

CABINET

15 NOVEMBER 2022

REVENUE BUDGET MONITORING – ROUND 2 2022/23

Portfolio Holder: Councillor Alan Jarrett, Leader of the Council

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Summary

This report presents the results of the second round of the Council's revenue budget monitoring process for 2022/23. The Council's summary position is presented at Table 1, with sections 4-8 providing the detail for each service area.

1. Budget and policy framework

- 1.1. Cabinet is responsible for ensuring that income and expenditure remain within the budget approved by Council.
- 1.2. The Cabinet is asked to accept this report as urgent to enable consideration of the matter at the earliest opportunity, including the proposed action set out in the recommendation at paragraph 13.1 of the report.

2. Background

- 2.1. At its meeting on 24 February 2022, the Council set a total budget requirement of £351.982million for 2022/23. Since the budget was approved, additional grant funding has been received, primarily related to Council Tax Support for Energy Bills. These additions take the Round 2 budget requirement to a total of £372.602million.
- 2.2. This report presents the results of the second round of revenue budget monitoring, summarising reports that have been considered by directorate management teams based on returns submitted by individual budget managers. In preparing these forecasts, budget managers have taken account of last year's outturn, items of growth or savings agreed as part of the budget build, actual income and expenditure for the year to date, and most importantly, their knowledge of commitments and service requirements anticipated for the remainder of the financial year.

3. Summary Revenue Budget Position 2022/23

3.1. The forecast outturn for 2022/23 represents a pressure of £14.019million, a worsening of £1.453million compared to the position reported at Round 1.

Table 1 – Council's Summary Position

Directorate	R1 Forecast Over/(Under) £000s	Budget 2022/23 £000s	R2 Forecast £000s	R2 Forecast Over/(Under) £000s
<i>Budget requirement:</i>				
Children and Adult Services	11,183	265,099	281,695	16,595
Regeneration, Culture and Environment	308	62,312	62,072	(240)
Business Support Department	1,060	11,958	13,651	1,692
Business Support Centralised Services:				
Interest & Financing	0	12,315	8,159	(4,156)
Levies	17	1,626	1,752	127
Medway Norse Joint Venture	0	(578)	(578)	0
Additional Government Support Grant Expenditure	0	19,870	19,870	0
Budget Requirement	12,566	372,602	386,621	14,019
<i>Funded by:</i>				
Council Tax	0	(138,087)	(138,087)	0
Retained Business Rates & Baseline Need Funding	0	(66,124)	(66,124)	0
New Homes Bonus	0	(1,979)	(1,979)	0
Dedicated Schools Grant	0	(100,946)	(100,946)	0
Other School Grants	0	(4,404)	(4,404)	0
Adult Social Care Grants	0	(17,198)	(17,198)	0
CSC Grants	0	(1,067)	(1,067)	0
Public Health Grant	0	(18,075)	(18,075)	0
Use of Reserves	0	(4,853)	(4,853)	0
Additional Government Support Ringfenced Grant Income	0	(19,870)	(19,870)	0
Additional Government Support Non-ringfenced Grant Income	0	0	0	0
Total Available Funding	0	(372,602)	(372,602)	0
Net Forecast Variance	12,566	0	14,019	14,019

4. Children and Adults

- 4.1. The Directorate forecast represents a pressure of £16.595million, a worsening of £5.413million compared to the Round 1 forecast. Details of the forecasts in each service area within the Directorate are set out in the tables below.

Adult Social Care	R1 Forecast Over/(Under) £000s	Budget 2022/23 £000s	R2 Forecast £000s	R2 Forecast Over/(Under) £000s
Assistant Director Adult Social Care	(82)	(2,892)	(2,448)	445
Locality Services	1,667	77,074	80,633	3,559
Business Operations & Provider Services	(135)	3,950	3,838	(112)
Specialist Services/Principal Social Worker	169	1,733	1,840	107
Total	1,619	79,865	83,864	3,999

Adult Social Care is forecasting an overall pressure of £3.999million, a worsening of £2.380million from the position reported at Round 1. As in recent years the overspend largely relates to placement costs in Locality Services.

