

## **BUSINESS SUPPORT OVERVIEW AND SCRUTINY COMMITTEE**

**30 MARCH 2023**

### **REVENUE BUDGET MONITORING - ROUND 3 2022/23**

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#### Summary

This report presents the results of the third 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.

#### 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 3 budget requirement to a total of £373.535million.
- 2.2. This report presents the results of the third 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 £12.333million, an improvement of £1.686million compared to the position reported at Round 2.

*Table 1 – Summary Revenue Budget Forecast*

Directorate	R2 Forecast Over/(Under) £000's	Budget 2022/23 £000's	R3 Forecast £000's	R3 Forecast Over/(Under) £000's
<i>Budget requirement:</i>				
Children and Adult Services	16,595	265,712	283,944	18,232
Regeneration, Culture and Environment	(240)	62,342	62,271	(71)
Business Support Department	1,692	11,940	12,504	565
Business Support Centralised Services:				
Interest & Financing	(4,156)	12,315	5,513	(6,801)
Levies	127	1,626	1,764	139
Medway Norse Joint Venture	0	(578)	(308)	270
Additional Government Support Grant Expenditure	0	20,179	20,179	0
<b>Budget Requirement</b>	<b>14,019</b>	<b>373,535</b>	<b>385,868</b>	<b>12,333</b>
<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	(101,321)	(101,321)	0
Other School Grants	0	(4,556)	(4,556)	0
Adult Social Care Grants	0	(17,296)	(17,296)	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	(20,179)	(20,179)	0
Additional Government Support Non-ringfenced Grant Income	0	0	0	0
<b>Total Available Funding</b>	<b>0</b>	<b>(373,535)</b>	<b>(373,535)</b>	<b>0</b>
<b>Net Forecast Variance</b>	<b>14,019</b>	<b>0</b>	<b>12,333</b>	<b>12,333</b>

## 4. Children and Adults

- 4.1. The Directorate forecast is a pressure of £18.232million, a worsening of £1.638million compared to the Round 2 forecast. Details of the forecasts in each service area within the Directorate are set out in the tables below.

Adult Social Care	R2 Forecast Over/(Under) £000's	Budget 2022/23 £000's	R3 Forecast £000's	R3 Forecast Over/(Under) £000's
Assistant Director Adult Social Care	445	(2,795)	(2,946)	(151)
Locality Services	3,559	77,074	82,896	5,822
Business Operations & Provider Services	(112)	3,950	3,850	(100)
Specialist Services/Principal Social Worker	107	1,733	2,011	279
<b>Total</b>	<b>3,999</b>	<b>79,962</b>	<b>85,811</b>	<b>5,849</b>

Adult Social Care is forecasting an overall pressure of £6.249million with management action of £400,000 reducing the reported overspend to £5.849million. This is a worsening of £1.850million from the position reported at Round 2. As in recent years the overspend largely relates to placement costs in Locality Services.

Service Area	R2 Forecast Over/(Under)	Budget 2022/23	R3 Forecast	R3 Forecast Over/(Under)
	£000's	£000's	£000's	£000's
Disability Services	1,083	45,799	47,666	1,867
Mental Health Services	89	8,294	8,366	72
Older People Services	2,402	16,483	20,168	3,684
Staffing - Locality Serv	(15)	6,497	6,696	199
<b>Total Locality Services</b>	<b>3,559</b>	<b>77,074</b>	<b>82,896</b>	<b>5,822</b>

The Disability services forecast is an overspend of £2.267million reduced by £400,000 projected further savings. This results in an overspend of £1.867million, which is a worsening of £784,000 from the reported Round 2 position. There continue to be pressures around Physical Disability Residential/Nursing and Supported Living, which have all seen increases in both the number and cost of those placements. There is also a pressure related to the 38-week placements which were budgeted to be charged to the Dedicated Schools Grant (DSG), but are now reflected in the general fund cost. There has been a significant reduction in the homecare forecast due to fewer forecasted placements. The movement from Round 2 is due to placements moving from residential and nursing services to supported living; there are nine more placements overall in Round 3 compared to Round 2 in these service provisions. In addition, there is also an increase in the number of home care packages in place. There has also been a significant reduction in client numbers for Learning Disability direct payments as they move into a commissioned day care service, although the average weekly costs for both of these services have also increased.

