

# **CHILDREN AND YOUNG PEOPLE OVERVIEW AND SCRUTINY COMMITTEE**

**5 OCTOBER 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 and 7 providing the detail for each service area.

### **1. Recommendations**

- 1.1. The Children and Young people Overview and Scrutiny Committee is asked to note the results of the first round of revenue budget monitoring for 2023/24.
- 1.2. The Children and Young People Overview and Scrutiny 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 Children and Young People Overview and Scrutiny 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. 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
<b>Budget Requirement</b>	<b>391,932</b>	<b>390,777</b>	<b>408,043</b>	<b>17,267</b>
<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
<b>Total Available Funding</b>	<b>(385,838)</b>	<b>(390,777)</b>	<b>(390,777)</b>	<b>0</b>
<b>Net Forecast Variance</b>	<b>6,094</b>	<b>0</b>	<b>17,267</b>	<b>17,267</b>

## 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.

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	4,354	4,945	4,877	(69)
Placements	27,210	32,716	35,099	2,382
Provider Services	6,362	6,528	6,499	(30)
<b>Total</b>	<b>66,559</b>	<b>71,209</b>	<b>74,584</b>	<b>3,375</b>

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
<b>Total</b>	<b>518</b>	<b>508</b>	<b>641</b>	<b>133</b>

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)
<b>Total</b>	<b>75,376</b>	<b>76,641</b>	<b>78,293</b>	<b>1,652</b>

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.

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

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.

<b>Public Health</b>	<b>2022/23 Outturn £000s</b>	<b>Budget 2023/24 £000s</b>	<b>R1 Forecast £000s</b>	<b>R1 Forecast Over/(Under) £000s</b>
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
<b>Total</b>	<b>14,446</b>	<b>15,041</b>	<b>15,041</b>	<b>(0)</b>

Public Health services are forecast to budget. Activity above budgeted levels is being funded through the use of Public Health reserves or through specific grants. 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.

<b>Additional Government Grants</b>	<b>2022/23 Outturn £000s</b>	<b>Budget 2023/24 £000s</b>	<b>R1 Forecast £000s</b>	<b>R1 Forecast Over/(Under) £000s</b>
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
<b>Total</b>	<b>1,137</b>	<b>2,701</b>	<b>2,701</b>	<b>0</b>

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.

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
<b>Total</b>	<b>52,375</b>	<b>41,429</b>	<b>41,253</b>	<b>(176)</b>
Schools Retained Funding & Grants is forecast to underspend by £176,000, with the underspend principally relating to schools' historic pensions and redundancy costs.				

## 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
<b>Total</b>	<b>22,959</b>	<b>4,525</b>	<b>4,525</b>	<b>0</b>
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.

## 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.	All
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

<b>Risk</b>	<b>Description</b>	<b>Action to avoid or mitigate risk</b>	<b>Risk rating</b>
	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
<b>Likelihood</b>		<b>Impact:</b>	
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.

#### Lead officer contact

Katey Durkin, Chief Finance Officer, 01634 33 23 55,  
[katey.durkin@medway.gov.uk](mailto:katey.durkin@medway.gov.uk)

#### Appendices

None

#### Background papers

None