Service Area	R1 Forecast Over/(Under)	Budget 2022/23	R2 Forecast	R2 Forecast Over/(Under)
	£000's	£000's	£000's	£000's
Disability Services	1,142	45,799	46,882	1,083
Mental Health Services	33	8,294	8,383	89
Older People Services	547	16,483	18,885	2,402
Staffing - Locality Services	(55)	6,497	6,483	(15)
Total Locality Services	1,667	77,074	80,633	3,559

The Disability services forecast is an overspend of £1.483million reduced by £400,000 projected further savings, resulting in a reported overspend of £1.083million. This is an improvement of £59,000 from the reported Round 1 position. There continue to be pressures around Physical Disability residential/nursing and supported living placements which have all seen increases in number of placements and the cost of those placements. The forecast now includes the 38-week school residential placements which were budgeted to be charged to the Dedicated Schools Grant (DSG) in 2022/23 but now will not at a cost of £473,000. There has been a significant reduction in the homecare forecast, due to lower numbers of placements.

However, the Older People forecast is an overspend of £2.402million which is an increase of £1.855million from Round 1. Across the service there has been an increase of 41 placements with weekly rates continuing to increase above budgeted levels.

Children's Services	R1 Forecast Over/(Under) £000s	Budget 2022/23 £000s	R2 Forecast £000s	R2 Forecast Over/(Under) £000s
Children's Care Management	57	1,413	1,763	350
Head of Safeguarding & Quality Assurance	(1)	2,925	2,923	(2)
Virtual Head	44	443	491	48
Children's Care Improvement	61	1,166	1,275	109
Children In Care	6,448	36,816	43,120	6,305
Children's Social Work Team	1,166	7,436	8,673	1,238
Business Support	(17)	1,794	1,701	(94)
Early Help, Youth, Mash & Adolescents	(303)	4,980	4,686	(294)
Total	7,454	56,973	64,633	7,660

The Children's Services forecast represents an overspend of £7.660million, which is a worsening of £206,000 from the previous forecast.

The forecast on placements and client related expenditure is an overspend of £7.492million which can be spilt into three key variances:

- The pressure on placements is £4.533million and continues to arise from higher than budgeted placement numbers and unit costs for Residential, Supported Accommodation, Independent Fostering Agency along with the use of unregistered and unregulated placements.
- There is a reported under delivery against the budgeted savings schemes of £1.685million for 2022/23.
- The forecast now includes the 38-week school residential placements which were budgeted to be charged to the DSG in 2022/23 but now will not at a cost of £1.274million.

The division is also forecasting to overspend by £213,000 on supplies and service budgets with the biggest areas of overspend being advertising £45,000; computer and office equipment £58,000 and Interpreter fees of £49,000.

Directorate Management Team	R1 Forecast Over/(Under) £000s	Budget 2022/23 £000s	R2 Forecast £000s	R2 Forecast Over/(Under) £000s
Directorate Management Team	(58)	648	594	(54)
Total	(58)	648	594	(54)

The Directorate Management Team is forecast to underspend by £54,000, due to less use of interim staffing and the now permanent staffing in the team.

Education	R1 Forecast Over/(Under) £000s	Budget 2022/23 £000s	R2 Forecast £000s	R2 Forecast Over/(Under) £000s
School Organisation & Student Services	263	1,674	1,966	292
Psychology & Special Educational Needs	(336)	33,366	35,910	2,544
School Improvement	(208)	316	222	(94)
Special Educational Needs & Disabilities Transport	2,250	6,394	8,644	2,250
Inclusions	303	2,770	3,064	294
School Online Services	9	32	(3)	(36)
Education Management Team	4	292	295	4
Early Years Sufficiency	238	16,622	16,675	53
Total	2,523	61,466	66,773	5,307

Education is forecast to overspend by £5.307million. The overspend on the DSG is £4.953million and the forecast assumes this will increase the deficit against the DSG reserve.