The Older People forecast is an overspend of £3.684million which is an increase of £1.283million from Round 2. There are 21 more residential and one more nursing placement than at Round 2 and weekly fees rates continue to increase above budgeted levels. The forecast also reflects an increase in the homecare forecast of £641,000 from Round 2 with an additional 72 packages being made. Work has been undertaken to reduce the backlog of clients waiting for homecare packages, and also to reduce the delay of recording packages onto Mosaic which will provide more stability and certainty around this forecast going forwards

The other significant movements are a reversal of the Round 2 assumption related to the Better Care Fund (BCF) forecast. The latest information has confirmed our original

assumptions to almost bring the BCF cost centre back to a break-even position. There have been adverse movements in both the Deprivation of Liberty Standards service, as increased activity has commenced to address part of the backlog situation, and also in the staffing forecast as increasing levels of vacancies among the locality teams are backfilled with agency staff.

<b>Children's Services</b>	<b>R2 Forecast Over/(Under) £000's</b>	<b>Budget 2022/23 £000's</b>	<b>R3 Forecast £000's</b>	<b>R3 Forecast Over/(Under) £000's</b>
Children's Care Management	350	1,400	1,384	(16)
Head of Safeguarding & Quality Assurance	(2)	2,939	2,936	(3)
Virtual Head	48	443	500	56
Children's Care Improvement	109	1,166	1,753	587
Children In Care	6,305	36,906	43,041	6,135
Children's Social Work Team	1,238	7,340	8,543	1,204
Business Support	(94)	1,793	1,723	(71)
Early Help, Youth, Mash & Adolescents	(294)	4,975	4,624	(350)
<b>Total</b>	<b>7,660</b>	<b>56,962</b>	<b>64,503</b>	<b>7,542</b>

The Children's Services forecast is an overspend of £7.542million which is an improvement of £118,000 from the previous forecast.

The forecast on placements and client related expenditure shows an overspend of £7.349million which can be split into three key variances.

Firstly, the variance on agreed placements is £4.390million 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.

Secondly there is forecast shortfall of £2.206million against the various savings programmes as shown in the table below. This is mitigated by underspends against a number of expenditure budgets resulting in a reported under delivery against the savings schemes of £1.685million for 2022/23.

Thirdly the forecast now includes the 38-week school residential placements which were budgeted to be charged to the DSG in 2022/23 but are now in the general fund cost at £1.274million.

The division is forecasting to overspend by £242,000 on supplies and service budgets with the biggest areas of overspend being advertising £45,000; computer and office equipment £63,000 and Interpreter fees of £18,000.

Directorate Management Team	R2 Forecast Over/(Under) £000's	Budget 2022/23 £000's	R3 Forecast £000's	R3 Forecast Over/(Under) £000's
Directorate Management Team	(54)	648	594	(54)
<b>Total</b>	<b>(54)</b>	<b>648</b>	<b>594</b>	<b>(54)</b>

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

Education	R2 Forecast Over/(Under) £000's	Budget 2022/23 £000's	R3 Forecast £000's	R3 Forecast Over/(Under) £000's
School Organisation & Student Services	292	1,674	1,937	263
Psychology & Special Educational Needs	2,544	33,820	36,250	2,429
School Improvement	(94)	316	219	(97)
Special Educational Needs & Disabilities Transport	2,250	6,394	8,644	2,250
Inclusions	294	2,770	3,084	314
School Online Services	(36)	32	7	(25)
Education Management Team	4	292	334	42
Early Years Sufficiency	53	17,947	17,976	29
<b>Total</b>	<b>5,307</b>	<b>63,246</b>	<b>68,451</b>	<b>5,206</b>

Education is forecast to overspend by £5.206million. The overspend on the DSG is £4.966million and the forecast assumes the overspend will be transferred into the DSG reserve.

