

CABINET

21 NOVEMBER 2023

REVENUE BUDGET MONITORING 2023/24 – ROUND 2

Portfolio Holder: Councillor Vince Maple, Leader of the Council

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Summary

This report presents the results of the second 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 Cabinet notes the results of the second round of revenue budget monitoring for 2023/24.
- 1.2. It is recommended that the Cabinet instructs the Corporate Management Team to implement urgent actions to bring expenditure back within the budget agreed by Full Council.

2. Suggested reasons for decisions

- 2.1. Full Council is responsible for agreeing a balanced budget in advance of each financial year. Cabinet is responsible for ensuring that income and expenditure remain within the approved budget, including instructing corrective action to prevent any forecast overspend from materialising.

3. Budget and policy framework

- 3.1. 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.

4. Background

- 4.1. 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, Market Sustainability & Improvement Fund (Workforce 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 2 budget requirement to a total of £392.543million.

- 4.2. This report presents the results of the second 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.

5. Summary Revenue Budget Forecast Position 2023/24

- 5.1. The forecast outturn for 2023/24 represents a pressure of £12.251million. An improvement of £5.016million from the position reported at Round 1.

| Directorate | R1 Forecast Over/ (Under) £000s | Budget 2023/24 £000s | R2 Forecast £000s | R2 Forecast Over/(Under) £000s |
|---|---------------------------------|----------------------|-------------------|--------------------------------|
| <i>Budget requirement:</i> | | | | |
| Children and Adult Services | 12,568 | 298,161 | 308,992 | 10,831 |
| Regeneration, Culture and Environment | 2,326 | 66,020 | 66,836 | 816 |
| Business Support Department | 3,128 | 7,174 | 9,742 | 2,568 |
| Business Support Centralised Services: | | | | |
| Interest & Financing | (859) | 15,300 | 13,639 | (1,661) |
| Levies | (29) | 1,796 | 1,805 | 10 |
| Medway Norse Joint Venture | 133 | (433) | (249) | 184 |
| Additional Government Support Grant Expenditure | 0 | 4,525 | 4,525 | 0 |
| Budget Requirement | 17,267 | 392,543 | 405,289 | 12,747 |
| <i>Funded by:</i> | | | | |
| Council Tax | 0 | (148,883) | (148,883) | 0 |
| Retained Business Rates & Baseline Need Funding | 0 | (73,697) | (74,193) | (496) |
| New Homes Bonus | 0 | (1,998) | (1,998) | 0 |
| Dedicated Schools Grant | 0 | (107,658) | (107,658) | 0 |
| Other School Grants | 0 | (4,742) | (4,742) | 0 |
| Adult Social Care Grants | 0 | (26,646) | (26,646) | 0 |
| CSC Grants | 0 | (70) | (70) | 0 |
| Public Health Grant | 0 | (18,665) | (18,665) | 0 |
| Use of Reserves | 0 | (2,985) | (2,985) | 0 |
| Additional Government Support Ringfenced Grant Income | 0 | (7,200) | (7,200) | 0 |
| Additional Government Support Non-ringfenced Grant Income | 0 | 0 | 0 | 0 |
| Total Available Funding | 0 | (392,543) | (393,039) | (496) |
| Net Forecast Variance | 17,267 | 0 | 12,251 | 12,251 |

6. Children and Adults

6.1. The Directorate forecast is a pressure of £10.831million, with details of the forecasts in each service area in the Directorate set out in the tables below.

| Adult Social Care | R1 Forecast Over/(Under) £000s | Budget 2023/24 £000s | R2 Forecast £000s | R2 Forecast Over/(Under) £000s |
|---|--------------------------------|----------------------|-------------------|--------------------------------|
| Assistant Director Adult Social Care | 90 | (2,395) | (3,281) | (885) |
| Locality Services | 6,850 | 84,337 | 92,232 | 7,895 |
| Business Operations & Provider Services | 113 | 4,458 | 4,366 | (92) |
| Specialist Services/Principal Social Worker | 524 | 1,848 | 2,242 | 394 |
| Total | 7,576 | 88,247 | 95,559 | 7,312 |

The Adult Social Care forecast is an overall pressure of £8.650million with management action of £1.338million reducing the reported overspend to £7.312million. As in recent years the overspend largely relates to placement costs.

