in external residential and Independent Fostering Agency placements. Actions have been taken by management throughout 2023/24 and whilst increasing exits from care and reducing entries into care gained traction for a time this was short lived and CIOC numbers have returned to high levels when compared with regional and national comparators.

Management will continue to focus on strategies to manage sufficiency and reduce demand whilst considering the recent LGA review findings to achieve planned MTFS forecasts.

- **Locality Services & Housing £1.9m over agreed budget**
There continue to be significant costs arising from temporary accommodation. The service are working on an action plan that aims to reduce the use and expenditure on hotel accommodation through securing better use and value from hotel accommodation and moving towards a larger mixed economy portfolio of temporary accommodation.
- **Planning Policy, Climate Change and Strategic Transport £0.7m over agreed budget**
This is mainly due to under achievement of income in Planning applications. Management interventions are required in this area to deliver the agreed budget.

Housing Revenue Account

8. At the first quarter review, the HRA budget is projected to be overspent by £0.9m. The main areas of overspend are in relation to council tax on void properties as well as contractor and material costs in repairs and maintenance. The services are working on several action plans and saving proposals to reduce expenditure and increase income so that the HRA is delivered on budget. Appendix 3 shows performance against budget at the first quarter.

Consultation

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

Alternative Options

10. There are no alternative options proposed.

Implications of Recommended Option

11. **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.
12. **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.
13. **Equality and Diversity Implications** - Nil

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

19. **Background Information:**

Medium Term Financial Strategy 2024/25 – 2028/29
Budget and Council Tax Level 2024/25
Housing Revenue Account (HRA) Budget
and Housing Capital Programme
Communities and Volunteering Service

24 October 2023
20 February 2024
20 February 2024

16 April 2024

Appendix 2- Revenue Monitoring First Quarter 2024/25

Service	Budget £'000	Projected Outturn After reserves Before Action £'000	Management Intervention £'000	Under/ Over Budget £'000
<u>Integrated Adults and Social Care Services</u>				
Adult Social Care	92,360	92,338	0	(22)
Quality Assurance & Commissioning	8,873	8,488	0	(385)
<u>Children's Social Care and Lifelong Learning</u>				
Children's Social Care	49,104	52,951	0	3,847
Education, Schools and Inclusion	8,890	8,488	0	(402)
<u>Public Health & Wellbeing</u>				
Public Health	18,146	18,146	0	0
Wellbeing - Leisure / Libraries	4,203	4,573	(289)	81
Wellbeing - Other	513	553	(40)	0
Community, Health and Wellbeing	607	597	0	(10)
<u>Office of the Chief Executive</u>				
	1,484	1,497	(14)	0
<u>Housing, Environment & Healthy Communities</u>				
Gateshead Construction Services	368	368	0	0
Property & Assets	5,038	5,137	(99)	0
Locality Services & Housing	3,103	3,569	0	466
Strategic Services & Residential Growth	747	2,892	(183)	1,962
Highways and Waste	18,622	17,334	0	(1,288)
Environment & Fleet Management	4,845	5,367	0	523
<u>Economy, Innovation and Growth</u>				
Business, Employment and Skills	1,203	486	0	(717)
Planning, Policy, Climate Change and Strategic Transport	4,065	4,810	0	745
Energy and Design	(576)	(500)	0	76
Economic Development & Regeneration	1,826	1,812	0	(14)
<u>Corporate Services & Governance</u>				
Legal & Democratic Services	4,653	4,822	0	169
Human Resources & Workforce Development	2,809	2,593	0	(216)
Corporate Commissioning & Procurement	639	610	0	(29)
Public Service Reform	300	157	0	(143)
<u>Resources & Digital</u>				
Financial Management	3,873	3,955	(82)	0
Financial Management - School Meals & Catering	758	984	(200)	26
Customer Experience & Digital	4,825	5,061	(136)	100
Housing Benefits	200	200	0	0
IT	4,442	4,304	0	(138)
NET PORTFOLIO BUDGETS	245,918	251,592	(1,043)	4,632
Other Services & Contingencies	21,041	20,877	(336)	(500)
Capital Financing	35,389	34,912		(477)
Expenditure Passed outside the General Fund	(1,855)	(1,855)		0
Investment Income	(5,080)	(5,503)		(423)
Traded Income	(625)	(250)		375
Airport Interest	(900)	(900)		0
Levies	12,389	12,389		0
NET BUDGET	306,277	311,262	(1,379)	3,607
<u>Financed By</u>				
Settlement Funding Assessment (SFA)	(90,683)	(90,683)		0
Other Grants	(72,819)	(72,819)		0
Public Health	(18,146)	(18,146)		0
Council Tax & Surplus	(117,795)	(117,795)		0
Earmarked Reserves	(6,834)	(6,834)		0
TOTAL FUNDING	(306,277)	(306,277)	0	0
PROJECTED (UNDER) / OVER BUDGET	0	4,985	(1,379)	3,607

Appendix 3 - Housing Revenue First Quarter 2024/25

	Budget	Projected	Variance
	£000	Outturn £000	£000
Rents - dwellings	(87,033)	(87,251)	(217)
Rents - non dwellings	(1,297)	(1,231)	66
Service charges	(4,954)	(4,460)	495
Water & Other Income	(1,776)	(1,779)	(3)
Total Income	(95,061)	(94,720)	341
Supervision & Management	30,254	30,477	224
Repairs & Maintenance	32,009	32,374	365
Interest on Borrowing	12,403	12,403	0
Capital Programme Funding	19,114	19,114	0
Other Expenditure	881	881	0
Debt Management Expenses	83	83	0
Total Expenditure	94,745	95,333	589
Net Operating Cost / (Surplus)	(316)	613	929
HRA Reserves			
Opening Balance	11,142		
Net Operating Cost for the year	929		
Closing Balance	10,213		