The main areas of overspend for the general fund are £2.250million on Special Educational Needs and Disabilities (SEND) transport due to the increase in demand and inflationary uplifts of 6%; £166,000 on mainstream transport due mainly to the additional costs incurred to transport pupils to the temporary new school site, £50,000 on the attendance advisory service, and the £2.720million of spend transferred to the general fund resulting from the Safety Valve Intervention Programme work.

A pressure of £4.261million is forecast on 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 was reporting a £20.456million deficit. Based on the Round 3 forecast, this deficit will increase to £24.717million by March 2023 when the projected 2022/23 in year overspend of £4.953million is transferred into the reserve.

The Round 3 forecast also shows an overspend of £705,000 on the Early Years block of the DSG, which will be transferred into the DSG reserve at the end of the financial year like the high needs overspend. However, unlike the high needs overspend, this overspend is not expected to materialize at the end of the financial year as early years funding operates on a lagged funding basis, with additional funding expected before the end of the financial year to clear this overspend.

Partnership Commissioning & Business Intelligence	R2 Forecast Over/(Under) £000's	Budget 2022/23 £000's	R3 Forecast £000's	R3 Forecast Over/(Under) £000's
Adults Commissioning	(1)	323	321	(1)
Children's Commissioning	5	1,514	1,553	39
C&A Performance & Intelligence	2	519	513	(6)
<b>Total</b>	<b>7</b>	<b>2,355</b>	<b>2,387</b>	<b>32</b>

The Partnership Commissioning forecast is an overspend of £32,000, which is a worsening of the position of £25,000 from Round 2. The movement largely relates to the Young People's wellbeing service now being forecast to budget, along with some increases to staffing forecasts in the Commissioning and Business & Intelligence teams.

Public Health	R2 Forecast Over/(Under) £000's	Budget 2022/23 £000's	R3 Forecast £000's	R3 Forecast Over/(Under) £000's
Public Health Management	165	1,201	1,464	263
Public Health Commissioning	26	5,758	5,806	48
Business Development	18	304	305	1
Drug and Alcohol Action Team	0	1,974	1,974	0
Health Improvement Programmes	(267)	3,435	2,993	(442)
Stop Smoking Services	12	438	453	15
Supporting Healthy Weight	46	1,336	1,451	115
<b>Total</b>	<b>(0)</b>	<b>14,446</b>	<b>14,446</b>	<b>0</b>

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.

Schools Retained Funding & Grants	R2 Forecast Over/(Under) £000's	Budget 2022/23 £000's	R3 Forecast £000's	R3 Forecast Over/(Under) £000's
Finance Provisions	(259)	2,085	1,567	(517)
Hr Provisions	(292)	659	425	(234)
School Grants	227	45,349	45,758	409
<b>Total</b>	<b>(324)</b>	<b>48,093</b>	<b>47,750</b>	<b>(343)</b>

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 £343,000 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 £71,000 which is a worsening of £169,000 from the position reported at Round 2. Details of the forecasts in each service area are set out in the tables below.

<b>Communications &amp; Marketing</b>	<b>R2 Forecast Over/(Under) £000's</b>	<b>Budget 2022/23 £000's</b>	<b>R3 Forecast £000's</b>	<b>R3 Forecast Over/(Under) £000's</b>
Communications & Marketing	40	21	55	35
<b>Total</b>	<b>40</b>	<b>21</b>	<b>55</b>	<b>35</b>

The service is forecast to overspend by £35,000; firstly a pressure relating to producing Medway Matters due to increased printing and distribution costs, and secondly, a pressure in respect of lower than budgeted internal design fee income.

<b>Culture &amp; Community</b>	<b>R2 Forecast Over/(Under) £000's</b>	<b>Budget 2022/23 £000's</b>	<b>R3 Forecast £000's</b>	<b>R3 Forecast Over/(Under) £000's</b>
Sport, Leisure, Tourism & Heritage	72	3,816	3,707	(109)
Cultural Services	106	2,139	2,256	117
Planning	303	1,312	2,040	728
South Thames Gateway Partnership	(2)	135	133	(2)
Strategic Housing	(118)	5,850	5,690	(160)
Libraries & Community Hubs	(29)	3,949	3,926	(23)
Culture & Community Support	1	103	106	3
<b>Total</b>	<b>333</b>	<b>17,304</b>	<b>17,858</b>	<b>554</b>

The Culture & Community division forecast is a net overspend of £554,000. This is a worsening of £221,000 from the position reported at Round 2.