The Disability Services forecast is a net overspend of £5.926million, however the ongoing targeted review work is projected to achieve further cashable savings of £539,000, resulting in a forecast net overspend of £5.388million. Supported Living is the largest area of overspend, forecast at £3.957million reflecting a net increase of 26 clients and a 10% increase in the average weekly cost of supported living packages above the budget. The majority of the remaining targeted review savings are also expected in this service.

A pressure of £684,000 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 £127,000. An overspend for Disability daycare of £983,000 is offset by an underspend in direct payments of £434,000 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 £1.898million. The forecast for residential/nursing placements reflecting an increase of 39 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 135 additional homecare placements above budgeted levels which accounts for £2.074million of the overspend on Older People services.

Mental Health Services are forecasting an overspend of £620,000. The combined residential and nursing forecasts are projecting an overspend of £298,000, which is an increase of £170,000 from Round 1. Supported Living is showing an overspend of £371,000 which is an adverse movement of £342,000 from Round 1.

The gross pressures across these services have been offset by an increase in the income forecast from the additional clients, as 14 of the residential placements have been assessed as required to meet the full cost of their package, and the number of clients in homecare receiving a financial assessment has also increased, with the backlog of homecare financial assessments now reduced to almost 200.

| Children's Services | R1 Forecast Over/(Under) £000s | Budget 2023/24 £000s | R2 Forecast £000s | R2 Forecast Over/(Under) £000s |
|---|---------------------------------------|-----------------------------|--------------------------|---------------------------------------|
| Head of Safeguarding & Quality Assurance | 20 | 2,966 | 3,703 | 737 |
| Childrens Care Improvement | 225 | 393 | 894 | 501 |
| Childrens Social Work Team | (581) | 6,813 | 6,041 | (772) |
| Business Support | (40) | 1,691 | 1,628 | (63) |
| Family Solutions, Youth, Multi Agency Safeguarding Hubs and Adolescents | 182 | 6,883 | 7,100 | 217 |
| Childrens Legal | 253 | 2,033 | 2,463 | 430 |
| Childrens Social Care Management | (300) | 1,361 | 1,256 | (105) |
| Client Support Packages | 1,332 | 4,528 | 5,956 | 1,428 |
| Corporate Parenting | (69) | 4,936 | 4,730 | (206) |
| Placements | 2,382 | 32,716 | 32,641 | (76) |
| Provider Services | (30) | 6,528 | 6,302 | (226) |
| Total | 3,375 | 70,848 | 72,714 | 1,866 |

The Children's Services forecast is an overspend of £1.866million, which is an improvement of £1.509million from the position reported at Round 1.

Client support packages includes any expenditure required to stabilise existing placements such as floating support, Section 17 and No Recourse to Public Funds (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 £1.428million.

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 underspend by £76,000. Targeted work to secure partner contributions to packages has reduced the forecast by £957,000 and planned reductions to packages has reduced the forecast by £570,000.

As reported in Round 1, Medway Council lost an appeal against the Home Office and must accept Unaccompanied Asylum Seeking Children (UASC) under the national transfer scheme. New government guidance intended to provide more clarity on the funding arrangements has been issued since Round 1 was reported and when combined with the steps taken by the service and the commissioning team, this has resulted in a £400,000 reduction to the forecast overspend. At the time of writing, currently there are 26 UASC in Medway's care and the Round 2 forecast anticipates a £1.2million pressure on the budget.

Children's Legal Services is forecast to overspend by £430,000, the is a worsening of the position of £177,000 from Round 1. There continues to be a pressure relating to an undelivered corporate savings target from 2022/23 that was transferred to Children's services alongside higher than budgeted interpreter fees. The increase from Round 1 relates to additional forecast spend on expert assessments of £165,000.

There is a net underspend forecast of £1.016million on Children's staffing due to the high number of uncovered vacancies within the service and as a direct result of the key strategic decisions. At the time of writing there were 22 uncovered vacancies.

