

TITLE OF REPORT: Revenue Budget – Provisional Outturn 2023/24

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

Purpose of the Report

1. This report sets out the provisional outturn position on the 2023/24 revenue budget which is subject to external audit. Cabinet is asked to:
 - i. note the Council's 2023/24 provisional revenue outturn position as set out in the report and appendices, subject to external audit.
 - ii. note the outcome of a review of Council reserves as set out in this report and appendices.
 - iii. agree and recommend to Council the appropriations to and from reserves as outlined in 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 £289.9m. At the first quarter Cabinet agreed an amendment to the net revenue budget for 2023/24 to £281.9m. At the third quarter a £0.6m underspend was estimated.
4. Council agreed an HRA income budget of £88.3m to deliver a surplus budget of £1.4m in 2023/24. At first quarter a £2.4m increase in budget to reflect the increase in the depreciation charge resulted in a budgeted deficit of £0.9m to be funded from the HRA reserve. At the third quarter a £5.1m overspend was estimated.

Proposal

5. It is proposed that Cabinet notes the provisional outturn, agrees the recommended budget virements and the appropriations to and from reserves as outlined in the report.

Council Provisional Revenue Outturn 2023/24

6. The provisional outturn indicates that the agreed revenue budget set has been delivered. This marks the twelfth year in a row that this outcome has been achieved.
7. The overall provisional 2022/23 revenue outturn position for the Council including non-service budgets and financing results in an overall Council revenue positive

balance of £5.8m. This position is after the application of reserves and is the net addition to the Council's general fund reserve.

8. It is important to note this position is after agreed planned use of £14.5m budget sustainability reserve.
9. The provisional outturn position is shown in appendices 1 to 4 and is subject to external audit.
10. Proactive budget management has taken place during the year in order to achieve this outturn.
11. The Council have reviewed and included provision where possible covering all of the Council's known financial risks so that plans can be put in place to manage financial pressures during 2024/25 and beyond.

Virements

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

Schools Outturn and Dedicated Schools Grant (DSG) 2023/24

13. The Council-lead DSG budget for 2023/24 was £110.6m . The outturn for the year was £111.6m, an overspend of £1.0m. DSG overspend relates to the high needs block and is related to children with special educational needs and disabilities (SEND) support.
14. The DSG reserve opening balance was £3.9m, which as at 31 March 2024 decreased to £2.7m factoring in the 2023/24 overspend and Early Years clawback of £0.2m.
15. Schools LMS reserve forms part of the general reserve but is ringfenced for schools. This has decreased at outturn by £0.8m to £7.5m. The reduction in balances includes £0.2m transferred to schools that converted to academies. No schools converted during the year.

Housing Revenue Account

16. The provisional outturn for 2023/24 is a deficit to be met from HRA reserves of £8.4m, an overspend of £7.4m (See Appendix 4).
17. The main area of overspend is in Repairs and Maintenance with an overspend of £6.2m. The reasons for this overspend have been considered by Cabinet previously and include a significant increase in repairs demand, contractor related costs, void loss and legacy costs associated with removing the previously significant repairs backlog.
18. The opening HRA reserve balance was £19.5m the impact of the provisional outturn will be a reduction in the reserve balance of £8.4m resulting in a reserve balance as at 31 March 2024 of £11.1m.

Strategic Reserves - Review and Proposal

19. Local authorities need to hold sufficient reserves to deal with known future needs and the financial risks. Therefore, reserve levels are a key measure of the financial sustainability of an authority over the medium-term.
20. At the MTFs and outturn reporting points, general fund balances and strategic earmarked reserves are reviewed to ensure balances are adequate, fit for purpose and contribute to long term financial sustainability.
21. The review undertaken by The Section 151 officer has concluded that several earmarked funds covering possible risks need to be increased within the Financial Risk and Resilience Reserve. It is therefore proposed that the Financial Risk and Resilience Reserve is increased by £1.5m to provide additional financial sustainability in relation to commercial risk (£0.5m) and grant clawback (£1.0m).
22. The review also concluded that earmarked funds should be moved from the Financial Risk and Resilience Reserve into two separate ringfenced reserves as these are not available to support wider Council activity.
23. Following the review of reserves and the 2023/24 outturn position earmarked reserves have reduced from £63.4m to £52.0m in the year. This includes the planned use of £14.5m budget sustainability reserve funding to support the 2023/24 budget.
24. The Council element of the general fund reserve as at 31 March 2024 is £16.2m. This equates to 5% of 2024/25 net revenue budget (£306.3m) and assessed as appropriate in the current climate.