The Sport, Leisure, Tourism and Heritage (SLTH) forecast is an underspend of £109,000, which is an improvement in the position of £181,000 from the position reported at Round 2. The improvement since Round 2 is due to further recovery in Leisure Centre income to be £49,000 above budgeted levels. There have also been improvements across a number of headings around supplies and services, Business Rates and staffing resulting in a net underspend of £62,000.

Cultural services forecast is a pressure of £117,000 which represents an increase of £11,000 from the position reported at Round 2. 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 £728,000, which is a worsening of £425,000 from the position reported at Round 2; this movement relates broadly to the worsening of the planning fee income projections. 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 £131,000 and a £576,000 pressure relating to planning fee income. These pressures are offset by £181,000 establishment savings across the service and additional income of £143,000 mainly from unbudgeted court costs and Capital Accounts reflecting the time planning staff are working on the Future Hoo project.

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. However, if these

forecasts are realised the balance remaining in the Reserve will be insufficient to offset these costs in future years.

Strategic housing is reporting an underspend of £160,000 which is an improvement of £42,000 from the position reported at Round 2. Housing solutions and Prevention is projected to underspend by £306,000 however there are pressures relating to private sector housing, property management and Choice based lettings.

The remainder of services are forecast broadly to budget.

Deangate	R2 Forecast Over/(Under) £000's	Budget 2022/23 £000's	R3 Forecast £000's	R3 Forecast Over/(Under) £000's
Deangate	1	41	29	(12)
<b>Total</b>	<b>1</b>	<b>41</b>	<b>29</b>	<b>(12)</b>

This service is forecast to underspend by £12,000 which is an improvement of £13,000 from the position reported at Round 2. This is due to unbudgeted income in respect of Deangate Indoor Bowls Centre.

Director's Office	R2 Forecast Over/(Under) £000's	Budget 2022/23 £000's	R3 Forecast £000's	R3 Forecast Over/(Under) £000's
Director's Office	(100)	990	941	(49)
<b>Total</b>	<b>(100)</b>	<b>990</b>	<b>941</b>	<b>(49)</b>

The Director's Office is forecast to underspend by £49,000 due to NNDR savings of £25,000 on Public Conveniences following the granting of 100% Public Toilet Rate Relief on all of the buildings. In addition, there are supplies and services savings of £18,000 and staffing savings of £6,000. The gaming festival underspend is now being reported in Culture and Community which accounts for the movement from Round 2.

Front Line Services	R2 Forecast Over/(Under) £000's	Budget 2022/23 £000's	R3 Forecast £000's	R3 Forecast Over/(Under) £000's
Front Line Services Support	22	746	705	(40)
Highways	257	5,695	6,023	328
Parking Services	585	(4,516)	(3,938)	578
Environmental Services	(1,377)	27,964	26,593	(1,371)
Integrated Transport	(239)	7,256	7,016	(240)
Regulatory Services	(325)	2,277	1,890	(387)
Greenspaces	84	5,101	5,193	92
<b>Total</b>	<b>(994)</b>	<b>44,522</b>	<b>43,483</b>	<b>(1,040)</b>

The Front Line Services division forecast is a favourable variance of £1.040million which is an improvement of £46,000 from the position reported at Round 2.

Highways is reporting a pressure of £328,000, which is a worsening of the position of £71,000 from the reported position at Round 2. There are significant pressures on the utilities budgets for Medway Tunnel (£134,000) and Street Lighting Columns (£411,000) as a result of the price increases in October 2022. However, this is mitigated by the forecast Street works income of £111,000, predominately due to permit scheme income for significant broadband works being undertaken by BT and City Fibre which is expected to last until 2023. There is also an underspend on staffing due to vacant posts of £240,000, however there are also



overspends on supplies and services across the service of £31,000 and a pressure of £90,000 due to lower than budgeted income from capital and general fund recharges related to the level of vacant posts.

