

**BUSINESS SUPPORT
OVERVIEW AND SCRUTINY COMMITTEE
13 JULY 2023**

**REVENUE AND CAPITAL BUDGET OUTTURN AND ANNUAL
WRITE OFF REPORT 2022/23**

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Summary

This report details the final revenue and capital outturn position for the financial year ended 31 March 2023. These figures will form part of the Council's Statement of Accounts, which will be presented to the Audit Committee following the completion of the External Audit. The report also presents a summary of debts written off during the 2022/23 financial year in line with the constitutional requirement to submit a report to Cabinet on an annual basis setting out details of all debt written off.

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, taking the final revenue outturn budget requirement to a total of £386.353million.

2.2. The Capital Programme for 2022/23 and beyond was also agreed by Council on 24 February 2022, at £430.712million. Additions and removals made during the year resulted in a final capital outturn budget of £476.257million. The final capital outturn position is summarised in Section 10 of this report.

2.3. Details of all debts written off in 2022/23 are provided at Section 12 of this report in line with the constitutional requirement for this information to be provided to the Cabinet on an annual basis.

3. Revenue Outturn Summary 2022/23

3.1. The outturn for 2022/23 represents a net overspend of £6.094million, an improvement of £6.239million compared to the position reported at Round 3.

Directorate	R3 Forecast Over/(Under) £000s	Budget 2022/23 £000s	Final Outturn £000s	Final Outturn Over/(Under) £000s
<i>Budget requirement:</i>				
Children and Adult Services	18,232	280,077	298,118	18,041
Regeneration, Culture and Environment	(71)	77,452	74,104	(3,349)
Business Support Department	565	10,682	9,006	(1,676)
Business Support Centralised Services:				
Interest & Financing	(6,801)	(8,015)	(14,816)	(6,801)
Levies	139	1,626	1,689	63
Medway Norse Joint Venture	270	(578)	(263)	314
Additional Government Support Grant Expenditure	0	25,108	24,096	(1,013)
Budget Requirement	12,333	386,353	391,932	5,579
<i>Funded by:</i>				
Council Tax	0	(138,087)	(138,087)	0
Retained Business Rates & Baseline Need Funding	0	(66,124)	(66,528)	(404)
New Homes Bonus	0	(1,979)	(1,979)	0
Dedicated Schools Grant	0	(109,360)	(109,360)	0
Other School Grants	0	(4,556)	(4,556)	0
Adult Social Care Grants	0	(17,296)	(17,296)	0
CSC Grants	0	(916)	(916)	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	(25,108)	(24,190)	919
Additional Government Support Non-ringfenced Grant Income	0	0	0	0
Total Available Funding	0	(386,353)	(385,838)	515
Net Forecast Variance	12,333	0	6,094	6,094

4. Children and Adults

- 4.1. The Directorate outturn is a net overspend of £18.041million, an improvement of £191,000 compared to the Round 3 forecast. Further detail of the outturn in each service area is set out in the tables below.

Adult Social Care	R3 Forecast Over/(Under) £000s	Budget 2022/23 £000s	Final Outturn £000s	Final Outturn Over/(Under) £000s
Assistant Director Adult Social Care	(151)	(2,670)	(3,440)	(770)
Locality Services	5,822	77,074	84,059	6,984
Business Operations & Provider Services	(100)	3,963	3,748	(216)
Specialist Services/Principal Social Worker	279	1,733	1,602	(131)
Total	5,849	80,100	85,968	5,868

The Adult Social Care outturn is a net overspend of £5.868million, a slight worsening of £19,000 compared to the position reported at Round 3. While the overall outturn is broadly in line with the forecast, pressure on placement budgets continues to increase however this has been mitigated in 2022/23 through the use of additional discharge related funding.

As in recent years the overspend largely relates to placement costs in Locality Services as set out below:

Service Area	R3 Forecast Over/(Under) £000s	Budget 2022/23 £000s	Outturn £000s	Outturn Forecast Over/(Under) £000'
Disability Services	1,867	45,799	48,827	3,028
Mental Health Services	72	8,294	8,134	(161)
Older People Services	3,684	16,483	20,537	4,054
Staffing - Locality Services	199	6,497	6,561	63
Total Locality Services	5,822	77,074	84,059	6,984

The Disability services outturn is an overspend of £3.028million, £1.161million worse than the Round 3 forecast and reflects that it was not possible to deliver £400,000 of savings that were forecast. Although overall the client numbers remained stable during the latter part of the year, there was a continued rise in the weekly cost of Learning Disability supported living placements, and backdated price adjustments continued to add pressure to the disability forecasts.

The Mental Health outturn is an underspend of £161,000. Though numbers of Mental Health Residential, Nursing and supported Living placements have changed very little since Round 3, a fall in the gross average weekly cost and the inclusion of income for a direct payment client recharged to the Integrated Care Board have improved the outturn by £233,000 compared to the forecast.

