

TITLE OF REPORT: Revenue Budget – Second 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 second 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 the delivery of a planned schedule of cuts and efficiencies.
4. Council also agreed a Housing Revenue Account budget for 2024/25 that would result in 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 agreed 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.
6. The projected revenue outturn for 2024/25 at the second quarter following management intervention and application of reserves is £0.5m over budget. This is a decrease of £3.1m on the first quarter projection.
7. It is the intention to outturn within the overall revised budget by the financial year end and progress will be reported at quarter three.

Virements

8. Virements have been actioned during the first quarter to reflect the operations of the Council and delegated use of contingency.

9. The application of significant contingency budget has been actioned in year as a temporary budget mitigation where there are substantial budget pressures arising from demand outside of normal budgetary control. Following review of the current year budget at the second quarter £1.6m has been transferred into Children's Services and £1.2m into Locality Services & Housing for temporary accommodation. Action plans are in place and budget management continues to be vital to mitigate the increases in demand. The budget virement will be actioned under contingency delegations and is reflected in appendix 2.

Housing Revenue Account

10. At the second quarter review, the HRA budget is projected to be overspent by £1.7m. The main areas of overspend are in relation to income from dwellings and service charges, 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

11. 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 to 3.

for the following reason(s)

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

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 and temporary in year budget mitigation.

Virements

4. Virements have been actioned during the second quarter to reflect the operations of the Council and delegated use of contingency.
5. There have been no virements over £0.500m requiring Cabinet approval in the second quarter.

Key Budget Challenges

6. The overspend is made up in the main of significant budget pressures in key areas set out below.
 - **Children's Social Care £3.1m over agreed budget (after £1.6m budget mitigation in year)**

Significant budget pressures remain in Children's Social Care in relation to placement costs. The overspend is driven by high numbers of Children in Our Care (CIOC), creating placement sufficiency issues and resulting in significant overspends in external residential and Independent Fostering Agency placements. Management actions are continuing which is seeing increased exits from care and reduced entries into care. As at the end of September 2024, there were 510 children in our care, a rate of 127.7 per 10,000 child population, higher than regional averages and statistical neighbours but the lowest rate seen in the last 10 months in Gateshead. The placement mix is also important and the numbers of children in external residential provision, the most costly, are yet to fall.
 - **Locality Services & Housing £0.7m over agreed budget (after £1.2m budget mitigation in year)**

There continues 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. The target is to eliminate the overspending position.

- **Strategic Housing Services & Residential Growth £0.7m over agreed budget**
This is due to overspends on payments to contractors and adaptations and an underachievement on income.
- **Environment & Fleet Management £0.6m over agreed budget**
The overspend relates to fleet charges, which are not fully offset by internal recharges. There is currently a full review of fleet underway.
- **Planning Policy, Climate Change and Strategic Transport £0.5m over agreed budget**
This is mainly due to under achieved income in planning applications. Management interventions are required in this area to deliver the agreed budget and address the increasing overspend year on year. An action plan is in place.

7. Offsetting these overspends are a number of underspends: -

- **Waste & Highways (£1.2m) under agreed budget**
The underspend sits within Waste Services, it is made up of underspends on the waste PFI, the Recycling Facility and trade waste income.
- **Business, Employment & Skills (£1.1m) under agreed budget**
There is an overachievement on business centre income.
- **Education, Schools & Inclusion (£0.4m) under agreed budget**
This is due to a number of underspends within the service including home to school transport and schools PFI.

Dedicated Schools Grant (DSG)

8. The projected outturn at the second quarter on the Dedicated Schools Grant (DSG) is £2.4m. The balance held in the ringfenced DSG reserve is £2.7m. If the reserve were to meet this level of overspend it will exhaust it for future years. The position will continue to be under review.

Housing Revenue Account

9. At the second quarter review, the HRA budget is projected to be overspent by £1.7m. Appendix 3 outlines the detailed projections. The main areas of overspend are in relation to income from dwellings and service charges, 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.

Consultation

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

Alternative Options

11. There are no alternative options proposed.

Implications of Recommended Option

12. 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.

13. 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.