Parking Services is forecasting a pressure of £578,000, predominately due to 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 £675,000 and is across both on and off street parking as detailed overleaf. This has been partially offset by additional forecast income of £73,545 in respect of the temporary suspension of parking bays during the installation of new telecoms network for work being carried out by City Fibre.

Area	Pressure/ (Saving) £000
ON ST PARKING Fees	2,691
ON ST PARKING PCN	145,979
ON ST PARKING Residential Park Permits	14,284
ON ST PARKING Visitor Vouchers	169,042
ON ST PARKING Traders Permits	(16,407)
OFF ST PARKING Fees	104,066
OFF ST PARKING Season Tickets	183,457
OFF ST PARKING PCN	71,480
<b>TOTAL FORECAST INCOME PRESSURE</b>	<b>674,592</b>

Environmental Services is reporting an underspend of £1.371million which is broadly in line with the position reported at Round 2. The Waste Disposal services is reporting a saving of £1.419million which is essentially down to the Materials Recycling Facility (MRF) and the favourable commodity prices currently being achieved (£877,000), the net saving in the diversion of our waste from Landfill to incineration (£313,000) and the saving in the disposal costs of our organic waste and other waste disposal (£229,000). The Waste Collection Service is forecast to realise a £168,000 saving as the recharge to parking services was not factored into the 2022/23 budget build realignments and additional income from standard and bulky waste collections. Additional Income of £255,000 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 is the last year we will receive this income as KCC has opened a facility in Tonbridge & Malling. There are also a couple of unbudgeted items that have resulted in pressures, Medway Norse to switch 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 full cost of which is £448,000 which may be reduced if we are successful in reclaiming any costs from a third Party. Finally, the anticipated expenditure in respect of the procurement of the waste vehicles has been put on hold, resulting in a saving being realised in 2022/23 of £62,000.

Integrated transport is reporting an underspend of £240,000, which is in line with the Round 2 position. The Traffic Management service has forecast additional Income from Street Closures of £161,000, which have been partly offset by some essential street closure related costs of £121,000. 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 £124,000, which is due predominately to the retendering of contracts which haven't 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 which have been offset by establishment savings across the service due to the time taken in filling vacant posts.

Regulatory Services is reporting an underspend of £387,000, which is an improvement of £61,000 from Round 2. 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 £92,000. Income generated from rents & wayleaves and grounds hire is still struggling to recover from the effects of the pandemic and there is a resulting pressure of £38,000, there is a pressure of £30,000 anticipated on utilities costs due to price increases in October and also a pressure of £26,000 related to Business Rates and external rental payments.

Regeneration	R2 Forecast Over/(Under) £000's	Budget 2022/23 £000's	R3 Forecast £000's	R3 Forecast Over/(Under) £000's
Medway Norse	101	78	179	101
Property & Capital Projects	541	900	1,465	565
Regeneration Delivery	(6)	748	732	(16)
Valuation & Asset Management	(165)	(2,861)	(2,989)	(128)
Economic Development	(28)	456	385	(71)
Skills & Employability	37	143	133	(9)
<b>Total</b>	<b>480</b>	<b>(537)</b>	<b>(95)</b>	<b>442</b>

The Regeneration division forecast is a net pressure of £442,000, which is an improvement of £38,000 from the position reported at Round 2.

The Medway Norse Core Contract is reporting a pressure of £101,000.

Property & Capital Projects are reporting a pressure of £565,000, which is a worsening of £24,000 from the position reported at Round 2. There are two main areas of pressure, firstly unachievable miscellaneous Receipts income targets which result in a pressure of £293,000. Secondly, a forecast overspend of £281,000 on utilities across the service to reflect the increase in the unit price in October 2022.