The following actions have been taken to help manage the Council overall overspend:

- To cease one social worker project team from January 2024 saving £250,000,
- Identified alternative funding sources to continue to use the improvement consultants from October 2023 saving £90,000, and
- Agreement to freeze/reduce some of the capacity that has been built in to drive service improvement saving £364,000.

| Directorate Management Team | R1 Forecast Over/(Under) £000s | Budget 2023/24 £000s | R2 Forecast £000s | R2 Forecast Over/(Under) £000s |
|-----------------------------|--------------------------------|----------------------|-------------------|--------------------------------|
| Directorate Management Team | 133 | 556 | 640 | 85 |
| Total | 133 | 556 | 640 | 85 |

The Directorate Management Team is forecast to overspend by £85,000, which is an improvement of £48,000 from Round 1 and continues to arise 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 | R1 Forecast Over/(Under) £000s | Budget 2023/24 £000s | R2 Forecast £000s | R2 Forecast Over/(Under) £000s |
|--|--------------------------------|----------------------|-------------------|--------------------------------|
| School Organisation & Student Services | 194 | 1,776 | 2,148 | 372 |
| Psychology & Special Educational Needs | 1,348 | 43,256 | 44,619 | 1,364 |
| School Improvement | (84) | 356 | 271 | (84) |
| Special Educational Needs & Disabilities Transport | 1,455 | 9,274 | 10,729 | 1,454 |
| Inclusions | (765) | 3,395 | 2,362 | (1,034) |
| School Online Services | (7) | 19 | 14 | (5) |
| Education Management Team | (341) | 564 | 482 | (82) |
| Early Years Sufficiency | (148) | 17,792 | 17,520 | (272) |
| Total | 1,652 | 76,431 | 78,144 | 1,713 |

Education is forecast to overspend by £1.713million. The main areas of overspend for the general fund are £1.454million on Special Educational Needs and Disabilities (SEND) transport due to the forecast increase in demand, inflationary uplifts and undelivered travel training savings which the service now does not expect to materialise until 2024/25. A pressure of £315,000 is forecast on mainstream transport, £164,000 of which relates to from providing transport to the temporary school sites as outlined in Round 1. Unforeseen additional costs have been incurred since round one relating to the cost of providing school bus passes and the subsidisation of the Arriva Peninsula Bus routes.

The Dedicated Schools Grant (DSG) funded services are forecasting to underspend by £1.410million, 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 and the high needs block will be transferred into the reserve within this division. The underspend on the schools block will be transferred into the reserve but under 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 £20.030million by March 2024 when the projected in year underspend of £1.410million is transferred into the reserve. This forecast year end deficit position is £699,000 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 | R1 Forecast Over/(Under) £000s | Budget 2023/24 £000s | R2 Forecast £000s | R2 Forecast Over/(Under) £000s |
|---|--------------------------------|----------------------|-------------------|--------------------------------|
| Adults Commissioning | (8) | 438 | 409 | (29) |
| Children's Commissioning | 31 | 1,600 | 1,632 | 32 |
| C&A Performance & Intelligence | (15) | 533 | 520 | (13) |
| Total | 7 | 2,571 | 2,562 | (9) |

Partnership Commissioning is forecasting a small underspend of £9,000, an improvement of £16,000 from Round 1 due to slippage in recruiting to staff vacancies in the Adults Commissioning Team and C&A Business Intelligence teams.

| Public Health | R1 Forecast Over/(Under) £000s | Budget 2023/24 £000s | R2 Forecast £000s | R2 Forecast Over/(Under) £000s |
|-------------------------------|--------------------------------|----------------------|-------------------|--------------------------------|
| Public Health Management | (60) | 1,404 | 1,449 | 45 |
| Health Improvement Programmes | (10) | 3,902 | 3,749 | (153) |
| Stop Smoking Services | 4 | 824 | 837 | 13 |
| Supporting Healthy Weight | 8 | 1,465 | 1,508 | 43 |
| Substance Misuse | 59 | 2,133 | 2,166 | 33 |
| Child Health | 0 | 5,314 | 5,333 | 19 |
| Total | (0) | 15,041 | 15,041 | (0) |

Public Health services are forecast to deliver within budget. £1.5million of activity above budgeted levels is being funded through the use of Public Health reserves or through specific grants for 2023/24. Contracted Services are facing increasing costs pressures as NHS uplifts are not being funded via an increase to the Public Health Grant. Work will continue over the coming months to investigate whether remaining reserves may be used to mitigate anticipated pressures arising from annual contract uplifts in the coming year.

| Additional Government Grants | R1 Forecast Over/(Under) £000s | Budget 2023/24 £000s | R2 Forecast £000s | R2 Forecast Over/(Under) £000s |
|--|--------------------------------|----------------------|-------------------|--------------------------------|
| Start 4 Life Funding | 0 | 1,514 | 1,514 | 0 |
| Holiday Activity Fund | 0 | 1,187 | 1,187 | 0 |
| Health Determinants Research Collaboration | 0 | 0 | 0 | 0 |
| Total | 0 | 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 has mainly funded 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. The HDRC project is still in the development stage and recruitment of the project team is

continuing. The 5 year program began in October 2023 and further details of the project progress will be shared as we go through the year.