The Older People outturn is an overspend of £4.054million, a worsening of £370,000 compared to the Round 3 forecast. There has been little change in residential and nursing placement numbers since Round 3, but the average weekly rate for residential placements again increased further beyond budgeted levels increasing the pressure by £260,000. The outturn position also includes an increase in the homecare gross forecast of £458,000 as demand and costs continued to increase compared to Round 3 forecast levels. The level of homecare client contribution income recovered is £123,000 less than the Round 3 forecast due to staff shortages within the Financial Assessment Team. These increases have been partly mitigated through the use of ASC discharge funding in respect of some of these additional placement costs.

Children's Services	R3 Forecast Over/(Under) £000s	Budget 2022/23 £000s	Final Outturn £000s	Final Outturn Over/(Under) £000s
Children's Care Management	(16)	3,267	2,639	(628)
Head of Safeguarding & Quality Assurance	(3)	2,941	2,928	(14)
Virtual Head	56	443	515	72
Children's Care Improvement	587	1,015	2,426	1,411
Children In Care	6,135	36,973	42,617	5,644
Children's Social Work Team	1,204	7,340	8,171	831
Business Support	(71)	1,793	1,750	(44)
Early Help, Youth, Mash & Adolescents	(350)	5,063	5,514	451
Total	7,542	58,835	66,559	7,724

The Children's Services outturn is an overspend of £7.724million which is a worsening of £183,000 from the position forecast at Round 3.

A savings target of £350,000 that was to be delivered in Legal & Governance at Round 3 has since been transferred along with the activity back to Children's Services' budget. While £220,000 has been delivered, the balance of £130,000 is a pressure.

Higher than budgeted placement numbers and unit costs for Residential, Supported Accommodation, Independent Fostering Agency along with the use of unregistered and unregulated placements resulted in an overspend of £4.741million, broadly in line with the Round 3 forecast.

The budget assumes the delivery of a range of programmes that would generate savings totalling £4.379million, however while the programme managed to deliver £2.694million, the outturn is a shortfall of £1.685million, as per Round 3 forecast.

The 38-week school residential placements which were expected to be charged to the DSG in 2022/23 but were instead charged to the general fund, with an outturn pressure of £1.713million.

Finally additional resources brought in to reduce social worker caseloads resulted in a worsening of £180,000 compared to the Round 3 forecast, however the staffing budget outturn was an underspend of £400,000.

Directorate Management Team	R3 Forecast Over/(Under) £000s	Budget 2022/23 £000s	Final Outturn £000s	Final Outturn Over/(Under) £000s
Directorate Management Team	(54)	648	518	(130)
Total	(54)	648	518	(130)

The Directorate Management Team outturn is an underspend of £130,000, this represents an improvement of £76,000 from the position reported at Round 3 due to less use of interim staffing and the now permanent staffing structure.

Education	R3 Forecast Over/(Under) £000s	Budget 2022/23 £000s	Final Outturn £000s	Final Outturn Over/(Under) £000s
School Organisation & Student Services	263	1,674	1,905	232
Psychology & Special Educational Needs	2,429	40,557	44,320	3,762
School Improvement	(97)	316	218	(98)
Special Educational Needs & Disabilities Transport	2,250	6,394	8,387	1,992
Inclusions	314	2,770	2,063	(707)
School Online Services	(25)	32	7	(25)
Education Management Team	42	292	333	41
Early Years Sufficiency	29	18,393	18,142	(250)
Total	5,206	70,428	75,376	4,947

The Education outturn on general fund services is an overspend of £4.947million, an improvement of £258,000 compared to the Round 3 forecast. The overspend was driven primarily by:

- SEN transport – an overspend of £2million, which is an improvement of £200,000 from the Round 3 forecast as fewer pupils required transport than projected.
- Safety Valve Improvement Programme - spend transfer, £3million which is broadly in line with the previously reported forecast.
- Mainstream transport, £126,000 mainly due to the additional costs incurred to transport pupils to the temporary new school site.

The overspend on the Dedicated Schools Grant (DSG) funded services is £987,000 and this will be transferred into the High Needs DSG reserve.

As at 31st March 2022 the High Needs DSG reserve was in deficit by £20.456million and the transfer of the 2022/23 overspend will increase this deficit to £21.443million as at 31 March 2023. This is a reduction from the previously reported forecast which was for the deficit to increase to £24.717million. The final position includes the first tranche of the safety valve funding of £5.720million.

Partnership Commissioning & Business Intelligence	R3 Forecast Over/(Under) £000s	Budget 2022/23 £000s	Final Outturn £000s	Final Outturn Over/(Under) £000s
Adults Commissioning	(1)	323	281	(42)
Children's Commissioning	39	1,514	1,546	33
C&A Performance & Intelligence	(6)	519	440	(79)
Total	32	2,355	2,267	(88)

Partnership Commissioning has improved by £121,000 from the Round 3 forecast to an outturn of an underspend of £88,000. This movement is due to delays in the recruitment of staff to vacant posts within the Adults Partnership Commissioning and the Performance and Intelligence Teams.