Value & Asset Management is reporting an underspend of £128,000, which is a worsening of £38,000 from the position reported at Round 2. This is largely comprised of;

- A £271,000 pressure relating to the Pentagon Centre where Ellandi our Managing Agents are reporting expenditure in excess of our current budget allocation.
- A £404,000 underspend relating to additional income in respect of commercial property rental and other property transactions.

Economic Development are reporting an underspend of £71,000 which is an improvement of £43,000 from the Round 2 position. This is mainly due to additional rental income at Innovation Centre Medway & innovation Studios Medway of £77,000.

## 6. Housing Revenue Account

Housing Revenue Account	R2 Forecast Over/(Under) £000's	Budget 2022/23 £000's	R3 Forecast £000's	R3 Forecast Over/(Under) £000's
Housing Revenue Account	224	(200)	(295)	(96)
<b>Total</b>	<b>224</b>	<b>(200)</b>	<b>(295)</b>	<b>(96)</b>

The Housing Revenue Account forecast is a surplus of £96,000, which is an improvement of £320,000 from the position reported at Round 2. The movement from Round 2 relates to the reimbursement of stamp duty from HMRC for purchase of properties in the past two years.

## 7. Business Support & Centralised Budgets

7.1. The Business Support Services forecast is an overspend of £564,000, while the Centralised Services forecast is an underspend of £6.392million, bringing the overall forecast to an underspend of £5.827million. This is an improvement of £3.492million from the position reported at Round 2. The details of the forecasts in each service area are set out in the tables below.

Corporate Management	R2 Forecast Over/(Under) £000's	Budget 2022/23 £000's	R3 Forecast £000's	R3 Forecast Over/(Under) £000's
Corporate Management	(82)	1,393	1,341	(52)
<b>Total</b>	<b>(82)</b>	<b>1,393</b>	<b>1,341</b>	<b>(52)</b>

The Corporate Management forecast is an underspend of £52,000. There is an underspend of £61,000 in relation to pension payments to KCC. Additional unbudgeted income and grants of £70,000 offset by pressures on external audit fees and subscriptions of £18,000, a £68,000 pressure on treasury expenses based on the outturn in previous years and the cost of undertaking Asset Valuations by an external contractor forecast to cost £50,000.

Finance & Business Improvement	R2 Forecast Over/(Under) £000's	Budget 2022/23 £000's	R3 Forecast £000's	R3 Forecast Over/(Under) £000's
Internal Audit & Counter Fraud	(33)	(1)	(40)	(39)
FBI Divisional Management Team	(2)	310	297	(13)
FBI - Finance	634	3,584	3,702	118
FBI - Information	(99)	1,645	1,340	(305)
FBI - Organisational Culture	107	115	(149)	(265)
<b>Total</b>	<b>607</b>	<b>5,654</b>	<b>5,150</b>	<b>(504)</b>

The division is currently forecasting an underspend of £504,000, which is an improvement of the position of £1.111million from Round 2.

The Finance forecast (which includes Accountancy, Revenues, Benefits and Debt) is a pressure of £118,000, which is an improvement of £516,000 from Round 2, largely due to an improvement in the Benefits Subsidy forecast.

There are establishment savings forecast across the Service of £543,000 which are due to recruitment lag in filling vacant posts earlier in the year and the implementation of the freeze on all non-essential expenditure. This has been offset by a pressure of £540,000 in respect of agency staffing principally for resilience work being undertaken by Northgate.

Debt and Payments are forecasting a pressure of £120,000. This is due to a shortfall of income against Awarded Court Costs. The income relies on court dates and the forecast is based on the court dates received to date. It is unknown whether the service will be able to achieve any further court dates until 2023.

The Organisational Culture forecast (which includes HR, Payroll and Council Plan service areas) is an underspend of £265,000, which is an improvement of 371,000 from Round 2. There is now a forecast underspend on the Temporary Recruitment Agency of £156,000 due to the charging of an admin fee, this has increased from the Round 2 reported position as the number of agency staff engaged across the council increases. There are also establishment savings across service due to the recruitment lag in appointing to vacant posts and the implementation of the spending freeze on all non-essential expenditure.