| Schools Retained Funding & Grants | R1 Forecast Over/(Under) £000s | Budget 2023/24 £000s | R2 Forecast £000s | R2 Forecast Over/(Under) £000s |
|-----------------------------------|--------------------------------|----------------------|-------------------|--------------------------------|
| Finance Provisions | (4) | 693 | 689 | (4) |
| Hr Provisions | (183) | 713 | 566 | (147) |
| School Grants | 11 | 40,360 | 40,375 | 15 |
| Total | (176) | 41,766 | 41,631 | (136) |

Schools Retained Funding & Grants is forecast to underspend by £136,000, 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 £816,000, an improvement of £1.510million from the position reported at Round 1. Details of the forecasts in each service area are set out in the tables below.

| Culture & Community | R1 Forecast Over/(Under) £000s | Budget 2023/24 £000s | R2 Forecast £000s | R2 Forecast Over/(Under) £000s |
|------------------------------------|--------------------------------|----------------------|-------------------|--------------------------------|
| Sport, Leisure, Tourism & Heritage | (16) | 3,938 | 3,326 | (613) |
| Cultural Services | 228 | 2,088 | 2,212 | 124 |
| Planning | 1,491 | 1,345 | 2,806 | 1,461 |
| South Thames Gateway Partnership | 0 | 135 | 136 | 1 |
| Strategic Housing | 131 | 5,378 | 5,338 | (40) |
| Libraries & Community Hubs | (91) | 4,534 | 4,500 | (34) |
| Culture & Community Support | 34 | 54 | 85 | 31 |
| Total | 1,778 | 17,472 | 18,403 | 931 |

The Culture & Community division forecast is a net overspend of £931,000.

The most significant pressure is the Planning Service which is reporting a pressure of £1.461million. There are three main factors, £399,000 relating to the use of consultants for legal and specialist planning work, £393,000 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 £676,000.

Cultural Services is reporting a pressure of £124,000. The events programme is reporting a pressure of £214,000 with the infrastructure and staging equipment costs being 30% in excess of the available budget allocation. These pressures are partially offset by additional income being generated at the Corn Exchange.

There is a £613,000 forecast underspend on Sport, Leisure, Tourism & Heritage, due to an increase in sports centre memberships, and a change in the VAT treatment of Leisure activities has resulted in Medway not having to pass on to HMRC as much of the fees charged for activities. Together these are forecast to generate an additional £911,000 of income compared to the Round 1 position. However, we were unsuccessful in our claim for a grant from the Government's Swimming Pool Support Fund and this has added c£300,000 to the forecast reported at Round 1.

The Strategic Housing forecast is an underspend of £40,000. Homelessness is forecast to overspend by £791,000, an increase of £761,000 compared to the Round 1 forecast due to the rising cost and number of households in temporary accommodation, with the Round 2 forecast of 432 households compared to 366 as at Round 1. However, this increased cost has been offset by drawing down earmarked reserves relating to homelessness.

| Director's Office | R1 Forecast Over/(Under) £000s | Budget 2023/24 £000s | R2 Forecast £000s | R2 Forecast Over/(Under) £000s |
|-------------------|--------------------------------|----------------------|-------------------|--------------------------------|
| Director's Office | (27) | 1,069 | 1,111 | 42 |
| Total | (27) | 1,069 | 1,111 | 42 |

The Director's Office is forecast to overspend by £42,000, There are forecast savings related to staffing and Business Rates on Public Conveniences following the granting of 100% Public Toilet Rate Relief on all of the buildings. However, there are pressures around the cost of specific Traveler incursions which have resulted in the overspend being reported.

| Front Line Services | R1 Forecast Over/(Under) £000s | Budget 2023/24 £000s | R2 Forecast £000s | R2 Forecast Over/(Under) £000s |
|-----------------------------|--------------------------------|----------------------|-------------------|--------------------------------|
| Front Line Services Support | (85) | 780 | 667 | (113) |
| Highways | 99 | 6,369 | 4,906 | (1,462) |
| Parking Services | 339 | (4,907) | (4,211) | 696 |
| Environmental Services | (55) | 29,359 | 29,215 | (143) |
| Integrated Transport | 14 | 7,318 | 7,257 | (61) |
| Regulatory Services | 137 | 2,295 | 2,413 | 119 |
| Greenspaces | (1) | 5,387 | 5,391 | 4 |
| Total | 447 | 46,601 | 45,639 | (962) |

The Front Line Services division forecast is forecast to underspend by £962,000, an improvement of £1.409million from the position reported at Round 1.

