

HEALTH AND ADULT SOCIAL CARE OVERVIEW AND SCRUTINY COMMITTEE

22 AUGUST 2023

REVENUE BUDGET MONITORING 2023/24 ROUND 1

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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. The Committee notes the results of the first round of revenue budget monitoring for 2023/24.
- 1.2. 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. 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. Overview and Scrutiny

- 4.1. 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. As such, though this report includes a summary of the overall Council position at Section 5 for information and context, this remainder of this report provides detailed information about the services within the remit of this Committee only.

5. Summary Revenue Budget Forecast Position 2023/24

5.1. 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

6. Children and Adults

6.1. The Directorate forecast is a pressure of £12.568million. Details of the forecasts in the remit of this Committee are set out in the tables below.

Adult Social Care	2022/23 Outturn £000s	Budget 2023/24 £000s	R1 Forecast £000s	R1 Forecast Over/(Under) £000s
Assistant Director Adult Social Care	(3,440)	(3,969)	(3,879)	90
Locality Services	84,059	83,960	90,810	6,850
Business Operations & Provider Services	3,748	4,458	4,571	113
Specialist Services/Principal Social Worker	1,602	1,848	2,372	524
Total	85,968	86,297	93,873	7,576

The Adult Social Care forecast is an overall pressure of £9.208million with management action of £1.632million reducing the reported overspend to £7.576million. As in recent years the overspend largely relates to placement costs in Locality Services.

Service Area	Budget 2022/23 (£000s)	R1 Forecast (£000s)	R1 Forecast Over/(Under) (£000s)
Disability Services	48,010	51,289	3,279
Mental Health Services	8,720	8,800	80
Older People Services	20,281	23,379	3,099
Staffing - Locality Services	6,949	7,341	392
Total Locality Services	83,960	90,810	6,850

The Disability Services forecast is a net overspend of £4.911million, however the ongoing targeted review work is projected to achieve further cashable savings of £1.632million, resulting in a forecast net overspend of £3.279million. Supported Living is the largest area of overspend, forecast at £2.510million reflecting a net increase of 20 clients and a 16% increase in the average weekly cost of supported living packages above the budget. The majority of the targeted review savings are also expected in this service.

A pressure of £489,000 is reported for Physical Disability residential and nursing services, due to increasing client numbers and increasing weekly costs beyond that initially budgeted. A similar picture is reported in the forecast for Homecare which shows an overspend of £300,000. An overspend for Disability daycare of £669,000 is offset by an underspend in direct payments of £645,000 as more clients transition from a Direct Payment to a commissioned day care service as more providers change their VAT status.

The Older People forecast continues to reflect the significant pressures that were seen throughout 2022/23, and now projects a net overspend of £3.099million. The forecast for residential/nursing placements reflecting an increase of 25 clients beyond the budgeted number of placements and a continued increase in the average weekly charge, with around a third of residential and nursing placements now placed in packages above band rates. Significant work has been carried out in the service to reduce waiting lists and ensure Homecare packages are reflected accurately on the Mosaic system which has resulted in an increase in the number of homecare packages above budgeted levels. There are 137 additional homecare placements above budgeted levels which accounts for £2.718million of the overspend on Older People services.

While the gross pressures across these services have been offset by an increase in the income forecast from the additional clients, there are currently 120 residential/nursing clients and 251 homecare clients awaiting a financial assessment due to staffing vacancies in the Financial Assessment Team. As these are carried out the income projection may change.

Directorate Management Team	2022/23 Outturn £000s	Budget 2023/24 £000s	R1 Forecast £000s	R1 Forecast Over/(Under) £000s
Directorate Management Team	518	508	641	133
Total	518	508	641	133

The Directorate Management Team is forecast to overspend by £133,000, arising from a projected under delivery on the directorate's share of the savings target announced by the former Leader in setting the 2023/24 budget.

Partnership Commissioning & Business Intelligence	2022/23 Outturn £000s	Budget 2023/24 £000s	R1 Forecast £000s	R1 Forecast Over/(Under) £000s
Adults Commissioning	281	438	429	(8)
Children's Commissioning	1,546	1,600	1,630	31
C&A Performance & Intelligence	440	533	518	(15)
Total	2,267	2,571	2,578	7

The forecast on the Partnership Commissioning and Business Intelligence teams is a net underspend of £7,000, which is the net effect of staffing positions across the teams.

Public Health	2022/23 Outturn £000s	Budget 2023/24 £000s	R1 Forecast £000s	R1 Forecast Over/(Under) £000s
Public Health Management	1,218	1,404	1,343	(60)
Health Improvement Programmes	3,577	3,902	3,892	(10)
Stop Smoking Services	761	824	828	4
Supporting Healthy Weight	1,491	1,465	1,472	8
Substance Misuse	2,129	2,133	2,192	59
Child Health	5,270	5,314	5,314	0
Total	14,446	15,041	15,041	(0)

Public Health services are forecast to budget. Activity above budgeted levels is being funded through the use of Public Health reserves or through specific grants. Contracted Services are coming under increasing costs pressures due to NHS uplifts not being funded through increase to Public Health Grant and any impact will be reflected in future budget monitoring rounds.

Additional Government Grants	2022/23 Outturn £000s	Budget 2023/24 £000s	R1 Forecast £000s	R1 Forecast Over/(Under) £000s
Start 4 Life Funding	0	1,514	1,514	0
Holiday Activity Fund	1,137	1,187	1,187	0
Health Determinants Research Collaboration	0	0	0	0
Total	1,137	2,701	2,701	0

In February 2023 Medway Council signed a memorandum of understanding with the Department for Education to participate in the Family Hubs and Start for life Program. Medway will receive approximately £3million over 3 years 2022-2025 to deliver a suite of services including parenting, infant feeding and perinatal mental health support, early language development and parent-infant relationship support delivered through a Family Hub model. A multi-agency working group has been established to oversee planning and delivery of the program. The first tranche of year one funding was received in February 2023 and work is underway to recruit a transformation team to get the project mobilized. The budget shown for 2023/24 represents the annual allocation.

The 2023/24 allocation for the Holiday, Activities and Food program in Medway is £1.161million. This will mainly fund activities over the Easter and summer holidays, with the remainder used to fund a further program for the October and Christmas breaks.

Medway is embarking on a new Health Determinants Research Collaboration (HDFRC) funded by the National Institute for Health and Care Research (NIHR). It aims to develop a culture within the council and amongst our stakeholders that understands the uses and value of research in relation to improving the health and wellbeing of Medway's residents. The project will allow Medway Council to become more research-active and embed a culture of evidence-based decision making. It is being conducted in collaboration with the University of Kent.

7. 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.

8. Conclusions

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

9. 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	Clear communications with all interested parties on the cause of the financial position, lobbying the	BII

Risk	Description	Action to avoid or mitigate risk	Risk rating
	available funding, could be misconstrued or reported as poor management or leadership, reducing the trust and confidence of residents, partners and regulators.	government for an improved funding settlement for local government, including implementation of the fair funding review.	
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 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.	BII
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	

10. Financial implications

- 10.1 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.

- 10.2 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.
- 10.3 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.

11. Legal implications

- 11.1 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.
- 11.2 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."
- 11.3 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.
- 11.4 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.

11.5 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

11.6 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.

11.7 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.

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Appendices

None

Background papers

None