Public Health	R3 Forecast Over/(Under) £000s	Budget 2022/23 £000s	Final Outturn £000s	Final Outturn Over/(Under) £000s
Public Health Management	263	1,201	1,300	99
Public Health Commissioning	48	5,758	5,507	(251)
Business Development	1	304	205	(100)
Drug and Alcohol Action Team	0	1,974	2,013	39
Health Improvement Programmes	(442)	3,435	3,492	57
Stop Smoking Services	15	438	410	(28)
Supporting Healthy Weight	115	1,336	1,520	183
Total	0	14,446	14,446	0

The Public Health services outturn is to budget as activity above budgeted levels was funded through the use of Public Health reserves or through specific grants.

Schools Retained Funding & Grants	R3 Forecast Over/(Under) £000s	Budget 2022/23 £000s	Final Outturn £000s	Final Outturn Over/(Under) £000s
Finance Provisions	(517)	5,382	5,183	(199)
Hr Provisions	(234)	659	435	(224)
School Grants	409	46,615	46,757	142
Total	(343)	52,656	52,375	(281)

The Schools Retained Funding and Grants division contains services funded by both the general fund and the DSG. The outturn is a net underspend on general fund services of £281,000 which principally relates to schools' historic pensions and redundancy costs.

Schools	R3 Forecast Over/(Under) £000s	Budget 2022/23 £000s	Final Outturn £000s	Final Outturn Over/(Under) £000s
Schools Delegated Budgets	0	608	608	0
Total	0	608	608	0

This represents additional grant received by maintained schools to pay their 2022/23 Business Rates bills which was paid directly to the Council into the collection fund account and not passported to schools.

5. Regeneration, Culture and Environment

- 5.1. The Directorate outturn is a net underspend of £3.349million, an improvement of £3.278million from the position forecast at Round 3. Further detail of the outturn in each service area is set out in the tables below.

Communications & Marketing	R3 Forecast Over/(Under) £000s	Budget 2022/23 £000s	Final Outturn £000s	Final Outturn Over/(Under) £000s
Communications & Marketing	35	29	48	18
Total	35	29	48	18

The service outturn is a pressure of £18,000, an improvement of £16,000 compared to the Round 3 forecast. The pressure is primarily due to increased printing and distribution costs of the Medway Matters publication, with the movement from Round 3 forecast largely resulting to an improved position in relation to chargeable income.

Culture & Community	R3 Forecast Over/(Under) £000s	Budget 2022/23 £000s	Final Outturn £000s	Final Outturn Over/(Under) £000s
Sport, Leisure, Tourism & Heritage	(109)	8,002	6,875	(1,127)
Cultural Services	117	2,654	2,780	125
Planning	728	1,312	1,705	393
South Thames Gateway Partnership	(2)	135	133	(2)
Strategic Housing	(160)	5,864	5,139	(725)
Libraries & Community Hubs	(23)	4,292	4,092	(199)
Culture & Community Support	3	103	84	(19)
Total	554	22,362	20,808	(1,554)

The Culture & Community division outturn is a net underspend of £1.554million, which is an improvement of £2.108million from the position reported at Round 3.

The Cultural services outturn is a net overspend of £125,000 which represents a slight increase of £8,000 from the position reported at Round 3. There have been improvements in the theatres budget and the Corn Exchange, offset by additional pressure in the festivals programme relating to additional costs of delivering Light Nights and the Rochester Christmas Market. The other area of significant pressure is the Planning Service with the outturn a net overspend of £393,000. This is however an improvement of £335,000 compared to the position reported at Round 3 arising from a reduced level of expenditure on planning consultants and an improvement in planning income compared to the forecasts.

The Sport, Leisure, Tourism and Heritage outturn is an underspend of £1.127million, which is an improvement of £1.018million from the position reported at Round 3. Leisure Centre Income generation performed well with the outturn slightly in excess of both the 2022/23 budgets and the pre-pandemic income levels. The movement from Round 3 relates almost entirely to a change to VAT treatment of activities at leisure centres which has resulted in a one-off income payment in relation to previous years. The Libraries & Community Hubs service outturn is an underspend of £199,000, which is an improvement of £177,000 from the position reported at Round 3. This was predominately due to a review of book fund expenditure which has realised a saving of £71,000 and increased staff vacancy savings.

Strategic Housing outturn is an underspend of £725,000 which is an improvement of £565,000 from the position reported at Round 3. The movement was primarily due to the identification of unrequired provisions for Home-bond rent deposits which have been drawn to the revenue budget in 2022/23.

Deangate Golf	R3 Forecast Over/(Under) £000s	Budget 2022/23 £000s	Final Outturn £000s	Final Outturn Over/(Under) £000s
Deangate Golf	(12)	83	74	(9)
Total	(12)	83	74	(9)

This service outturn was an underspend of £9,000 as unbudgeted income was received in respect of Deangate Indoor Bowls Centre.

Director's Office	R3 Forecast Over/(Under) £000s	Budget 2022/23 £000s	Final Outturn £000s	Final Outturn Over/(Under) £000s
Director's Office	(49)	1,025	967	(58)
Total	(49)	1,025	967	(58)

The Director's Office outturn position is an underspend of £58,000, a £9,000 improvement from the position reported at Round 3. The underspend is due to Business Rate savings on Public Conveniences which were granted 100% Public Toilet Rate Relief during the year, along with savings on staffing budgets.