The Information forecast (which includes Technology, Customer Experience and Digital) is an underspend of £305,000, which is an improvement of £207,000 from Round 2. There are underspends Information & Communications Technology (ICT) due to establishment savings

and savings on hardware and software contracts, offset by pressures on systems upgrades. There are also staffing savings in Customer and Business Support (CABS). However, there remains a pressure on Community Interpreting income budgets.

The Internal Audit forecast underspend of £39,000 results from vacancy savings.

<b>Legal &amp; Governance</b>	<b>R2 Forecast Over/(Under) £000's</b>	<b>Budget 2022/23 £000's</b>	<b>R3 Forecast £000's</b>	<b>R3 Forecast Over/(Under) £000's</b>
Democratic Services	(43)	666	606	(60)
Members & Elections	89	1,701	1,791	90
Category Management	(49)	(3)	(49)	(46)
Legal, Land Charges & Licensing	1,170	2,529	3,666	1,136
<b>Total</b>	<b>1,167</b>	<b>4,893</b>	<b>6,013</b>	<b>1,120</b>

The divisional forecast is an overspend of £1.120million, which is an improvement of the position of £47,000 from Round 2.

Legal, Land Charges and Licensing are forecast to a pressure of £1.136million, primarily driven by a net £958,000 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 is also a pressure on income from court awarded costs.

The overspend of £90,000 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.

Category Management forecast is an underspend of £46,000, there are establishment savings of £132,000 offset by agency staff of £84,000 and the use of external sources.

<b>Centralised Budgets</b>	<b>R2 Forecast Over/(Under) £000's</b>	<b>Budget 2022/23 £000's</b>	<b>R3 Forecast £000's</b>	<b>R3 Forecast Over/(Under) £000's</b>
Interest & Financing	(4,156)	12,315	5,513	(6,801)
Levies	127	1,626	1,764	139
Medway Norse Profit Share	0	(578)	(308)	270
<b>Total</b>	<b>(4,029)</b>	<b>13,363</b>	<b>6,970</b>	<b>(6,392)</b>

Collectively these are forecasting an underspend of £6.392million.

Levies are forecasting a pressure of £139,000 at Round 3, an increase of £12,000 compared with Round 2. There is a £120,000 pressure for the coroner's service. There are also minor pressures relating to Levies as the Drainage and Fisheries annual levies which are both in excess of the budget.

Interest & Financing is reporting a saving of £6.801million which is a significant improvement of £2.645million on the position reported at Round 2. The improvement in the position reported reflects that the required borrowing is now based on a more realistic forecast Capital programme, which is significantly less than that allowed for in the Round 2 calculations. The reported forecast underspend reflects that the contribution to the Minimum Revenue Provision for 2022/23, which is budgeted at £5,489,000 will not be necessary as the Council has overprovided in prior years.

2023/24 The Medway Norse profit rebate is now showing a pressure of £270,000 due to the current difficult economic climate.

## 8. Additional Government Support

Additional Government Support	R2 Forecast Over/(Under) £000's	Budget 2022/23 £000's	R3 Forecast £000's	R3 Forecast Over/(Under) £000's
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	1,268	1,268	0
<b>Total</b>	<b>0</b>	<b>20,179</b>	<b>20,179</b>	<b>0</b>
All additional government support grants are currently forecast to be fully spent.				

## 9. Conclusions

9.1. The third round of revenue budget monitoring for 2022/23 projects an overspend of £12.333million.

## 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 management action to mitigate the risk of overspending against the agreed budget.	AI
<b>Likelihood</b>		<b>Impact:</b>	
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 third round of revenue budget monitoring for 2022/23 projects an overspend of £12.333million. The approved budget assumed the use of £4.853million from general reserves.

## 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 to revise 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 Employee Delegation Scheme, 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. Recommendations

13. The Committee is asked to note the results of the third round of revenue budget monitoring for 2022/23 and to note that on 7 February 2023, Cabinet instructed senior management to continue to exercise tight control to reduce expenditure within their areas and to identify a range of management actions in order to reduce expenditure or increase income.

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#### Appendices

None

#### Background papers

None