Highways is forecast to underspend by £1.462million, driven by three areas, firstly the forecast assumes that £700,000 of works on Highways drainage and the Medway Tunnel is funded through earmarked reserves. There is a £420,000 saving on street lighting due to reduced costs for commercial supply and usage the use of LED lighting along with savings on contract to replace rusting or defective lampposts. Finally the forecast also assumes that £450,000 of highways patching works is funded through capital rather than revenue. These are marginally offset by pressures on winter maintenance.

Parking Services is forecasting a pressure of £696,000. The forecast now assumes an additional pressure relating to the Safer Healthier Streets programme of £828,000 due to delays in implementing the scheme. However, there has been an improvement of £500,000 in the forecasts across both on & off street parking.

The Environmental Services forecast is an underspend of £143,000. There is a net pressure of £85,000 on the Household Waste Recycling Centre budgets and a forecast overspend of £131,000 on recycling & refuse collection. These pressures are offset by £195,000 underspend on waste disposal costs, £103,000 underspend on Environmental Protection due to staffing savings, additional grant funding and additional savings on staff costs across the service.

Integrated transport is forecast to underspend by £61,000. The Traffic Management service has forecast additional income from street closures of £159,000, which have been offset by additional costs on street works salaries and consultant costs and traffic signal repair works. There is then an underspend of £115,000 in relation to Medway Concessionary Fares budget which is due predominately to agreeing a deal with Arriva to keep 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 £119,000. There is a pressure on the crematorium fees and charges of £106,000 along with overspends on utilities, Business Rates and live streaming of ceremonies and chapel music, these are offset by staffing savings across Regulatory Services.

| Regeneration | R1 Forecast Over/(Under) £000s | Budget 2023/24 £000s | R2 Forecast £000s | R2 Forecast Over/(Under) £000s |
|------------------------------|--------------------------------|----------------------|-------------------|--------------------------------|
| Medway Norse | 93 | (8) | 93 | 100 |
| Property & Capital Projects | 473 | 1,188 | 1,799 | 611 |
| Regeneration Delivery | (12) | 904 | 911 | 7 |
| Valuation & Asset Management | (449) | (2,119) | (1,910) | 209 |
| Economic Development | 25 | 670 | 571 | (99) |
| Skills & Employability | (1) | 244 | 221 | (23) |
| Total | 128 | 879 | 1,684 | 805 |

The Regeneration division forecast is a net pressure of £805,000, a worsening of £677,000 from the position reported at Round 1.

The Medway Norse Core Contract is projected to overspend by £100,000, in line with the forecast at Round 1.

The Property and Capital Projects forecast is a pressure of £611,000. There is a £251,000 pressure on the Property Capital and Projects team due to shortfall on income budgets, an overspend of £74,000 on Kingsley House. An overspend of £302,000 is also forecast on Gun Wharf relating to increased utilities and business rates costs.

Valuation and Asset Management is projecting to overspend by £209,000. There is an underspend of £234,000 on the Pentagon Centre, which is a worsening of £646,000 from the position reported at Round 1. This is predominately due to an increase in the Repairs and Maintenance forecasts of £372,000, an increase in the service charge of £75,000 and a downturn in rental income of £211,000.

8. Housing Revenue Account

| Housing Revenue Account | R1 Forecast Over/(Under) £000s | Budget 2023/24 £000s | R2 Forecast £000s | R2 Forecast Over/(Under) £000s |
|-------------------------|--------------------------------|----------------------|-------------------|--------------------------------|
| Housing Revenue Account | (863) | (5) | (457) | (452) |
| Total | (863) | (5) | (457) | (452) |

The Housing Revenue Account forecast is a surplus of £452,000. There is an underspend of £153,000 on capital financing as borrowing is not projected to be as high as budgeted for the decarbonisation initiative. An underspend of £88,000 is projected on housing maintenance due to a reduction in the number and average cost of void properties. There is also an underspend of £107,000 on the Homes for Independent Living scheme due to lower than budgeted utilities costs.