Front Line Services	R3 Forecast Over/(Under) £000s	Budget 2022/23 £000s	Final Outturn £000s	Final Outturn Over/(Under) £000s
Front Line Services Support	(40)	746	704	(41)
Highways	328	12,620	13,516	895
Parking Services	578	(3,801)	(3,607)	194
Environmental Services	(1,371)	27,995	25,899	(2,096)
Integrated Transport	(240)	7,398	7,146	(252)
Regulatory Services	(387)	2,549	1,876	(673)
Greenspaces	92	5,553	5,734	181
Total	(1,040)	53,061	51,268	(1,792)

The Front Line Services division outturn position is a net underspend of £1.792million which is an improvement of £753,000 from the position reported at Round 3.

The Highways outturn is an overspend of £895,000, which is a worsening of £568,000 from the reported position at Round 3. There were significant overspends on the utilities budgets for the Medway Tunnel and Street Lighting as a result of the price increases in October 2022, though partially mitigated by additional income from street works permits and staff vacancies. The movement from Round 3 is due to additional costs for highway patching works for carriageways and footways along with an increase in costs for highway maintenance works.

The Parking Services outturn is a pressure of £194,000, which is an improvement of £385,000 from the position reported at Round 3. Income has not returned to pre-pandemic levels as the public has adopted different travel habits including homeworking, though actual income received exceeded expectations accounting for the movement.

The Environmental Services outturn is an underspend of £2.096million which is an improvement of £724,000 from the position reported at Round 3. The primary drivers of the underspend are the continuation of the favourable commodity prices offered for the disposal of our waste and savings due to a higher than previously anticipated diversion rate for our waste from landfill to incineration (accounting for £399,000 of the improvement), and additional income in respect of the cross boundary usage of Household Recycling Facilities by Kent County Council residents (accounting for £46,000 of the improvement), along with savings on supplies and services expenditure across the service.

The Integrated transport outturn is an underspend of £252,000, which is broadly in line with the Round 3 position and arises from the renegotiation of the concessionary fares scheme.

The Regulatory Services outturn is an underspend of £673,000, which is an improvement of £286,000 from Round 3. It has not been necessary to make the budgeted contribution to the cremators reserve in 2022/23 and this, along with staff vacancy savings and additional income for the cremation and registration services account for the underspend and movement since the forecast.

The Greenspaces outturn is a pressure of £181,000 which is a worsening of £89,000 from the position reported at Round 3 mainly due to unbudgeted costs in respect of Operation Eunice for Tree maintenance works and a reduction in the anticipated level of Income receivable for the hire of facilities in our parks and open spaces.

Regeneration	R3 Forecast Over/(Under) £000s	Budget 2022/23 £000s	FINAL Outturn	FINAL Outturn Over/(Under) £000s
Medway Norse	101	78	187	108
Property & Capital Projects	565	1,295	1,901	606
Regeneration Delivery	(16)	770	523	(247)
Valuation & Asset Management	(128)	(2,085)	(2,255)	(170)
Economic Development	(71)	558	480	(78)
Skills & Employability	(9)	275	102	(173)
Total	442	892	938	46

The Regeneration division outturn is a net overspend of £46,000, which is an improvement of £396,000 from the position reported at Round 3.

The Medway Norse Core Contract outturn is an overspend of £108,000.

The Property & Capital Projects outturn is a net overspend of £606,000, which is a worsening of £41,000 from the position reported at Round 3. The pressure primarily relates to higher than budgeted utilities costs across the Council's property estate (with the increased costs at Gun Wharf accounting for the movement) however a range of income budgets across the service, including income from charging the team's time to capital projects, have proven unachievable.

The Regeneration Delivery service outturn is an underspend of £247,000 which is an improvement of £231,000 from the Round 3 position. Historic expenditure on the Housing Infrastructure Fund scheme that was funded from revenue has now been charged to the capital scheme, resulting in the movement and underspend here.

The Valuation & Asset Management outturn is a net underspend of £170,000, which is an improvement of £42,000 from the position reported at Round 3. Additional rental income in respect of commercial property rentals including the renewal of the Gillingham Business Park Lease of £581,000 offset a pressure of £412,000 on income from the Pentagon centre, accounting for the underspend and movement.

The Economic Development outturn is a net underspend of £78,000 which is broadly in line with the Round 3 forecast and relates to additional rental income from the Innovation Centre Medway and Innovation Studios Medway.

The Skills And employability service outturn position is an underspend of £173,000 which is an improvement of £164,000 from the position reported at Round 3. This was due to additional funding from the Multiply Project being allocated to our own internal services (Adult Education) than was previously thought possible.

