

REGENERATION, CULTURE AND ENVIRONMENT OVERVIEW AND SCRUTINY COMMITTEE

17 AUGUST 2023

REVENUE BUDGET MONITORING – 2023/24 ROUND 1

Report from: Katey Durkin, Chief Finance Officer

Author: David Reynolds, Head of Revenue Accounts

Summary

This report presents the results of the first round of the Council's revenue budget monitoring process for 2023/24. The Council's summary position is presented in section 5, with sections 6-10 providing the detail for each service area.

1. Recommendations

- 1.1. It is recommended that the Committee notes the results of the first round of revenue budget monitoring for 2023/24.
- 1.2. It is recommended that the Committee notes that Cabinet approved the virement of £500,000 from the Independent Fostering Agency budget to the internal fostering budget to reflect the increased internal fostering rates.
- 1.3. It is recommended that the Committee notes that Cabinet instructed the Corporate Management Team to implement urgent actions to bring expenditure back within the budget agreed by Full Council.

2. Budget and policy framework

- 2.1. Cabinet is responsible for ensuring that income and expenditure remain within the budget approved by Council. Budget virements are subject to the financial limits contained in part 5 of chapter 3 of the Council's Constitution. Cabinet is responsible for approving virements in respect of the revenue budget of up to £500,000.

3. Background

- 3.1. At its meeting on 23 February 2023, the Council set a total budget requirement of £388.269million for 2023/24. Since then additional grant funding has been announced, primarily the Household Support Fund, Holiday Activity Fund and Start 4 Life funding and the final allocations for Schools funding and the Public Health Grant have been confirmed. The net impact of

these amendments takes the Round 1 budget requirement to a total of £390.777million.

- 3.2. This report presents the results of the first 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.

4. Summary Revenue Budget Forecast Position 2023/24

- 4.1. The forecast outturn for 2023/24 represents a pressure of £17.267million.

Directorate	2022/23 Outturn £000s	Budget 2023/24 £000s	R1 Forecast £000s	R1 Forecast Over/(Under) £000s
<i>Budget requirement:</i>				
Children and Adult Services	299,254	296,395	308,962	12,568
Regeneration, Culture and Environment	74,056	66,020	68,346	2,326
Business Support Department	9,053	7,174	10,302	3,128
Business Support Centralised Services:				
Interest & Financing	(14,816)	15,300	14,441	(859)
Levies	1,689	1,796	1,767	(29)
Medway Norse Joint Venture	(263)	(433)	(300)	133
Additional Government Support Grant Expenditure	22,959	4,525	4,525	0
Budget Requirement	391,932	390,777	408,043	17,267
<i>Funded by:</i>				
Council Tax	(138,087)	(148,883)	(148,883)	0
Retained Business Rates & Baseline Need Funding	(66,528)	(73,697)	(73,697)	0
New Homes Bonus	(1,979)	(1,998)	(1,998)	0
Dedicated Schools Grant	(109,360)	(107,877)	(107,877)	0
Other School Grants	(4,556)	(4,404)	(4,404)	0
Adult Social Care Grants	(17,296)	(24,998)	(24,998)	0
CSC Grants	(916)	(70)	(70)	0
Public Health Grant	(18,075)	(18,665)	(18,665)	0
Use of Reserves	(4,853)	(2,985)	(2,985)	0
Additional Government Support Ringfenced Grant Income	(24,190)	(7,200)	(7,200)	0
Additional Government Support Non- ringfenced Grant Income	0	0	0	0
Total Available Funding	(385,838)	(390,777)	(390,777)	0
Net Forecast Variance	6,094	0	17,267	17,267

5. Overview and Scrutiny

- 5.1. At its meeting on 20 July 2023 Full Council approved changes to the terms of reference to the Overview and Scrutiny committees. From 2023/24 financial year the budget monitoring reports are included in the terms of reference of all four overview & scrutiny committees not just the Business Support and Digital Overview and Scrutiny committee.
- 5.2. For members ease, the updates relating to services that are not in the remit of this committee are greyed out throughout this report. While Members may ask questions on any of the content of this report, questions related to services outside the remit of this committee would be better answered by the relevant officers in attendance at the respective committees.

6. Regeneration, Culture and Environment

- 6.1. The Directorate forecast is an overspend of £2.326million. Details of the forecasts in each service area are set out in the tables below.

Culture & Community	2022/23 Outturn £000s	Budget 2023/24 £000s	R1 Forecast £000s	R1 Forecast Over/(Under) £000s
Sport, Leisure, Tourism & Heritage	6,875	3,938	3,923	(16)
Cultural Services	2,780	2,088	2,316	228
Planning	1,705	1,345	2,836	1,491
South Thames Gateway Partnership	133	135	135	0
Strategic Housing	5,139	5,378	5,509	131
Libraries & Community Hubs	4,092	4,534	4,443	(91)
Culture & Community Support	84	54	88	34
Total	20,808	17,472	19,250	1,778

The Culture & Community division forecast is a net overspend of £1.778million.