The main areas of overspend for the General Fund are £2.250million on Special Educational Needs and Disabilities (SEDN) transport due to the increase in demand and inflationary uplifts of 6%, £195,000 on mainstream transport due mainly to the additional costs incurred to transport pupils to the temporary new school site and £50,000 on the Attendance Advisory Service. In addition, a programme of work is underway to resolve the deficit position on the Council's DSG reserve, including a review of expenditure charged to the DSG. This work has identified a range of services that must now be charged to the General fund which total £2.839million for 2022/23.

A pressure of £4.953million is forecast against the DSG due to the ongoing pressure on the High Needs Block with significant increases in costs being driven by the number of children with Educational Health and Care Plans (EHC Plans) in Medway combined with a lack of special school and resource unit places locally continues to drive high-cost independent school places and out of area placements. As at 31st March 2022 the High Needs DSG reserve reflected a £20.456million deficit and based on the Round 1 forecast, this deficit would increase to £25.409million by March 2023 when the projected 2022/23 in year overspend of £4.953million is transferred into the reserve. The Council's bid for government support through the 'Safety Valve' scheme is being considered by the Secretary of State in the coming weeks. The bid requires the Council to contribute £2.9million per annum from the general fund, however the programme will address the overall deficit on the High Needs Block over the medium term.

Partnership Commissioning & Business Intelligence	R1 Forecast Over/(Under) £000s	Budget 2022/23 £000s	R2 Forecast £000s	R2 Forecast Over/(Under) £000s
Adults Commissioning	0	323	322	(1)
Children's Commissioning	(47)	1,514	1,519	5
C&A Performance & Intelligence	(10)	519	521	2
Total	(57)	2,355	2,362	7

Partnership Commissioning is forecasting a minor overspend of around £7,000, which is a worsening of the position of £64,000 from Round 1. The movement largely relates to the Young Peoples wellbeing service now being forecast to budget, along with some increases to staffing forecasts in the Commissioning and Business and Intelligence teams.

Public Health	R1 Forecast Over/(Under) £000s	Budget 2022/23 £000s	R2 Forecast £000s	R2 Forecast Over/(Under) £000s
Public Health Management	166	1,201	1,366	165
Public Health Commissioning	57	5,758	5,783	26
Business Development	(7)	304	322	18
Drug and Alcohol Action Team	(59)	1,974	1,974	0
Health Improvement Programmes	(173)	3,435	3,168	(267)
Stop Smoking Services	(2)	438	450	12
Supporting Healthy Weight	18	1,336	1,382	46
Total	0	14,446	14,446	(0)

Public Health services are forecast to budget. Activity above budgeted levels is being funded through the use of Public Health reserves or through specific grants. Further analysis will be provided as we move through the year.

Schools Retained Funding & Grants	R1 Forecast Over/(Under) £000s	Budget 2022/23 £000s	R2 Forecast £000s	R2 Forecast Over/(Under) £000s
Finance Provisions	761	2,085	1,826	(259)
Hr Provisions	(277)	659	367	(292)
School Grants	(783)	46,603	46,830	227
Total	(298)	49,347	49,023	(324)

The Schools Retained Funding and Grants division also contains services funded by both the general fund and the DSG and is forecasting to underspend by £324,000 with the underspend principally relating to the schools' historic pensions and redundancy costs.

5. Regeneration, Culture and Environment

5.1. The Directorate forecast is an underspend of £240,000 which is an improvement of £548,000 from the position reported at Round 1. Details of the forecasts in each service area are set out in the tables below.

Communications & Marketing	R1 Forecast Over/(Under) £000s	Budget 2022/23 £000s	R2 Forecast £000s	R2 Forecast Over/(Under) £000s
Communications & Marketing	30	21	60	40
Total	30	21	60	40

The service is forecast to overspend by £40,000 resulting from increased printing and distribution costs for Medway Matters and lower than budgeted internal design fee income.