14. Equality and Diversity Implications - Nil

15. Crime and Disorder Implications – Nil

16. Health Implications - Nil

17. Climate Emergency and Sustainability Implications - Nil

18. Human Rights Implications - Nil

19. Area and Ward Implications - Revenue spending supports the delivery of services across the whole of Gateshead.

20. Background Information:

Medium Term Financial Strategy 2024/25 – 2028/29	24 October 2023
Budget and Council Tax Level 2024/25	20 February 2024
Housing Revenue Account (HRA) Budget and Housing Capital Programme	20 February 2024
Communities and Volunteering Service	16 April 2024
Revenue Budget – First Quarter Review	16 July 2024

Appendix 2- Revenue Monitoring Second 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	91,894	92,188	(294)	0
Quality Assurance & Commissioning	8,902	8,832	0	(70)
<u>Children's Social Care and Lifelong Learning</u>				
Children's Social Care	51,349	54,429	0	3,080
Education, Schools and Inclusion	8,896	8,455	0	(441)
<u>Public Health & Wellbeing</u>				
Public Health	18,146	18,146	0	0
Wellbeing - Leisure / Libraries	3,708	3,951	(198)	45
Wellbeing - Other	804	754	0	(50)
Community, Health and Wellbeing	802	689	0	(113)
<u>Office of the Chief Executive</u>	1,523	1,523	0	0
<u>Housing, Environment & Healthy Communities</u>				
Gateshead Construction Services	330	435	0	105
Property & Assets	5,038	5,137	0	99
Locality Services & Housing	3,108	3,790	0	682
Strategic Services & Residential Growth	1,947	2,673	0	726
Highways and Waste	18,604	17,417	0	(1,187)
Environment & Fleet Management	4,869	5,458	0	589
<u>Economy, Innovation and Growth</u>				
Business, Employment and Skills	1,206	130	0	(1,076)
Planning, Policy, Climate Change and Strategic Transport	4,013	4,621	(90)	519
Energy and Design	(569)	(481)	0	88
Economic Development & Regeneration	1,888	1,883	(102)	(106)
<u>Corporate Services & Governance</u>				
Legal & Democratic Services	4,661	4,696	0	35
Human Resources & Workforce Development	2,875	2,693	0	(182)
Corporate Commissioning & Procurement	642	630	0	(12)
Public Service Reform	303	148	0	(155)
<u>Resources & Digital</u>				
Financial Management	3,853	3,764	0	(89)
Financial Management - School Meals & Catering	802	906	0	104
Customer Experience & Digital	4,828	4,839	0	11
Housing Benefits	200	200	0	0
IT	4,444	4,348	0	(96)
NET PORTFOLIO BUDGETS	249,063	252,255	(684)	2,508
Other Services & Contingencies	17,896	15,913	(17)	(2,000)
Capital Financing	35,389	35,120		(269)
Expenditure Passed outside the General Fund	(1,855)	(1,855)		0
Investment Income	(5,080)	(5,196)		(116)
Traded Income	(625)	(250)		375
Airport Interest	(900)	(878)		22
Levies	12,389	12,389		0
NET BUDGET	306,277	307,498	(701)	520
<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)	1,221	(701)	520

Appendix 3 - Housing Revenue Second Quarter 2024/25

	Budget	Projected	Management	Projection	Variance
	£'000	Outturn	Intervention	£'000	£'000
		£'000	£'000		
Rents - Dwellings	(87,033)	(87,008)	119	(86,889)	145
Rents - Non-Dwellings	(1,297)	(1,219)	0	(1,219)	78
Service Charges	(4,954)	(4,477)	(284)	(4,761)	193
Water & Other Income	(1,777)	(1,837)	0	(1,837)	(61)
Total Income	(95,061)	(94,541)	(165)	(94,706)	355
Supervision & Management	29,813	31,149	(1,000)	30,149	335
Repairs & Maintenance	32,450	34,306	(800)	33,506	1,056
Interest on Borrowing	12,403	12,403	0	12,403	0
Capital Programme Funding	19,114	19,114	0	19,114	0
Debt Management Expenses	83	83	0	83	0
Provision of Bad Debt	881	881	0	881	0
Total Expenditure	94,745	97,936	(1,800)	96,136	1,391
Net Operating Cost / (Surplus)	(316)	3,396	(1,965)	1,431	1,746
HRA Reserves					
Opening Balance	11,142				
Net Operating Cost for the Year	1,746				
Closing Balance	9,396				