6. Housing Revenue Account (HRA)

Housing Revenue Account	R3 Forecast Over/(Under) £000s	Budget 2022/23 £000s	Final Outturn £000s	Final Outturn Over/(Under) £000s
Housing Revenue Account	(96)	(202)	(1,091)	(889)
Total	(96)	(202)	(1,091)	(889)

The HRA is forecasting a surplus of £1.091million for 2022/23, a favourable variance of £889,000 above the approved budgeted surplus of £202,000 and an improvement of £795,000 from R3 forecast. The favourable variance is mainly due to the savings on ground maintenance, general and void repairs. Lower than the predicted spend on the HRA capital programme has resulted in saving on interest payments on the HRA debt. There is an increase in rental and other income compared to the Round 3 forecast, as delays in the migration of data from NEC to Integra which forecasting accurately difficult.

7. Business Support and Centralised Services

7.1. The Business Support Services outturn is a net underspend of £1.676million, while the Centralised Services outturn is a net underspend of £6.424million, bringing the overall outturn to a net underspend of £8.100million. This is an improvement of £2.273million from the position projected at Round 3. The details of the outturn in each service area are set out in the tables below.

Corporate Management	R3 Forecast Over/(Under) £000s	Budget 2022/23 £000s	Final Outturn £000s	Final Outturn Over/(Under) £000s
Corporate Management	(52)	1,393	63	(1,330)
Total	(52)	1,393	63	(1,330)

The Corporate Management outturn is a net underspend of £1.330million, an improvement of £1.278million compared to the Round 3 forecast. In closing the 2022/23 accounts, the value, age and likelihood of recovery of the Council's outstanding Sundry and Adult Social Care debts were analysed. This was compared to the value held as a provision for bad and doubtful debts in respect of these services. This review found that the provision, which had been significantly increased for 2020/21 in anticipation of the adverse impact of the Covid-19 pandemic on debt recovery, was in excess of the current requirement by £1.054million, with the benefit reflected here alongside the impact of additional unbudgeted income.

Finance & Business Improvement (FBI)	R3 Forecast Over/(Under) £000s	Budget 2022/23 £000s	Final Outturn £000s	Final Outturn Over/(Under) £000s
Internal Audit & Counter Fraud	(39)	(1)	(43)	(42)
FBI Divisional Management Team	(13)	310	288	(22)
FBI - Finance	118	3,592	4,125	533
FBI - Information	(305)	2,197	1,209	(987)
FBI - Organisational Culture	(265)	115	(294)	(409)
Total	(504)	6,213	5,285	(928)

The FBI divisional outturn is a net underspend of £928,000, an improvement of £424,000 compared to the Round 3 forecast position.

The outturn for Internal Audit & Counter Fraud and the Divisional Management Team are both net underspends of £42,000 and £22,000 respectively, primarily resulting from staff vacancy savings, broadly in line with the Round 3 forecast position.

The Finance outturn (which includes Revenue and Corporate Accountancy, Council Tax & Business Rates, Benefits & Financial Welfare and Income, Debt and Payments Teams) is a net overspend of £533,000, which is £415,000 worse than the Round 3 forecast. The overspend relates to the following specific issues;

- Benefits Subsidy – pressure of £840,000, compared to the position forecast at Round 3 which was to budget. 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. There has been particular growth in the number of Specified (Supported) Accommodation claims for which we are unable to claim 100% subsidy, and the accelerated movement of claims from Housing Benefit to Universal Credit means there are even fewer claims where we receive 100% subsidy. This therefore represents a growing issue for the Council's budget for future years, however the Council has recently been successful in securing government funding through the Supported Housing Improvement Programme. This is working across directorates to drive up property and support standards within the sector and to ensure that value for money is being provided and will help us gain control and understanding of what is a very complex area.
- Awarded Court Costs – the Council was not allocated sufficient court dates during 2022/23 to progress sufficient debtors through the process, reducing income received through court costs awarded.
- ICT software cost increases – it has been necessary to invest in the Council's financial systems including an upgrade of the main financial management system, integra. These costs total £135,000 in excess of available budgets.

These overspends are partly mitigated by additional unbudgeted grant funding of £525,000 to offset the new burdens of delivery of government funded business and resident support schemes delivered by the service including the Household Support Fund. There are also underspends across other services in Finance totalling, primarily relating to staff vacancy savings and printing costs.

The Information outturn (which includes Technology, Customer Experience and Digital services) is a net underspend of £987,000, an improvement of £682,000 compared to the Round 3 forecast position. The budget assumed a contribution of £500,000 from this service to a provision to fund ICT equipment renewals, however a review has confirmed that the

provision is currently sufficient so this contribution is not required and results in an underspend. The remainder of the underspend and movement results from additional unbudgeted income from the service level agreement in place with Kent & Medway Clinical Commissioning Group, savings on phone line rental and call costs and staff vacancy savings. The Organisational Culture outturn (which includes HR, Payroll and Council Plan service areas) is a net underspend of £409,000, an improvement of £145,000 compared to the Round 3 forecast. Both the level of unbudgeted income (totalling £196,000) received from externally agencies in respect of in-house Temporary Staff Recruitment Agency, and staff vacancy savings (totalling £115,000) have improved since Round 3.