Culture & Community	R1 Forecast Over/(Under) £000s	Budget 2022/23 £000s	R2 Forecast £000s	R2 Forecast Over/(Under) £000s
Sport, Leisure, Tourism & Heritage	247	3,751	3,824	72
Cultural Services	(54)	2,060	2,165	106
Planning	247	1,291	1,594	303
South Thames Gateway Partnership	0	135	133	(2)
Strategic Housing	(132)	5,843	5,725	(118)
Libraries & Community Hubs	18	3,925	3,897	(29)
Culture & Community Support	6	103	104	1
Total	331	17,108	17,441	333

The Culture & Community division forecast is a net overspend of £333,000, broadly consistent with the Round 1 position.

The Sport, Leisure, Tourism and Heritage forecast is a pressure of £72,000, which is an improvement in the position of £175,000 from the position reported at Round 1. The improvement is largely due Leisure Centre income recovering to be in line with budgeted pre-pandemic levels.

Cultural services forecast is a pressure of £106,000 which represents an increase of £159,000 from the position reported at Round 1. There are savings on the Central Theatre budget of around £44,000 due to a reduction in event performers spend, offset by additional cost of casual worker salaries. There are pressures relating to parts of the festivals programme which result in a forecast overspend of around £110,000 along with a number of smaller overspends relating to libraries and supplies and services budgets. There are savings

on the Central Theatre budget, offset by additional cost of casual worker salaries and pressures relating to parts of the festivals programme.

The other area of significant pressure is the Planning Service, which is reporting a pressure of £303,000, which is a worsening of £56,000 from the position reported at Round 1. The three main factors are a forecast pressure of £324,000 relating to the use of consultants for legal and specialist planning work, a shortfall against the Planning Performance (PPA) income target representing a pressure of £81,000 this income target was increased significantly in previous budget builds and has proved difficult to achieve in previous years and a £150,000 pressure relating to planning fee income. These pressures are offset by £115,000 establishment savings across the service and additional income of £143,000 mainly from unbudgeted court costs and capital schemes. All costs currently forecast in respect of the Public Inquiry Fees and the Delivery of the Local Plan have been funded by a contribution from the Local Plan Reserve for 2022/23.

Strategic housing is reporting an underspend of £118,000 which is a slight worsening of the position reported at Round 1. There is a projected underspend by £237,000 however there are pressures relating to housing strategy, private sector housing and Choice based lettings.

The remainder of services are forecast broadly to budget.

Deangate Golf	R1 Forecast Over/(Under) £000s	Budget 2022/23 £000s	R2 Forecast £000s	R2 Forecast Over/(Under) £000s
Deangate Golf	0	41	42	1
Total	0	41	42	1

This service is forecast to budget.

Director's Office	R1 Forecast Over/(Under) £000s	Budget 2022/23 £000s	R2 Forecast £000s	R2 Forecast Over/(Under) £000s
Director's Office	(89)	1,210	1,110	(100)
Total	(89)	1,210	1,110	(100)

The Director's Office is forecast to underspend by £100,000 due to NNDR savings of £25,000 on Public Conveniences following the granting of 100% Public Toilet Rate Relief on all of the buildings, the Gaming festival breaking even delivering an underspend of £50,000 compared to the budget and staffing savings of £30,000.

Front Line Services	R1 Forecast Over/(Under) £000s	Budget 2022/23 £000s	R2 Forecast £000s	R2 Forecast Over/(Under) £000s
Front Line Services Support	(20)	745	767	22
Highways	140	5,695	5,952	257
Parking Services	544	(4,540)	(3,954)	585
Environmental Services	(1,068)	27,964	26,587	(1,377)
Integrated Transport	(90)	7,275	7,036	(239)
Regulatory Services	(214)	2,273	1,948	(325)
Greenspaces	78	5,101	5,185	84
Total	(632)	44,514	43,520	(994)

The Front Line Services division forecast is a favourable variance of £994,000 which is an improvement of £362,000 from the position reported at Round 1.

