

BUSINESS SUPPORT AND DIGITAL OVERVIEW AND SCRUTINY COMMITTEE

31 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 is asked to note the results of the first round of revenue budget monitoring for 2023/24.
- 1.2. The Committee is asked to note 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 is asked to note 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. Children and Adults

- 6.1. The Directorate forecast is a pressure of £12.568million, with details of the forecasts in each service area in the Directorate 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.

Children's Services	2022/23 Outturn £000s	Budget 2023/24 £000s	R1 Forecast £000s	R1 Forecast Over/(Under) £000s
Head Of Safeguarding & Quality Assurance	2,928	2,966	2,986	20
Childrens Care Improvement	2,427	180	405	225
Childrens Social Work Team	5,906	7,164	6,583	(581)
Business Support	1,750	1,691	1,651	(40)
Family SOL, Youth, MASH & ADOL	6,499	6,883	7,065	182
Childrens Legal	1,756	2,033	2,286	253
Childrens Social Care Management	883	1,574	1,274	(300)
Client Support Packages	6,484	4,528	5,860	1,332
Corporate Parenting Placements	4,354	4,945	4,877	(69)
Provider Services	27,210	32,716	35,099	2,382
Total	66,559	71,209	74,584	3,375

The Children's Services forecast is an overspend of £3.375million.

Client support packages includes any expenditure required to stabilise existing placements such as floating support, Section 17 and NRPF, direct payments or any other type of allowance paid to families for the child and young person (CYP) to remain with their families, if it is in their best interest. These packages of support are expected to overspend by £1.332million.

Placement costs includes any expenditure incurred in placing a CYP into care or paying for accommodation after a young person turns 18. This is forecast to overspend by £2.382million. Following a legal judgement the Council must now take responsibility for the care of 65 Unaccompanied Asylum Seeking Children (UASC) placed in Medway through the National Transfer Scheme. The full year impact is currently projected to be around £1.804million, of which 75% is anticipated in 2023/24 and there is no budget allocation, as a result the current forecast pressure is £1.300million.

The placements budgets included an uplift for inflation across placement types at 5%. After full Council approved the budget, central government announced a 12.4% mandatory increase for foster carers and the Independent Fostering Agencies framework was linked to the September inflation rate of 10.7% creating additional budget pressures. These factors add £1.002million to the pressure. Cabinet is asked to agree to the virement of £500,000 from the Independent Fostering Agency budget to the internal fostering budget to reflect the increased internal fostering rates.

Childrens Legal Services is forecast to overspend by £253,000, primarily the result of an undelivered corporate savings target from 2022/23 that was transferred to Childrens services alongside higher than budgeted interpreter fees.

There is a net underspend forecast of £251,000 on Childrens Staffing due to the high number of uncovered vacancies within the service. At the time of writing there were 19 uncovered vacancies.

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.

Education	2022/23 Outturn £000s	Budget 2023/24 £000s	R1 Forecast £000s	R1 Forecast Over/(Under) £000s
School Organisation & Student Services	1,905	1,776	1,970	194
Psychology & Special Educational Needs	44,320	43,675	45,023	1,348
School Improvement	218	356	272	(84)
Special Educational Needs & Disabilities Transport	8,387	9,274	10,730	1,455
Inclusions	2,063	3,395	2,630	(765)
School Online Services	7	19	12	(7)
Education Management Team	333	564	223	(341)
Early Years Sufficiency	18,142	17,582	17,434	(148)
Total	75,376	76,641	78,293	1,652

Education is forecast to overspend by £1.652million. The main areas of overspend for the general fund are £1.455million on SEN transport due to the forecast increase in demand, inflationary uplifts and undelivered travel training savings which the service does not expect to materialise until 2024/25. A pressure of £164,000 is forecast on mainstream transport from providing transport to the temporary school sites.

There are a number of other service lines with large variations however these relate to DSG funded services. The DSG funded services are forecasting to underspend by £937,000, however the forecast assumes this underspend will be transferred into the DSG reserve at the end of the financial year. The overspend on the early years block of £65,000 and an underspend on the high needs block of £940,000 will be transferred into the reserve within this division. The underspend of £62,000 on the schools block will be transferred into the reserve but is reflected in the school funding section of this report which is where most of the school block expenditure occurs.

As at 31st March 2023 the DSG reserve was reporting a £21.440million deficit; this is forecast to reduce to £20.503million by March 2024 when the projected in year underspend of £937,000 is transferred into the reserve. This forecast year end deficit position is £1.136million higher than submitted as part of the Safety Valve plan, so it will be necessary to increase the savings delivery in line with the plan.

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 (HDRC) 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.

Schools Retained Funding & Grants	2022/23 Outturn £000s	Budget 2023/24 £000s	R1 Forecast £000s	R1 Forecast Over/(Under) £000s
Finance Provisions	5,183	693	689	(4)
Hr Provisions	435	713	530	(183)
School Grants	46,757	40,022	40,033	11
Total	52,375	41,429	41,253	(176)

Schools Retained Funding & Grants is forecast to underspend by £176,000, with the underspend principally relating to schools' historic pensions and redundancy costs.

7. Regeneration, Culture and Environment

7.1. 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.

8. 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.

9. Business Support & Centralised Services

- 9.1. The Business Support Services forecast is an overspend of £3.128million, while the Centralised Services forecast is an underspend of £755,000, bringing the overall forecast to an overspend of £2.373million. The details of the forecasts in each service area are set out in the tables below.

Communications & Marketing	2022/23 Outturn £000s	Budget 2023/24 £000s	R1 Forecast £000s	R1 Forecast Over/(Under) £000s
Communications & Marketing	48	23	79	56
Total	48	23	79	56

The service is forecast to overspend by £56,000 relating to the increased printing and distribution costs for Medway Matters and lower than budgeted internal design fee income.