Legal & Governance	R3 Forecast Over/(Under) £000s	Budget 2022/23 £000s	Final Outturn £000s	Final Outturn Over/(Under) £000s
Democratic Services	(60)	666	598	(68)
Members & Elections	90	1,701	1,715	15
Category Management	(46)	(3)	(42)	(39)
Legal, Land Charges & Licensing	1,136	712	1,386	673
Total	1,120	3,077	3,657	581

The Legal & Governance division outturn is a net overspend of £581,000, an improvement of £539,000 compared to the position forecast at Round 3.

The Democratic Services outturn is a net underspend of £68,000, which is primarily due to staff vacancy savings and is broadly in line with the forecast at Round 3.

The Members and Elections outturn is an overspend of £15,000, which is an improvement of £75,000 compared to the forecast at Round 3. The overspend relates to the costs of the Parishes Community Governance Review, which was largely offset by savings from staff vacancies and on the operation of the annual electoral canvass.

The Category Management outturn is a net underspend of £39,000, which is in line with the Round 3 forecast and relates to staff vacancy savings.

The Legal, Land Charges and Licensing outturn is a net pressure of £673,000, which is an improvement of £463,000 compared to the Round 3 forecast. There is a net overspend of £1.034million on staffing; while there have been high levels of vacancies as recruiting and retaining permanent staff has continued to be difficult, these posts were covered by more expensive locum/agency staff throughout the financial year, however this position is a £76,000 improvement on that forecast at Round 3. Savings of £350,000 that were forecast to be delivered at Round 3 were not achievable, but this pressure has been moved to Children's Services so no longer impacts the outturn here.

Centralised Services	R3 Forecast Over/(Under) £000s	Budget 2022/23 £000s	Final Outturn £000s	Final Outturn Over/(Under) £000s
Interest & Financing	(6,801)	(8,015)	(14,816)	(6,801)
Levies	139	1,626	1,689	63
Medway Norse Profit Share	270	(578)	(263)	314
Total	(6,392)	(6,967)	(13,391)	(6,424)

Collectively Centralised Services has underspent by of £6.424million.

Levies final position was a pressure of £63,000, an improvement of £76,000 compared with Round 3. This is due to a reduction in the SLA charged by KCC in respect of Medway's share of the Costs of running the Coroners Service

Interest & Financing is reporting a saving of £6.801million which is consistent with the position reported at Round 3. The initial outturn showed a worsening of c£687,000. This was due in the main to a downturn in the interest receivable from Medway Development Company following a reassessment of their borrowing requirement and a reduction in the interest rate chargeable. However, the decision was made to fund this increase from the earmarked MRP Reserve.

The Medway Norse profit rebate is now showing a pressure of £314,000 due to the current difficult economic climate. This is a worsening of £44,000 from the position reported at Round 3. The 2022/23 rebate was £15,000 less than the position reported at Round 3 as advised by Medway NORSE and also that the 2021/22 anticipated rebate is £29,000 lower than had been accrued for in our accounts which has resulted in a further pressure in 2022/23.

8. Additional Government Support

Additional Government Support & Assistance Programmes Expenditure	R3 Forecast Over/(Under) £000s	Budget 2022/23 £000s	Final Outturn £000s	Final Outturn Over/(Under) £000s
C&A related - Holiday Activities & Food Programme	0	1,137	1,137	0
Household Support Grant	0	4,525	4,525	0
Energy Rebate Scheme (Council Tax Support for Energy Bills)	0	15,512	15,512	0
Energy Support Alternative Fuel	0	1,141	128	(1,013)
Homes for Ukraine	0	2,794	2,794	0

There is a reported underspend of £1.013million relating to the energy support scheme for Alternative Fuel, the scheme continues in 2023/24 and there is a corresponding overspend on the funding side where the unused funding has been carried forward for use in 2023/24.

9. Funding

- 9.1. There is an overspend on the energy support scheme for Alternative fuel as referred to in section 8. However there is also a £404,000 surplus of budgeted income forecast, due to the national Business Rates Levy account surplus for 2022/23 being distributed, and an additional £94,000 of unbudgeted support from the final reconciliation of the Sales Fees & Charges support scheme which operated in previous years.

10. Capital Outturn

- 10.1. The capital programme year end position is shown in the table below. A carry forward budget of £363.188million is committed on existing schemes and will be added to the new schemes agreed by Council on 23 February 2023. While the outturn represents an overspend against the 2022/23 agreed budget of £1.065million, action taken to fund these overspends is set out below.

Capital Outturn 2022/23

Directorate	Budget	2022/23 Outturn	2023/24 Forecast	2024/25 Forecast	2025/26 Forecast	Outturn/ Forecast Variance
	£000s	£000s	£000s	£000s	£000s	£000s
Children and Adults	20,885	14,365	5,302	1,889	0	671
Regeneration, Culture and Environment	432,118	76,730	133,148	87,860	134,778	398
Housing Revenue Account	28,157	9,182	10,647	8,328	0	0
Business Support Department	724	253	314	157	0	0
Members Priorities	363	15	50	10	288	0
Total	482,247	100,545	149,461	98,244	135,066	1,069