Highways is reporting a pressure of £257,000, which is a worsening of the position of £117,000 from the reported position at Round 1. There are significant pressures on the utilities budgets for Medway Tunnel (£134,000) and Street Lighting Columns (£411,000) as a result of price increases in October. However, this is mitigated by the forecast Street works income of £163,000, predominately due to permit scheme income for significant broadband works being undertaken by BT and City Fibre which is expected to last until 2023. This has been revised down by £148,000 on the position reported at Round 1 following a review of the summer programme of works. There is also an underspend on staffing due to vacant posts.

Parking Services is forecasting a pressure of £585,000, predominately due the income not returning to the pre pandemic levels as the public adopt different travel habits such as home working. The parking income pressure is forecast to be £625,000 and is across both on & off-street parking.

There are a range of further pressures including additional security costs for Multi Storey Car Parks and Theatres of £55,000 and NNDR costs of £51,000, however, these are mitigated by savings on staffing of £136,000.

Environmental Services is reporting an underspend of £1.337million which is an improvement of £309,000 on the position reported at Round 1. The Waste Disposal services is reporting a saving of £1.029million which is essentially down to the Materials Recycling Facility (MRF) and the favourable commodity prices currently being achieved (£784,000) and the net saving in the diversion of our waste from Landfill to incineration (£129,000). These Savings have been mitigated by a net pressure in the disposal costs of our organic waste and other waste disposal (£116,000). The Waste Collection Service is forecast to realise a £138,000 saving as the recharge to parking services was not factored into the 2022/23 budget build realignments. Additional Income of £256,000 has been forecast in respect of the cross-boundary usage of Household Recycling Facilities from Kent County Council (KCC). However, it should be noted that this may be the last year we will receive this income as a new facility has been opened in Tonbridge & Malling, however discussions are ongoing with Kent County Council. There are also two unbudgeted items that have resulted in pressures; Medway Norse switching their vehicles to Hydrogenated vegetable oil fuel from 01/09/22 to reduce CO2 emissions costing £80,000 and the clearance of fly tipping at Hasted Road the initial cost of which is £62,000 although that is likely to rise as the year progresses.

Integrated transport is reporting an underspend of £239,000, which is an improvement of £149,000 on the position reported at Round 1. The Traffic Management service has forecast additional Income from Street Closures of £158,000, which have been partly offset by some essential street closure related costs of £87,000. The Medway Concessionary Fares Scheme has been renegotiated with Arriva and this has resulted in a reduction in the contract price which has contributed to an in year saving of £390,000 due to the reduced numbers of journeys being made. The subsidised bus services are forecasting a pressure of £123,000, which is due predominately to the retendering of contracts which have not been uplifted since the last tender in 2013 which have been partly mitigated by the receipt of additional central government funding and transfers from reserve. In addition, there are operational pressures around consultancy support and works at Chatham Bus station.

Regulatory Services is reporting an underspend of £325,000, which is an improvement of £111,000 from Round 1. This is largely due to increased underspends on staffing budgets due to vacant posts and increased income for the crematorium and registration services although offset by increased costs in relation to utilities and fuel.

Greenspaces is reporting a pressure of £84,000. Income generated from rents and wayleaves and grounds hire is still struggling to recover from the effects of the pandemic and there is a resulting pressure of £46,000 anticipated on utilities costs due to expected price increases in October.

Regeneration	R1 Forecast Over/(Under) £000s	Budget 2022/23 £000s	R2 Forecast £000s	R2 Forecast Over/(Under) £000s
Medway Norse	80	0	101	101
Property & Capital Projects	317	941	1,482	541
Regeneration Delivery	32	748	742	(6)
Valuation & Asset Management	231	(2,861)	(3,027)	(165)
Economic Development	6	452	425	(28)
Skills & Employability	2	139	176	37
Total	667	(581)	(102)	480

The Regeneration division forecast is a net pressure of £480,000, which is an improvement of £187,000 from the position reported at Round 1.

The Medway Norse Core Contract is reporting a pressure of £100,000.