Corporate Management	2022/23 Outturn £000s	Budget 2023/24 £000s	R1 Forecast £000s	R1 Forecast Over/(Under) £000s
Corporate Management	63	718	1,327	610
Total	63	718	1,327	610

The Corporate Management forecast is an overspend of £610,000. There is currently a shortfall projected on the savings budgeted for across Business Support of £484,000, of which £200,000 relates to an expected corporate property rationalisation review. Work is ongoing to deliver this shortfall in 2023/24. There is also a pressure of £81,000 on treasury expenses along with a pressure in relation to budgeted miscellaneous receipts income of £60,000 which is not forecast to be achieved.

Finance & Business Improvement	2022/23 Outturn £000s	Budget 2023/24 £000s	R1 Forecast £000s	R1 Forecast Over/(Under) £000s
Internal Audit & Counter Fraud	(43)	101	72	(29)
FBI Divisional Management Team	288	(16)	(16)	0
FBI - Finance	4,125	3,053	3,920	867
FBI - Information	1,209	1,401	1,597	196
FBI - Organisational Culture	(294)	(293)	(65)	228
Total	5,285	4,246	5,508	1,263

The Finance & Business Improvement division forecast is an overspend of £1.263million.

The Finance forecast (which includes Accountancy, Revenues, Benefits and Debt) is a pressure of £867,000, primarily driven by the Benefits Subsidy forecast. While most new claimants for benefits are now made through Universal Credit, administered by the Department for Work and Pensions (DWP), local authorities continue to administer existing Housing Benefit claims that have not been transferred to the DWP, and new applications for pensioners, temporary accommodation and specified accommodation. The government pays local authorities to administer Housing Benefit through a subsidy scheme, and while 100% subsidy is received for most ongoing benefit claims, the types of claim for which local authorities continue to administer new claims for do not attract 100% subsidy, representing a growing issue for the Council's budget. This subsidy shortfall is projected to result in a pressure of £735,000. Corporate Accounting are forecasting a pressure of £169,000. £121,000 is due to additional one off costs relating to new ICT contracts and upgrades in excess of the budget allocation.

The Organisational Culture forecast (which includes HR, Payroll and Council Plan service areas) is an overspend of £228,000. This is due to a mixture of income targets not being achieved (including from schools) and a number of pressures relating to staffing costs.

The Information forecast (which includes Technology, Customer Experience and Digital) is an overspend of £196,000. ICT is forecasting an overspend of £121,000 primarily driven by pressures relating to centralised systems upgrades and contract price increases. There is a pressure on CCTV services of £100,000 with work ongoing on ways to implement changes to achieve the required level of savings. There is also a pressure on Community Interpreters budget of £56,000 largely due to a shortfall on income budgets due to the service facing increased competition from other providers. These overspends are partially offset by an underspend on Customer & Business Support (CABS) of £85,000 largely due to vacancy savings.

Legal & Governance	2022/23 Outturn £000s	Budget 2023/24 £000s	R1 Forecast £000s	R1 Forecast Over/(Under) £000s
Democratic Services	598	614	585	(29)
Members & Elections	1,715	1,896	2,030	134
Category Management	(42)	0	(4)	(4)
Legal, Land Charges & Licensing	1,386	(322)	777	1,099
Total	3,657	2,188	3,388	1,200

The divisional forecast is an overspend of £1.200million.

Legal, Land Charges and Licensing are forecast to a pressure of £1.099million. There are high levels of vacancies in Legal Services as recruiting and retaining permanent staff continues to be difficult; the forecast assumes these posts will to be covered by expensive locum/agency staff throughout the financial year at a pressure of £503,000. In addition, centralised Children's Services Legal Costs is forecast to overspend by £512,000 as agency staff are engaged over and above the establishment to cope with the current caseload.

The overspend of £134,000 on Members & Elections is due to the increase in Members' Allowances rates and the number of Members increasing from 55 to 59.

Centralised Services	2022/23 Outturn £000s	Budget 2023/24 £000s	R1 Forecast £000s	R1 Forecast Over/(Under) £000s
Interest & Financing	(14,816)	15,300	14,441	(859)
Levies	1,689	1,796	1,767	(29)
Medway Norse Profit Share	(263)	(433)	(300)	133
Total	(13,391)	16,663	15,907	(755)

Collectively these are forecasting an underspend of £755,000.

There is an underspend forecast of £29,000 relating to Levies; the budget for the Coroners Service delivered by Kent County Council was increased based on previous years pressures however this is not yet materialising as anticipated in 2023/24.

The Medway Norse rebate is currently forecast to be a pressure of £133,000.

The Interest & Financing budget funds the cost of borrowing required to support the Council's capital programme and is projected to underspend by £859,000. There is a forecast pressure of £3.158million on the cost of borrowing, however income from interest earned is forecast at £3.633million higher than budget, a net benefit of £475,000. In addition, it is projected that the required contribution to the Council's Minimum Revenue Position will be £382,000 lower than budgeted.

10. 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.

11. Conclusions

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

12. 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 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

Risk	Description	Action to avoid or mitigate risk	Risk rating
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		I Catastrophic	
B Likely		II Major	
C Unlikely		III Moderate	
D Rare		IV Minor	

13. Financial implications

- 13.1. 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.
- 13.2. 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.
- 13.3. 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.

14. Legal implications

- 14.1. 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.
- 14.2. 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.”

- 14.3. 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.
- 14.4. 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.
- 14.5. 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
- 14.6. 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.
- 14.7. 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