Recommendations

25. It is recommended that Cabinet
 - i. notes the Council's 2023/24 provisional revenue outturn position as set out in the report and appendices, subject to external audit.
 - ii. notes the outcome of a review of Council reserves as set out in this report and appendices.
 - iii. agrees and recommends to Council the appropriations to and from reserves as outlined in the report.

for the following reason:

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

Contact: Darren Collins

Extension: 3582

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 provisional outturn position on the 2023/24 revenue budget which is subject to external audit.
4. The overall outturn position after £14.5m of support from the budget sustainability reserve results in a surplus to the Council's general reserve of £5.8m. This is an improved position on the reported quarter three position of £0.6m surplus.
5. Appendix 2 details the outturn per service against budget for 2023/24. This position is after the application of reserves.
6. There have been structural changes with Communities & Volunteering Service moving to Public Health and changes to move roles from the Commercialisation services to Economy, Innovation and growth and Financial Management. To ensure consistency in reporting these are not reflected in 2023/24 and will be reflected in reporting from 2024/25.
7. The group portfolio budgets are overspent by £2.1m this is offset by corporate income and unspent contingencies as well as an increase in the financing to give the overall positive position of £5.8m.

Key Budget Challenges

8. The outturn position masks a number of financial challenges within certain areas of group portfolio budgets. These will need careful ongoing management and review going into 2024/25.
 - **Children's Social Care and Lifelong Learning is £4.1m over budget**
This is due to an overspend of £1.6m on independent foster agencies, £2m on external residential care and £1.2m on home to school transport, offset by smaller underspends on vacancies and learning & skills spend.
 - **Gateshead Construction Service £1.0m overbudget**
This is due to a loss of income due to ceasing of profit margin charges to the Housing company and unbudgeted building maintenance charges.
 - **Locality Services & Housing is £1.0m overbudget**, due to an overspend on B&B hotels and accommodation of £1.3m.

9. Significant under budget variances;

- **Adult Social Care £1.1m under budget**

This is due to receipt of £1.2m additional income in relation to deferred payment agreements for property sales. Improvements have been made to the way in which data is recorded which has resulted in an increase in the income being recognised in the accounts in comparison to previous years.

- **Highways and Waste £1.9m under budget**

Waste Services are (£1.6m) under budget in several areas including underspend on the material recycling contract, residual waste partnership and an over achievement of trade waste income.

Trading and Investment Income

10. There is a positive outturn in relation to investment and traded income which is £2.7m over budgeted income. This is due to increased investment income (£0.9m) as well as additional dividend received from Scape (£0.3m).

11. The Council received £1.7m unbudgeted interest income from Newcastle Airport, some of this relates to prior years interest. A £0.9m income budget has been included in 2024/25 as part of the agreed savings.

12. It is important to note at outturn that there are several one-off areas of expenditure and income included in the position at year end, these include:

	£m	Reported Line
Provision Adjustments		
<i>Decrease in provisions released into revenue</i>		
Redundancy Provision	(1.3)	Other Services
Insurance Provision	(2.5)	Other Services
Trinity Square Provision	(0.4)	Investment Income
Housing Benefit Provision	(0.3)	Housing Benefits
<i>Increase in provisions charged into revenue</i>		
Sundry Bad Debt Provision	1.4	Other Services
Salix energy grant repayment provision	0.8	Other Services
Reserve Adjustments		
<i>Transfer to reserves charged into revenue</i>		
Budget Flex Requests - Underspend	4.2	Various Service lines
Increase to Redundancy Reserve	1.3	Other Services
Increase to Insurance Reserve	2.9	Other Services

Leisure Services

13. Leisure Services have outturned £14k above budget. This is as a result of the agreed closures of two facilities pending transfer to community asset groups as well as reduced opening hours and a recruitment freeze within other facilities throughout the year. During 2023 there have been fees and costs associated with holding costs and security these have been met through agreed budget mitigation from reserves.