Property & Capital Projects are reporting a pressure of £541,000, which is a worsening of £225,000 from the position reported at Round 1. There are two main areas of pressure, firstly unachievable income targets which result in a pressure of £293,000 and an overspend relating to Kingsley house. The worsening of the position from Round 1 is predominately due to a revision of the utilities across the service to reflect the anticipated increase in the unit price which is to be effective from October 2022.

Valuation & Asset Management is reporting an underspend of £165,000, which is an improvement of £396,000 from the position reported at Round 1. This is comprised of:

- A £248,000 pressure relating to the Pentagon Centre where Ellandi our managing agents is reporting expenditure in excess of our current budget allocation, discussions with Ellandi around how to reduce this pressure are ongoing: and
- A £405,000 underspend relating to additional income in respect of commercial property rental and other property transactions.

6. Housing Revenue Account

Housing Revenue Account	R1 Forecast Over/(Under) £000s	Budget 2022/23 £000s	R2 Forecast £000s	R2 Forecast Over/(Under) £000s
Housing Revenue Account	92	(202)	22	224
Total	92	(202)	22	224

The Housing Revenue Account forecast is a pressure of £224,000, which is a worsening of £132,000 from the position reported at Round 1. The movement relates to the forecast cost of void repairs. Officers are in regular discussions with Mears to resolve the increase on void repairs and have been piloting a new way of working on this from the week commencing 19th September 2022, with the intention of reducing the level of expenditure.

7. Business Support & Centralised Services

7.1. The Business Support Services forecast is an overspend of £1.692million, while the Centralised Services forecast is an underspend of £4.029million, bringing the overall forecast to an underspend of £2.336million. This is an improvement of £3.413million from the position reported at Round 1. The details of the forecasts in each service area are set out in the tables below.

Corporate Management	R1 Forecast Over/(Under) £000s	Budget 2022/23 £000s	R2 Forecast £000s	R2 Forecast Over/(Under) £000s
Corporate Management	(139)	1,393	1,311	(82)
Total	(139)	1,393	1,311	(82)

The Corporate Management forecast is an underspend of £82,000. There are underspends of £57,000 on pension payments to Kent County Council, of £41,000 on staffing costs and additional unbudgeted income and grants of £70,000. These are offset by pressures on external audit fees and subscriptions of £18,000 and a £68,000 pressure on treasury expenses based on the outturn in previous years. The movement from Round 1 reflects that budgets for the increase in Council minimum wages to £10 per hour from April 2022 have been realigned to the cost centres where the costs have been incurred.

Finance & Business Improvement (FBI)	R1 Forecast Over/(Under) £000s	Budget 2022/23 £000s	R2 Forecast £000s	R2 Forecast Over/(Under) £000s
Internal Audit & Counter Fraud	(28)	(1)	(34)	(33)
FBI Divisional Management Team	0	310	307	(2)
FBI - Finance	498	3,584	4,218	634
FBI - Information	(202)	1,805	1,707	(99)
FBI - Organisational Culture	253	(30)	77	107
Total	521	5,669	6,276	607

The FBI division is currently forecasting an overspend of £607,000, which is a worsening of the position of £86,000 from Round 1.

The Finance forecast (which includes Accountancy, Revenues, Benefits and Debt) is a pressure of £634,000, primarily driven by the Benefits Subsidy forecast. While most new claimants for benefits are now made through Universal Credit, administered by the Department for Work and Pensions (DWP), local authorities continue to administer existing Housing Benefit claims that have not been transferred to the DWP, and new applications for pensioners, temporary accommodation and specified accommodation. The government pays local authorities to administer Housing Benefit through a subsidy scheme, and while 100% subsidy is received for most ongoing benefit claims, the types of claims for which local authorities continue to administer new claims for do not attract 100% subsidy, representing a growing issue for the Council's budget. Combined with an anticipated reduction in the level of Housing Benefit Overpayments the team will be able to collect in the year due to the cost-of-living crisis, this subsidy shortfall is projected to result in a pressure of £508,000. This represents a worsening of the forecast of £98,000 compared with Round 1.