The most significant pressure is the Planning Service which is reporting a pressure of £1.491million. There are three main factors, £230,000 relating to the use of consultants for legal and specialist planning work, £643,000 in respect of the cost of the Local Plan/Public inquiries in excess of the budget and a shortfall against the Planning fee income budget representing a pressure of £576,000.

Cultural Services is reporting a pressure of £228,000. The events programme is reporting a pressure of £225,000 with the infrastructure and staging equipment costs being 30% in excess of the available budget allocation. There is a £78,000 pressure in theatres which in the main is due to the closure of the Brook Theatre for refurbishment. These pressures are partially offset by £94,000 additional income being generated at the Corn Exchange.

Libraries, Community Hubs and Archives is projected to underspend by £91,000, almost entirely due to establishment savings across the service due to recruitment lag in appointing to vacant posts.

There is a forecast overspend relating to strategic housing of £131,000 which primarily relates to the cost of homelessness, due to an increase in the number of rented temporary accommodation units to a total of 366.

Deangate Golf	2022/23 Outturn £000s	Budget 2023/24 £000s	R1 Forecast £000s	R1 Forecast Over/(Under) £000s
Deangate Golf	74	0	0	0
Total	74	0	0	0

This service is forecast to budget.

Director's Office	2022/23 Outturn £000s	Budget 2023/24 £000s	R1 Forecast £000s	R1 Forecast Over/(Under) £000s
Director's Office	967	1,069	1,042	(27)
Total	967	1,069	1,042	(27)

The Director's Office is forecast to underspend by £27,000 due to NNDR savings on Public Conveniences following the granting of 100% Public Toilet Rate Relief on all of the buildings.

Front Line Services	2022/23 Outturn £000s	Budget 2023/24 £000s	R1 Forecast £000s	R1 Forecast Over/(Under) £000s
Front Line Services Support	704	780	695	(85)
Highways	13,516	5,383	5,481	99
Parking Services	(3,607)	(3,921)	(3,582)	339
Environmental Services	25,899	28,252	28,197	(55)
Integrated Transport	7,146	7,318	7,332	14
Regulatory Services	1,876	2,235	2,372	137
Greenspaces	5,734	4,846	4,845	(1)
Total	51,268	44,892	45,339	447

The Front Line Services division forecast is forecast to overspend by £447,000.

Highways is forecast to overspend by £99,000. There is a forecast pressure on winter maintenance of £57,000 based on average expenditure over the past 6 years along with a pressure of £71,000 on Major projects which is predominately due to a shortfall on income from capital accounts.

Parking Services is forecasting a pressure of £339,000. The parking income pressure is forecast to be £244,000 and is across both on & off street parking below.

Area	Pressure/ (Saving) £000
ON ST PARKING Fees	(27,600)
ON ST PARKING Residential Park permits	2,640
ON ST PARKING Visitor Vouchers	140,460
ON ST PARKING Traders Permits	(35,670)
OFF ST PARKING Season Tickets	164,070
TOTAL FORECAST INCOME PRESSURE	243,900

There are a range of further pressures related to Multi Storey Car Parks for security, contract cleaning, external bank charges, grounds maintenance and external rental payments. These are partially mitigated by savings on staffing resulting in a net pressure of £100,000.

The Environmental Services forecast is an underspend of £55,000. Additional unbudgeted income of £50,000 is anticipated to be received in respect of the cross-boundary usage of Household Recycling Facilities from Kent County Council, however this will be the last payment of this type due to the opening of a neighbouring facility.

Integrated transport is forecast to overspend by £14,000. The Traffic Management service has forecast additional Income from Street Closures of £124,000, which have been offset additional costs on street works salaries and consultant costs and traffic signal repair works. There is then an underspend of £145,000 in relation to Medway Concessionary Fares budget

which is due predominately to agreeing a deal with Arriva keeping the charges at the same level as 2022/23. This is offset by a pressure on the School Bus Service and pressure on publicity and subscription costs.

Regulatory Services is forecast to overspend by £137,000. There is a pressure on the crematorium fees & charges of £89,000 along with overspends on NNDR and live streaming of ceremonies and chapel music.

Regeneration	2022/23 Outturn £000s	Budget 2023/24 £000s	R1 Forecast £000s	R1 Forecast Over/(Under) £000s
Medway Norse	187	1,701	1,794	93
Property & Capital Projects	1,901	1,188	1,661	473
Regeneration Delivery	523	904	892	(12)
Valuation & Asset Management	(2,255)	(2,119)	(2,568)	(449)
Economic Development	480	670	694	25
Skills & Employability	102	244	243	(1)
Total	938	2,588	2,716	128

The Regeneration division forecast is a net pressure of £128,000.