14. The community asset transfers of both Gateshead Leisure Centre and Birtley Swim Centre took place on 31 May 2024. Gateshead Active (GLC) hope to

reopen the building on 14 June 2024. Birtley aquatics are aiming for a September 2024 opening.

15. The procurement process is currently in progress for the three remaining leisure centres plus Gateshead International Stadium. This will reach a conclusion with a report to Cabinet in September 2024.

Financing

16. Financing outturn reflects the Government announcement regarding the reduction in year to top up grant income of £0.8m, the return to the Council of business rates levy income of £0.5m and compensation for business rates green plant and machinery exemption of £0.1m.
17. Other grants are showing £2.4m higher than budget. This is due to an additional £1.7m ASC Market Sustainability and Improvement grant announced after the budget was set and additional grants in relation to business rate reliefs, following submission of the year-end government return.

Housing Revenue Account

18. The provisional outturn for 2023/24 is a deficit to be met from HRA reserves of £8.4m, an overspend of £7.4m.
19. The repairs service has overspent by £4.2m in 2023/24. This was due to several factors including costs associated with the increasing age profile of the stock, a significant increase in repairs demand, increased contractor costs and the cost of construction materials, as well as legacy costs associated with removing the previous repairs backlog.
20. A new proactive approach was introduced in year whereby all repairs were to be completed in full at the first visit whenever possible. There was an increase of 12% in the volume of repair jobs. This approach has seen an increase in customer satisfaction with the repairs service from 52% in 2022/23 to 69% in 2023/24 a 17% increase and customer satisfaction with the time taken to complete repairs from 42% to 63% a 21% increase.
21. The voids service has overspent by £2.845m in 2023/24. The number of properties that have had works completed has increased by 13% and the number of properties undergoing works is now at the lowest number in over 4 years.
22. The void loss for 2023/24 was 3.50% or £3.3m versus the targeted business plan position of 2%. This has resulted in a shortfall of income against budget in the region of £1.4m.
23. Going into 2024/25 plans have been put in place to mitigate the issues and ongoing impact of the overspends through:
 - A more realistic approach to void assumptions
 - A focus on speedy letting ready to let properties
 - Managing repairs and void costs by reducing the use of contractors and internalising a proportion of capacity
 - Rebalancing responsive and planned works, ensuring more works are programmed in a more timely and affordable way

- Improvements in customer service to reduce failure demand and service complaints
24. 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.
 - Continued improvement in customer satisfaction.
 - Reduce repair related turnover.
 - Support the wider housing policy objectives

HRA Reserves

25. The opening HRA reserve balance was £19.5m the impact of the provisional outturn will be a reduction in the reserve balance of £8.4m resulting in a reserve balance as at 31 March 2024 of £11.1m.
26. The HRA business plan forecasts the use of the reserves to a minimum balance of £3m. The overspend at quarter three of £5.1m was incorporated into the business plan and the budget 2024/25 included growth in repairs and maintenance aligned to the projected quarter three position. However, the provisional outturn 2023/24 requires £2.4m additional use of reserves which will need to be considered as part of the refresh of the HRA business plan during 2024.

Strategic Reserves - Review and Proposal

27. At the MTFs and outturn reporting points, general fund balances and strategic earmarked reserves are reviewed to ensure balances are adequate, fit for purpose and contribute to long term financial sustainability.
28. The review undertaken by The Section 151 officer has concluded that several earmarked funds covering possible risks need to be increased within the Financial Risk and Resilience Reserve. It is possible due to the positive outturn and addition to the Councils general reserve to transfer funds to cover this potentially increased risk. It is therefore proposed that the Financial Risk and Resilience Reserve is increased by £1.5m to provide additional financial sustainability in relation to commercial risk (£0.5m) and grant clawback (£1.0m).
29. The financial risk and resilience reserve is also used to set aside funds from service underspends to meet specific financial challenges in the coming financial year.
30. The review concluded that existing earmarked funds within the Financial Risk and Resilience Reserve relating to schools PFI contract and highways enforcement funds should be moved into ringfenced reserves as these are not available to support wider Council activity.
31. Following the review of reserves and the 2023/24 outturn position earmarked reserves have reduced from £63.4m to £52.0m in the year. This includes the planned use of £14.5m budget sustainability reserve funding to support the 2023/24 budget.