The Revenues and Welfare and Benefits Services forecast is a pressure of £73,000. There is a net pressure on staffing of £107,000 as external resources are being used to support the delivery of a range of government schemes including the energy rebate and Household Support Fund. There is also a pressure against printing budgets of £82,000. These are offset by additional income of £133,000. This reported overspend will be reduced by year end

through the use of new burdens funding or allowable administration expenditure against various grant schemes administered in the service.

Debt and Payments are forecasting a pressure of £89,000. This is due to a shortfall of income against Awarded Court Costs. The income relies on the availability of court dates and the forecast is based on the dates confirmed to date. It is unknown whether the service will be able to agree any further court dates until 2023.

The Organisational Culture forecast (which includes HR, Payroll and Council Plan service areas) is an overspend of £107,000. This is primarily driven by undeliverable income targets which across the service.

The Information forecast (which includes Technology, Customer Experience and Digital) is an underspend of £99,000 primarily driven by ICT savings and staffing savings in Customer and Business Support. However, there are pressures against Community Interpreting income budgets.

The FBI Divisional Management Team forecasts reflects that the £500,000 savings target built into the 2022/23 budget has been delivered through the restructure of the division.

The Internal Audit forecast underspend of £33,000 results from vacancy savings.

Legal & Governance	R1 Forecast Over/(Under) £000s	Budget 2022/23 £000s	R2 Forecast £000s	R2 Forecast Over/(Under) £000s
Democratic Services	(33)	666	624	(43)
Members & Elections	48	1,701	1,790	89
Category Management	(38)	0	(49)	(49)
Legal, Land Charges & Licensing	700	2,529	3,699	1,170
Total	677	4,896	6,064	1,167

The divisional forecast is an overspend of £1.167million. which is a worsening of the position of £490,000 from Round 1.

Legal, Land Charges and Licensing are forecast to a pressure of £1.170million, primarily driven by a net £1.023million overspend on staffing. There are high levels of vacancies in Legal Services as recruiting and retaining permanent staff continues to be difficult, and the forecast assumes that these posts will continue to be covered by more expensive locum/agency staff throughout the financial year. There are also pressures on income from awarded court costs.

The overspend of £89,000 on Members & Elections is due to the unbudgeted cost of the Parish Community Governance Review and also £50,000 forecast spend in relation to Operation London Bridge.

The Category Management forecast is an underspend of £49,000 as pressures on income from capital projects (£30,000) and external sources (£18,000) are more than mitigated by underspends on staffing budgets of £104,000 as vacant posts are held.

Centralised Services	R1 Forecast Over/(Under) £000s	Budget 2022/23 £000s	R2 Forecast £000s	R2 Forecast Over/(Under) £000s
Interest & Financing	0	12,315	8,159	(4,156)
Levies	17	1,626	1,752	127
Medway Norse Profit Share	0	(578)	(578)	0
Total	17	13,363	9,334	(4,029)

Collectively these are forecasting an underspend of £4.029million.

Levies are forecasting a pressure of £127,000 at round 2, an increase of £110,000 compared with Round 1. Kent County Council have forecast a pressure of £100,000 on Medway's share of the cost of the Coroner's service, which was not known at Round 1. There are also minor pressures relating to Levies as the Drainage and Fisheries annual levies which are both in excess of the budget.

The Interest and Financing forecast is a pressure on interest paid in excess of £700,000 due to rising interest rates on the borrowing required to finance the currently agreed capital programme as projected to be spent in the capital monitoring. However, the underspend reported reflects that the contribution to the Minimum Revenue Provision for 2022/23 budgeted at £5million will not be necessary as the Council has overprovided in prior years.

8. Additional Government Support

Additional Government Support	R1 Forecast Over/(Under) £000s	Budget 2022/23 £000s	R2 Forecast £000s	R2 Forecast Over/(Under) £000s
C&A related - Holiday Activities & Food Programme	0	1,137	1,137	0
Household Support Grant	0	2,262	2,262	0
Energy Rebate Scheme (Council Tax Support for Energy Bills)	0	15,512	15,512	0
Homes for Ukraine	0	959	959	0
Total	0	19,870	19,870	0

All additional government support grants are currently forecast to be fully spent.

