



Serving You

Business Support and Digital Overview and Scrutiny Committee

30 November 2023

Revenue Budget Monitoring 2023/24 – Round 2

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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 6-7 providing the detail for the service areas within the remit of this committee.

1. Recommendations

- 1.1. The committee notes the results of the second round of revenue budget monitoring for 2023/24.
- 1.2. The committee notes that the 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.

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, 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.
- 3.2. 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.

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 £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
Total Available Funding	0	(392,543)	(393,039)	(496)
Net Forecast Variance	17,267	0	12,251	12,251

6. Business Support & Centralised Services

- 6.1. 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.

7. 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.

8. Conclusions

- 8.1. The second round of revenue budget monitoring for 2023/24 projects an overspend of £12.251million.
- 8.2. 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.
- 8.3. 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.

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 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
Special Educational Needs and Disabilities	Further increases in the number of children requiring support, and in the complexity of needs may	Close monitoring of demand for service to identify pressures early, robust budget monitoring.	All

Risk	Description	Action to avoid or mitigate risk	Risk rating
	surface. Failure to deliver the recovery plan would risk the Council needing to use the £3million reserve created to fund any shortfall.		
Likelihood		Impact:	
A Very likely B Likely C Unlikely D Rare	I Catastrophic II Major III Moderate IV Minor		

10. Financial implications

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

10.2. 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 £10.155million. The Council would not therefore be in a position to fund an overspend on the scale of that currently projected.

10.3. 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.

11. Legal implications

11.1. The Cabinet has the responsibility to ensure effective budgetary control to contain expenditure within the approved limits set by Council. It is unlawful to set a budget that is not balanced or incur expenditure which results in the budget no longer being balanced.

11.2. Under section 114 of the Local Government Finance Act 1988, the Council's statutory Section 151 Officer, is required to produce a report, commonly known as a S114 report, "if it appears to him that the expenditure of the

authority is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure.”

- 11.3. The Council’s Financial Procedure Rules state at Chapter 4, Part 6, the following paragraph references:
- 4.1 Approval by the Council of the overall revenue budget authorises the Cabinet and Chief Executive and directors to incur the expenditure in accordance with the scheme of delegation, the budget and policy framework rules and these rules.
 - 4.4 The Chief Operating Officer shall be responsible for monitoring the Council’s overall expenditure and income and for reporting to the Cabinet and Council significant variations between the approved estimates and actual expenditure.
 - 4.6 There may be occasion in exceptional circumstances where additional expenditure is essential and therefore unavoidable. Requests for supplementary revenue estimates must be referred to Council for approval. Such referrals would only occur where proposals are incapable of being financed from within approved budgets and where it is not possible to defer the expenditure to a later year.
- 11.4. The Cabinet and officers may only spend within allocated budgets. If the budget is likely to be exceeded, the Council is required to consider if it wishes revise to the revenue budget or require mitigating action to be taken.
- 11.5. Article 7 of the Council’s constitution states:
- 7.2 The Cabinet (meaning the Leader and such other Members of the Council as the Leader may appoint) will carry out all the authority’s functions which are not the responsibility of any other part of the Council, whether by law or under this Constitution.
- 11.6. Officers are mandated to deliver services within agreed performance standards and agreed policies. Subject to the scheme delegation officers do not have authority to vary policies or performance standards.
- 11.7. If the council is not minded to agree a supplementary revenue estimate, then the Cabinet is required to operate with the approved estimate. If that necessitates revisions of policies or service standards, then unless those matters are delegated to officers, it is matter for Cabinet to determine those matters.

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Appendices

None

Background papers

None