32. The Council element of the general fund reserve as at 31 March 2024 is £16.2 million. This equates to 5% of 2024/25 net revenue budget (£306.3m) and assessed as appropriate in the current climate.
33. The reserve balances following the provisional outturn are shown in Appendix 3 for information.

Summary

34. The General Fund Revenue budget 2023/24 outturn position for the Council after the application of reserves is £5.8m surplus.
35. This provides a positive position with regards the councils medium term financial strategy which assumes all budgets are delivered going into 2024/25. However there remains some financial challenges in certain areas.
36. The intention to deliver outturn within budget has been achieved.
37. The HRA continues to face several budget pressures especially in relation to repairs and maintenance and voids. The business plan will be kept under review to ensure financial sustainability and updates reported to Cabinet in future reports.

Consultation

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

Alternative Options

39. There are no alternative options proposed.

Implications of Recommended Option

40. **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.

41. **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.

42. **Equality and Diversity Implications** - Nil

43. **Crime and Disorder Implications** – Nil

44. **Health Implications** - Nil

45. **Climate Emergency and Sustainability Implications** - Nil

46. **Human Rights Implications** - Nil

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

48. **Background Information:**

- Budget and Council Tax Level 2023/24 21 February 2023
- Housing Revenue Account (HRA) Budget and Housing Capital Programme 21 February 2023
- Revenue Budget – First Quarter Review 2023/24 18 July 2023
- Medium Term Financial Strategy 2024/25 – 2028/29 24 October 2023
- Revenue Budget - Second Quarter Review 2023/24 21 November 2023
- Revenue Budget – Third Quarter Review 2023/24 24 January 2024

Appendix 2- Revenue Monitoring Summary 2023/24

Service	Budget	Outturn After reserves	Under/ Over Budget
	£'000	£'000	£'000
Office of the Chief Executive	1,161	1,144	(17)
Integrated Adults and Social Care Services			
Adult Social Care	87,013	86,236	(777)
Quality Assurance & Commissioning	6,441	6,068	(373)
Children's Social Care and Lifelong Learning			
Children's Social Care	47,624	50,797	3,173
Education, Schools and Inclusion	7,092	8,075	983
Public Health & Wellbeing			
Public Health	17,788	17,788	0
Wellbeing - Leisure / Libraries	4,852	4,899	47
Wellbeing - Resilience & Other	325	295	(30)
Housing, Environment & Healthy Communities			
Gateshead Construction Services	542	1,584	1,042
Property & Assets	5,385	5,915	530
Locality Services & Housing	1,155	2,212	1,057
Strategic Services & Residential Growth	3,182	3,090	(92)
Highways and Waste	18,893	16,967	(1,926)
Environment & Fleet Management	5,398	5,894	496
Communities & Volunteering	641	289	(351)
Economy, Innovation and Growth			
Business, Employment and Skills	1,143	535	(608)
Planning Policy, Climate Change and Strategic Transport	4,360	5,002	642
Major Projects and Corporate Property	(572)	(343)	229
Corporate Services & Governance			
Legal & Democratic Services	4,689	4,775	86
Human Resources & Workforce Development	2,413	2,304	(109)
Corporate Commissioning & Procurement	658	553	(105)
Public Service Reform	349	125	(224)
Resources & Digital			
Financial Management	2,954	2,952	(2)
Customer Experience & Digital	4,844	4,763	(81)
Housing Benefits	200	(419)	(619)
IT	4,466	4,466	(0)
Commercialisation and Improvement	2,384	1,989	(395)
School Meals & Catering	1,237	809	(428)
NET PORTFOLIO BUDGETS	236,617	238,764	2,147
Other Services & Contingencies	8,148	6,077	(2,071)
Capital Financing	32,818	31,048	(1,770)
Expenditure Passed outside the General Fund	(1,855)	(1,421)	434
Traded & Investment Income	(5,865)	(6,921)	(1,056)
Airport Interest Income	0	(1,662)	(1,662)
Levies	12,022	12,022	0
NET BUDGET	281,885	277,907	(6,125)
Financed By			
Settlement Funding Assessment (SFA)	(72,787)	(72,175)	612
Other Grants	(62,866)	(65,332)	(2,466)
Public Health	(17,787)	(17,787)	0
Council Tax	(110,473)	(110,486)	(13)
Collection Fund Surplus	(1,085)	(1,085)	0
Earmarked Reserves	(16,887)	(16,887)	0
TOTAL FUNDING	(281,885)	(283,752)	(1,867)
(UNDER) / OVER SPEND	0	(5,845)	(5,845)