9. Conclusions

- 9.1. The second round of revenue budget monitoring for 2022/23 projects an overspend of £14.019million.
- 9.2. In order to bring expenditure back within the budget, the Corporate Management Team has agreed to freeze all expenditure that is not essential to the delivery of statutory services or to meet existing contractual obligations. Alongside this senior officers and Portfolio holders will continue to work on a range of measures to mitigate the forecast pressure between now and the end of the financial year.

10. Risk management

Risk	Description	Action to avoid or mitigate risk	Risk rating
The Council overspends against the agreed budget.	Overspends on budget would need to be met from the Council's limited reserves.	The revenue monitoring process is designed to identify and facilitate action to mitigate the risk of overspending against the agreed budget.	AI

Likelihood	Impact:
A Very high B High C Significant D Low E Very low F Almost impossible	1 Catastrophic (Showstopper) 2 Critical 3 Marginal 4 Negligible

11. Financial implications

11.1. The second round of revenue budget monitoring for 2022/23 projects an overspend of £14.019million. The approved budget assumed the use of £4.853million from general reserves. Once the 2021/22 accounts are finalised, we anticipate the Council's general reserves would be around £26million. Therefore, if the Round 2 forecast materialises it would be necessary to draw down £18.872million leaving a balance of circa £7million.

12. Legal implications

12.1. The Cabinet has the responsibility to ensure effective budgetary control to contain expenditure within the approved limits set by Council. It is unlawful to set a budget that is not balanced or incur expenditure which results in the budget no longer being balanced.

12.2. Under section 114 of the Local Government Finance Act 1988, the Council's statutory Section 151 Officer, is required to produce a report, commonly known as a S114 report, "*if it appears to him that the expenditure of the authority is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure.*"

12.3. The Council's Financial Procedure Rules state at Chapter 4, Part 6, the following paragraph references:

4.1 Approval by the Council of the overall revenue budget authorises the Cabinet and Chief Executive and directors to incur the expenditure in accordance with the scheme of delegation, the budget and policy framework rules and these rules.

4.4 The Chief Operating Officer shall be responsible for monitoring the Council's overall expenditure and income and for reporting to the Cabinet and Council significant variations between the approved estimates and actual expenditure.

4.6 There may be occasion in exceptional circumstances where additional expenditure is essential and therefore unavoidable. Requests for supplementary revenue estimates must be referred to Council for approval. Such referrals would only occur where proposals are incapable

of being financed from within approved budgets and where it is not possible to defer the expenditure to a later year.

12.4. The Cabinet and officers may only spend within allocated budgets. If the budget is likely to be exceeded, the Council is required to consider if it wishes revise to the revenue budget or require mitigating action to be taken.

12.5. Article 7 of the Council's constitution states:

7.2 The Cabinet (meaning the Leader and such other Members of the Council as the Leader may appoint) will carry out all the authority's functions which are not the responsibility of any other part of the Council, whether by law or under this Constitution

12.6. Officers are mandated to deliver services within agreed performance standards and agreed policies. Subject to the scheme delegation officers do not have authority to vary policies or performance standards.

12.7. If the council is not minded to agree a supplementary revenue estimate, then the Cabinet is required to operate with the approved estimate. If that necessitates revisions of policies or service standards, then unless those matters are delegated to officers, it is matter for Cabinet to determine those matters.

13. Recommendation

13.1. The Cabinet is asked to note the results of the second round of revenue budget monitoring for 2022/23 and instruct senior management to continue to exercise tight control to reduce expenditure within their areas and to identify a range of management actions to reduce expenditure or increase income.

14. Suggested reasons for decisions

14.1. The Cabinet has the responsibility to ensure effective budgetary control to contain expenditure within the approved limits set by Council.

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Appendices

None

Background papers

None