9. Business Support & Centralised Services

9.1. The Business Support Services forecast is an overspend of £2.568million, while the Centralised Services forecast is an underspend of £1.468million, bringing the overall forecast to an overspend of £1.100million. The details of the forecasts in each service area are set out in the tables below.

| Communications & Marketing | R1 Forecast Over/(Under) £000s | Budget 2023/24 £000s | R2 Forecast £000s | R2 Forecast Over/(Under) £000s |
|----------------------------|--------------------------------|----------------------|-------------------|--------------------------------|
| Communications & Marketing | 56 | 23 | 57 | 34 |
| Total | 56 | 23 | 57 | 34 |

The service is forecast to overspend by £34,000, an improvement of £22,000 from the position reported at Round 1 due to the cessation on non-essential spend reducing forecasts in a number of areas.

| Corporate Management | R1 Forecast Over/(Under) £000s | Budget 2023/24 £000s | R2 Forecast £000s | R2 Forecast Over/(Under) £000s |
|----------------------|--------------------------------|----------------------|-------------------|--------------------------------|
| Corporate Management | 610 | 1,118 | 1,761 | 644 |
| Total | 610 | 1,118 | 1,761 | 644 |

The Corporate Management forecast is an overspend of £644,000. There is currently a shortfall projected on the savings budgeted for across Business Support of £600,000, of which £200,000 relates to an expected corporate property rationalisation review. There is also a pressure of £81,000 on treasury expenses, however these pressures are offset by some smaller underspends across a number of areas, including the budget for the Audit fee and corporate management staffing.

| Finance & Business Improvement | R1 Forecast Over/(Under) £000s | Budget 2023/24 £000s | R2 Forecast £000s | R2 Forecast Over/(Under) £000s |
|--------------------------------|--------------------------------|----------------------|-------------------|--------------------------------|
| Internal Audit & Counter Fraud | (29) | 101 | 53 | (47) |
| FBI Divisional Management Team | 0 | (16) | (15) | 0 |
| FBI - Finance | 867 | 2,833 | 4,474 | 1,641 |
| FBI - Information | 196 | 1,221 | 609 | (612) |
| FBI - Organisational Culture | 228 | (293) | (369) | (76) |
| Total | 1,263 | 3,846 | 4,751 | 905 |

The Finance & Business Improvement division forecast is an overspend of £905,000, an improvement of £357,000 from the position reported at Round 1.

The Finance forecast (which includes Accountancy, Revenues, Benefits and Corporate Debt) is a pressure of £1.641million, 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 £989,000. There are net pressures of £186,000 in Benefits and Welfare and £68,000 in Revenues as agency staff have been used to cover vacant posts in advance of the delivery of the transformation programme. A further pressure of £95,000 has arisen from the implementation of ICT software to enable the transformation activity including the delivery of self-service, however the activity has delivered a £400,000 base budget reduction across Finance and CABS and these pressures will not materialise in 2024/25. There is a £190,000 pressure relating to a shortfall of Awarded Court Costs as the Council has been allocated fewer court dates than in previous years. Corporate and Revenue Accounting teams are forecasting a pressure of £88,000 as a £120,000 one-off pressure relating to new ICT contracts and upgrades has been offset by staffing savings across the teams.

The Organisational Culture forecast (which includes HR, Payroll and Council Plan service areas) is an underspend of £76,000, an improvement of £304,000 from the position reported at Round 1. This is due to improvements in projected income across a number of areas including the rebate from agencies and income from schools, and an improvement in the staffing forecast following some changes to the structure across the service.

The Information forecast (which includes Technology, Customer Experience and Digital) is an underspend of £612,000, which is an improvement of £809,000 from the position reported at Round 1. ICT is forecasting an underspend of £599,000 an improvement of £720,000 from Round 1, following a decision not to action the annual budgeted contribution of £500,000 to the ICT renewals fund. There have also been savings from the cessation of non-essential spend of £210,000. There remains a pressure on CCTV services of £96,000 with work

ongoing on ways to implement changes to achieve the required level of savings. There are also a number of smaller underspends on Business Intelligence, Customer & Business Support (CABS) and Digital of £85,000 largely due to vacancy savings and the cessation of non-essential spend.

| Legal & Governance | R1 Forecast Over/(Under) £000s | Budget 2023/24 £000s | R2 Forecast £000s | R2 Forecast Over/(Under) £000s |
|---------------------------------|--------------------------------|----------------------|-------------------|--------------------------------|
| Democratic Services | (29) | 614 | 575 | (39) |
| Members & Elections | 134 | 1,896 | 2,030 | 134 |
| Category Management | (4) | 0 | (6) | (6) |
| Legal, Land Charges & Licensing | 1,099 | (322) | 574 | 896 |
| Total | 1,200 | 2,188 | 3,173 | 985 |

The divisional forecast is an overspend of £985,000, which is an improvement of £215,000 from the position reported at Round 1.