The Medway Norse Core Contract is projected to overspend by £93,000.

The Property & Capital Projects forecast is a pressure of £473,000, with £319,000 shortfalls on income budgets and an overspend of £72,000 on Kingsley house. An overspend of £114,000 is forecast on Gun Wharf relating to increased utilities and business rates costs.

Value & Asset Management is projecting to underspend by £449,000. There is an underspend of £412,000 on the Pentagon Centre as our Managing Agents project savings on expenditure budgets, and a £24,000 underspend on commercial property due to additional unbudgeted rental income of £50,000 offset by some additional operational costs.

7. Housing Revenue Account

Housing Revenue Account	2022/23 Outturn £000s	Budget 2023/24 £000s	R1 Forecast £000s	R1 Forecast Over/(Under) £000s
Housing Revenue Account	(982)	(5)	(867)	(863)
Total	(982)	(5)	(867)	(863)

The Housing Revenue Account forecast is a surplus of £863,000. There is an underspend of £455,000 on capital financing as borrowing is not projected to be as high as budgeted for the decarbonisation initiative. An underspend of £130,000 is projected on housing maintenance due to a reduction in the number and average cost of void properties. There is an underspend of £109,000 on the Homes for Independent Living scheme due to lower than budgeted utilities costs. Across the service there is a total underspend of £94,000 projected on staffing costs.

8. Additional Government Support

Additional Government Support Expenditure	2022/23 Outturn £000s	Budget 2023/24 £000s	R1 Forecast £000s	R1 Forecast Over/(Under) £000s
Household Support Grant	4,525	4,525	4,525	0
Energy Rebate Scheme (Council Tax Support for Energy Bills)	15,512	0	0	0
Energy support AF	128	0	0	0
Homes for Ukraine	2,794	0	0	0
Total	22,959	4,525	4,525	0

All additional government support grants are currently forecast to be fully spent. Budget in respect of Homes for Ukraine scheme will be added throughout the year under the delegation of the Chief Operating Officer as funding is received.

9. Conclusions

- 9.1. The first round of revenue budget monitoring for 2023/24 projects an overspend of £17.267million.

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
Impact on service delivery	An overspend that cannot be funded from reserves could result in a diminution of the scale and quality of services that the Council is able to deliver.	Ensuring investment is prioritised to statutory services and key priorities, reviewing and reducing non-essential spend and maximising income.	All
Reputational damage	The challenging financial position of the Council, driven by increased demand for statutory services beyond available funding, could be misconstrued or reported as poor management or leadership, reducing the trust and confidence of residents, partners and regulators.	Clear communications with all interested parties on the cause of the financial position, lobbying the government for an improved funding settlement for local government, including implementation of the fair funding review.	BII
Demographic Growth	Further demographic pressures may surface across our social care services above those assumed in the budget.	Close monitoring of demand for service to identify pressures early, robust budget monitoring.	All
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	Close monitoring of the capital programme monitoring to minimise borrowing and avoid taking out borrowing at interest rate peaks.	BII

Risk	Description	Action to avoid or mitigate risk	Risk rating
	of the programme can be curtailed or refinanced.		
Special Educational Needs and Disabilities	Further increases in the number of children requiring support, and in the complexity of needs may surface. Failure to deliver the recovery plan would risk the Council needing to use the £3million reserve created to fund any shortfall.	Close monitoring of demand for service to identify pressures early, robust budget monitoring.	All
Likelihood		Impact:	
A Very likely B Likely C Unlikely D Rare		I Catastrophic II Major III Moderate IV Minor	

11. Financial implications

- 11.1. The first round of revenue budget monitoring for 2023/24 projects an overspend of £17.267million. As reported to the Cabinet in June in the Capital and Revenue Budget Outturn for 2022/23, the Council's general reserves currently stand at £10.084million. The Council would not therefore be in a position to fund an overspend on the scale of that currently projected.
- 11.2. Both the 2022/23 outturn and 2023/24 forecast expenditure will place an unprecedented burden on general reserves, which is not affordable in the immediate term or sustainable over the longer term.
- 11.3. It will now be necessary for the Council's senior managers and elected Members to implement urgent actions to bring expenditure back within the budget agreed by Full Council or as a minimum to within that which can be funded from general reserves, including consideration of the following actions:
- Cessation of all non-essential spend, including reviewing spend on non-statutory services;
 - Curtailing/reducing/refinancing the capital programme where it impacts on the revenue budget; and
 - Reviewing and rationalising land and building assets.

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.

Lead officer contact

Katey Durkin, Chief Finance Officer, 01634 33 23 55,
katey.durkin@medway.gov.uk

Appendices

None

Background papers

None