Appendix 3- Reserves Balances 2023/24

	Opening Balance	Revenue Outturn	Closing Balance	Reserves Review	Closing Position
	Apr-23 £000s	23/24 £000s	23/24 £000s	£000s	Mar-24 £000s
General Reserves					
Total General Fund	(20,153)	(5,082)	(25,235)	1,500	(23,735)
General Reserve	(11,873)	(5,845)	(17,718)	1,500	(16,218)
LMS Budget Share (Schools) Reserve*	(8,280)	763	(7,517)	0	(7,517)
Strategic Earmarked Reserves					
Financial Risk and Resilience	(19,163)	(8,084)	(27,247)	3,620	(23,627)
<i>Insurance Reserve</i>	(4,000)	(2,900)	(6,900)	0	(6,900)
<i>Grant Clawback</i>	(3,000)	0	(3,000)	(1,000)	(4,000)
<i>Workforce Development</i>	(3,527)	(1,263)	(4,790)	700	(4,090)
<i>Commercial Risk</i>	(2,556)	0	(2,556)	(500)	(3,056)
<i>Ringfenced Funds_Highways Enforcement</i>	(495)	(566)	(1,061)	1,061	0
<i>Schools PFI</i>	(3,774)	(285)	(4,059)	4,059	0
<i>Budget Flexibility -Various (unspent capacity)</i>	(1,811)	(3,770)	(5,581)	0	(5,581)
<i>Budget Mitigation</i>	0	700	700	(700)	0
Thrive	(7,513)	1,272	(6,241)	0	(6,241)
Economic Housing and Environmental Investment	(3,297)	560	(2,737)	0	(2,737)
Poverty Health & Equality Investment	(3,733)	712	(3,021)	0	(3,021)
Discretionary Social fund	(483)	0	(483)	0	(483)
Budget Sustainability	(36,700)	14,525	(22,175)	0	(22,175)
Ring Fenced Reserves*					
Schools PFI Reserve	0	0	0	(4,059)	(4,059)
Developers' Contributions*	(2,180)	(217)	(2,397)	0	(2,397)
Highways Enforcement	0	0	0	(1,061)	(1,061)
Unapplied revenue grants*	(1,395)	(733)	(2,128)	0	(2,128)
Public Health Reserve*	(3,819)	(1,173)	(4,992)	0	(4,992)
Dedicated Schools Grant Reserve*	(3,964)	1,245	(2,719)	0	(2,719)
Total Unearmarked Reserves	(11,873)	(5,845)	(17,718)		(16,218)
Total Strategic Earmarked Reserves	(63,376)	7,713	(55,663)		(52,043)
Total Ringfenced Reserves	(19,638)	(115)	(19,753)		(24,873)
Total Reserves	(94,887)	1,753	(93,134)	0	(93,134)

Figures Subject to external audit

Appendix 4 – Housing Revenue Outturn 2023/24

	Budget £'000	Outturn £'000	Variance £'000
Income			
Rents - dwellings	-80,604	-79,504	1,099
Rents - non dwellings	-1,297	-1,188	109
Service charges	-4,953	-4,329	624
Leaseholder charges	-325	-551	-226
Contribution towards expenditure	-1,094	-1,037	57
Interest on Balances	0	-9	-9
Total Income	-88,274	-86,619	1,655
Expenditure			
Supervision and Management	28,442	27,530	-912
Repairs and Maintenance	28,437	34,693	6,256
Interest on borrowing	12,231	11,969	-262
Capital Programme Funding	19,264	19,782	518
Increased provision for bad debt	805	977	172
Debt Management Expenses	78	87	9
Total Expenditure	89,258	95,038	5,780
Net Operating Cost	984	8,419	7,435
	Actual 2023/24 £'000		
Balance on HRA Reserve			
Opening Balance	19,561		
Net Operating Cost for the year	8,419		
Closing Balance	11,142		