- 10.2. The outturn on the Children and Adults programme is an overspend of £671,000, however funding has been identified for all pressures. An overspend of £790,000 arises from the increased building and materials costs on the following schemes in the Basic Needs programme, of which all except Robert Napier were reported at Round 3:
- Hundred of Hoo Primary overspend of £744,000, however this will be funded from S106 contributions agreed and the Basic Need grant 2023/24 as approved by Cabinet in October 2022,
 - Wayfield Primary overspend of £40,000, and Robert Napier Secondary overspend of £3,000 however both of these will be funded from the Basic Need Grant 2023/24 as above,
 - Maundene Primary overspend of £14,000, however this will be funded be funded from S106 contributions (MC/07/0032 Land at Hoo Road, Liberty Park) for which monies have been received.
- There is also an underspend of £11,000 on the Greenacre scheme and an underspend on the SEN Strategy Programme of £120,000 on the Abbey Court scheme, both of which were reported at Round 3.
- 10.3. The outturn on the Regeneration, Culture and Environment programme is an overspend of £398,000, however funding has been identified for all pressures. There is an overspend of £369,000 on the Integrated Transport LTP3 which was not known at the time of the Round 3 monitoring. The overspend arises from essential works on the Medway City Estate slip road, infrastructure spend at Chatham Bus Station and commitment to deliver key transport schemes (principally road safety improvements and new parking restrictions including the provision of disabled parking facilities). This overspend will be funded from the

2023/24 allocations of the Integrated Transport LTP3 grant. There was also an overspend of £26,000 relating to Street Furniture, specifically street lanterns which will be installed in 2023/24, however a budget adjustment has provided funding for this. There is an overspend of £3,000 on the delivery of the 3G football pitch due to issues with new gas meter fitting, however additional grant from the Football Foundation has now been received to fund this.

- 10.4. The outturn on the Business Support, Housing Revenue Account and Members Priorities capital programmes is to budget.
- 10.5. On 23 February 2022, Council agreed the removal from the Capital Programme of all Medway Development Company (MDC) schemes where MDC is building or developing assets in their own ownership financed via loans from Medway Council with interest charged at a market rate. This was in line with relevant guidance and revised advice from the Chartered Institute of Public Finance and Accountancy (CIPFA) regarding the proper accounting treatment of these loans. Please note that progress on these schemes will still be reported in the quarterly monitoring reports as a memorandum item.
- 10.6. All unused approved budgets will be carried forward to the 2023/24 financial year where funding streams allow, and any funding shortfalls identified will be reported through the Round 1 budget monitoring.

11. Reserves

- 11.1. As at March 2022 the Council had non-earmarked general fund reserves of £26.550million available to it. In order to fund the Outturn position for 2022/23 the Council must use a total of £10.947million of the available reserves; the £4.853million built into the 2022/23 budget and a further £6.094million to fund the overspend on services in the year.
- 11.2. The 'Safety Valve' programme also required the Council to set aside £3million of general reserves as a guarantee against non-delivery of the deficit recovery plan. In November 2022 Council committed a total of £1.7million of general reserves over three years (£214,000 in 2022-23, £1,167m in 2023-24 and £322,000 in 2024-25) to rebuild the Children's Services side of the Children and Adults Social Care System, Mosaic. Also, in November 2023 Council committed £250,000 of general reserves to undertake Phase 2 surveys at the Brook Theatre. Finally, in the absence of sufficient capital receipts, the capital additions agreed by Full Council in February 2023 alongside the budget require a further circa £570,000 of general reserves.
- 11.3. While the 2022/23 Outturn represents an improvement on the position projected in the Round 3 budget monitoring, which projected that £17.183million of general reserves might be required, nonetheless this along with the commitments set out in paragraph 11.2 above leave the Council's non-earmarked general fund reserves at around £10.083million, which is just above the £10million minimum balance set by the Section 151 Officer. Cabinet might wish to review all current commitments against revenue reserves, in the light of the financial risks confronting the Council.

12. Irrecoverable Debt written off in 2022/23

12.1. Chapter 3, Part 5, section 5.4 of the Council's Constitution sets out the financial limits in place with respect to writing off irrecoverable debts, with Directors having authority to write off debts relating to the services which are their responsibility of up to £5,000. The Chief Operating Officer has authority to write off debts as follows:

- Council Tax – within the approved provision held within the accounts,
- Business Rates – within the approved provision held within the accounts,
- Other debts of the Council – up to £25,000 in consultation with the director responsible for services to which the debt relates.

The rules also require a report to be submitted to Cabinet on an annual basis setting out details of all debt written off, and as such the required information is presented below:

Debt Written Off 2020/21 to 2022/23

Debt Category	2020/21		2021/22		2022/23	
	Raised	Written Off	Raised	Written Off	Raised	Written Off
	£000s	£000s	£000s	£000s	£000s	£000s
Council tax ¹	151,384	612	164,509	1,470	171,336	1,979
Business Rates ^{1 & 5}	58,904	745	78,476	436	90,177	783
Housing Benefit Overpayments ¹	2,057	197	2,301	281	2,283	83
Housing ¹	14,055	130	14,102	51	14,463	103
Temporary Accommodation ²	3,113	103	2,820	100	2,464	50
Penalty Charge Notices (PCNs) ³	3,264	266	3,901	299	3,844	215
Sundry Debt ⁴	59,976	0	46,490	6	55,576	26
Adult Social Care ⁴	15,234	0	16,721	40	17,290	2
Total	307,987	2,053	329,320	2,683	357,433	3,241

1) Amounts written off each year are cumulative, including amounts raised in previous years.