Legal, Land Charges and Licensing are forecast to a pressure of £896,000, an improvement of £203,000 from Round 1. 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 £563,000. A proposed restructure was agreed by Full Council on 19th October, which should reduce the reliance on agency staff to cover at a much higher cost. In addition, centralised Children's Services Legal Costs is forecast to overspend by £258,000 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 | R1 Forecast Over/(Under) £000s | Budget 2023/24 £000s | R2 Forecast £000s | R2 Forecast Over/(Under) £000s |
|---------------------------|--------------------------------|----------------------|-------------------|--------------------------------|
| Interest & Financing | (859) | 15,300 | 13,639 | (1,661) |
| Levies | (29) | 1,796 | 1,805 | 10 |
| Medway Norse Profit Share | 133 | (433) | (249) | 184 |
| Total | (755) | 16,663 | 15,195 | (1,468) |

Collectively these are forecasting an underspend of £1.468million.

There is an overspend forecast of £10,000 relating to Levies.

The Medway Norse rebate is currently forecast to be a pressure of £184,000.

The Interest & Financing budget funds the cost of borrowing required to support the Council's capital programme and is projected to underspend by £1.661million, an improvement of £802,000 from the position reported at Round 1. This is due to both an increase in forecast interest earned from investments and a reduction in forecast interest paid which is due to new borrowing not happening as fast as previously envisaged.

10. Additional Government Support

| Additional Government Support Expenditure | R1 Forecast Over/(Under) £000s | Budget 2023/24 £000s | R2 Forecast £000s | R2 Forecast Over/(Under) £000s |
|---|--------------------------------|----------------------|-------------------|--------------------------------|
| Household Support Grant | 0 | 4,525 | 4,525 | 0 |
| Total | 0 | 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 second round of revenue budget monitoring for 2023/24 projects an overspend of £12.251million.
- 11.2. Following the first round of the budget monitoring for this year, officers had discussions with representatives from the Department of Levelling Up, Housing and Communities (DLUHC) regarding the Council's financial position. The Department advised that were the Council to formally request exceptional financial support, the first step would be that DLUHC would commission Chartered Institute of Public Finance and Accountancy (CIPFA) to undertake a 'Resilience Review'. Officers and Members have agreed to proactively commission such a review, with a view to addressing the Council's financial challenges, before it becomes necessary to seek exceptional financial support from DLUHC.
- 11.3. This work is scheduled to conclude before the end of December 2023. Though the detailed scope has not yet been confirmed, a team of highly experienced, independent specialists will be working with the Council to review what our services cost and how they operate, to identify opportunities to reduce cost, increase income and improve service delivery. The Council will also be supported through a scheme jointly commissioned by the Local Government Association (LGA) and the Association of Directors of Adult Social Services (ADASS), as 'Partners in Care and Health' to undertake a specialist review focussed on the Council's delivery of Adult Social Care and these two reviews will be working in parallel to help the Council to deliver the savings required to achieve a balanced budget for 2023/24 and beyond.

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 | Clear communications with all interested parties on the cause of the financial position, lobbying the government for an | BII |

| Risk | Description | Action to avoid or mitigate risk | Risk rating |
|---|---|---|--------------------|
| | misconstrued or reported as poor management or leadership, reducing the trust and confidence of residents, partners and regulators. | 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 | |

13. Financial implications

13.1. The second round of revenue budget monitoring for 2023/24 projects an overspend of £12.251million.

13.2. 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.

- 13.3. Following the Round 1 budget monitoring report the Council's senior managers and elected Members implemented urgent actions that sought 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.
- This action has started to take effect and has resulted in the reduced forecast reported for Round 2, however it will be necessary for a further round of management action to further reduce the forecast and minimise the impact on the Council's reserves.

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