2) Temporary Accommodation moved from being raised as a Sundry Debt to on the Housing database (Academy) from 2020/21.

3) PCNs are 'cancelled' rather than written off but included here for transparency.

4) Amounts written off relate only to debt raised in those years (not the total debt written off within) the period

5) 2020/21 raised debt reduced due to Covid-19 government measures and difference funded through Section 31 grants.

13. Risk management

Risk	Description	Action to avoid or mitigate risk	Risk rating
Financial resilience	Closing the 2022/23 accounts requires the use of a significant proportion of the available general reserves. This may impact the Council's financial resilience as it will now be less able to withstand unexpected budgetary pressures.	Close monitoring of the Council's budget forecast, and enhanced monitoring of reserves and other financial resilience measures being introduced in 2023/24.	B2
Inherent budget pressures	The 2022/23 outturn includes pressures in a range of services that may be ongoing into 2023/24; these may have not been adequately addressed in the budget for next year.	Close monitoring of the Council's budget forecast, and work to develop the budget for 2024/25 and beyond is beginning early in 2023/24.	C2
Capital Receipts	The 2022/23 outturn has been funded from, and the 2023/24 budget assumes a significant proportion of capital expenditure is funded from capital receipts; if the Council does not achieve the required receipts, schemes may need to be curtailed or refinanced.	Close monitoring of the programmes anticipated to deliver capital receipts, and careful management of the delivery of those schemes funded from receipts.	C2

Risk	Description	Action to avoid or mitigate risk	Risk rating
Deliverability of the Capital Programme	Macro-economic conditions, largely but not wholly resulting from the pandemic, have affected the cost and availability of both materials and labour.	Close monitoring of the programme and careful management of the delivery are supported by scrutiny from senior officers and Members.	D3
Interest Rate Rises	The budget assumes a significant proportion of the Capital Programme is funded from borrowing. If rates rise beyond the projections in the budget, or if additional borrowing is required, a revenue budget pressure will arise unless some elements of the programme can be curtailed or refinanced.	Close monitoring of the capital programme monitoring to minimise borrowing and avoid taking out borrowing at interest rate peaks.	C1
Housing Infrastructure Fund (HIF)	The delivery of the HIF scheme is funded by Homes England, however any overspend must be funded by the Council.	A dedicated team of skilled and experienced staff are focussed on the delivery of the HIF programme. Close monitoring of the programme and careful management of the delivery are supported by scrutiny from senior officers and Members.	C2

Risk	Description	Action to avoid or mitigate risk	Risk rating
Medway Development Company (MDC) activity	A reduction or slowing of the housing market could mean that MDC schemes planned may not generate the revenue income or the capital receipts assumed in the Council's budget.	Skilled and experienced staff within the company and at the Council are focused on the production of high quality businesses cases, leading to the selection and delivery of schemes that will perform well. Close monitoring of the programme and careful management of the delivery are supported by scrutiny from senior officers and Members.	D2
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	

14. Consultation

- 14.1. The results of each round of the revenue and capital budget monitoring have been presented to Members of Cabinet and Overview and Scrutiny Committees throughout the 2022/23 year.

15. Financial implications

- 15.1. The 2022/23 budget set in February 2022 required the use of £4.853million from general reserves to balance the projected cost of services for the year.
- 15.2. The 2022/23 Outturn represents a net overspend on the cost of services for Children & Adults of £18.041million, partially offset by net underspends on the cost of Regeneration, Culture and Environment of £3.3349million, on Business Support services of £1.676million and on Centralised Services of £6.424million. The redistribution of the central Business Rates Levy Account and additional

specific grant funding relating to new burdens resulted in a favourable variance on the Council's funding of £498,000.

- 15.3. As set out in Section 11 of this report, the Outturn position requires the use of £10.947million of general reserves, reducing our projected balance to £10.083million.

16. Legal and Constitutional implications

16.1. There are no direct legal implications to this report.

16.2. Chapter 3, Part 5, section 5.4 of the Council's Constitution sets out the financial limits in place with respect to writing off irrecoverable debts, with Directors having authority to write off debts relating to the services which are their responsibility of up to £5,000. The Chief Operating Officer has authority to write off debts as follows:

- Council Tax – within the approved provision held within the accounts,
- Business Rates – within the approved provision held within the accounts,
- Other debts of the Council – up to £25,000 in consultation with the director responsible for services to which the debt relates.

The rules also require a report to be submitted to Cabinet on an annual basis setting out details of all debt written off. Requests for debt to be written off beyond the delegated authority set out above are a matter for the Cabinet.

17. Recommendations

17.1. The Committee is asked to note the 2022/23 revenue and capital outturn position.

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Appendices

None

Background papers

None