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

**5 DECEMBER 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 each service area.

#### **1. Recommendations**

- 1.1. The Children and Young People Overview and Scrutiny Committee is asked to note the results of the second round of revenue budget monitoring for 2023/24.
- 1.2. The Children and Young People Overview and Scrutiny Committee is asked to note 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
<b>Budget Requirement</b>	<b>17,267</b>	<b>392,543</b>	<b>405,289</b>	<b>12,747</b>
<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
<b>Total Available Funding</b>	<b>0</b>	<b>(392,543)</b>	<b>(393,039)</b>	<b>(496)</b>

<b>Net Forecast Variance</b>	<b>17,267</b>	<b>0</b>	<b>12,251</b>	<b>12,251</b>
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## 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.

<b>Children's Services</b>	<b>R1 Forecast Over/(Under) £000s</b>	<b>Budget 2023/24 £000s</b>	<b>R2 Forecast £000s</b>	<b>R2 Forecast Over/(Under) £000s</b>
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)
<b>Total</b>	<b>3,375</b>	<b>70,848</b>	<b>72,714</b>	<b>1,866</b>

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 of £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
<b>Total</b>	<b>133</b>	<b>556</b>	<b>640</b>	<b>85</b>

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)
<b>Total</b>	<b>1,652</b>	<b>76,431</b>	<b>78,144</b>	<b>1,713</b>

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.

<b>Partnership Commissioning &amp; Business Intelligence</b>	<b>R1 Forecast Over/(Under) £000s</b>	<b>Budget 2023/24 £000s</b>	<b>R2 Forecast £000s</b>	<b>R2 Forecast Over/(Under) £000s</b>
Adults Commissioning	(8)	438	409	(29)
Children's Commissioning	31	1,600	1,632	32
C&A Performance & Intelligence	(15)	533	520	(13)
<b>Total</b>	<b>7</b>	<b>2,571</b>	<b>2,562</b>	<b>(9)</b>

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.

<b>Public Health</b>	<b>R1 Forecast Over/(Under) £000s</b>	<b>Budget 2023/24 £000s</b>	<b>R2 Forecast £000s</b>	<b>R2 Forecast Over/(Under) £000s</b>
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
<b>Total</b>	<b>(0)</b>	<b>15,041</b>	<b>15,041</b>	<b>(0)</b>

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.

<b>Additional Government Grants</b>	<b>R1 Forecast Over/(Under) £000s</b>	<b>Budget 2023/24 £000s</b>	<b>R2 Forecast £000s</b>	<b>R2 Forecast Over/(Under) £000s</b>
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
<b>Total</b>	<b>0</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 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 (HDFC) 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
<b>Total</b>	<b>(176)</b>	<b>41,766</b>	<b>41,631</b>	<b>(136)</b>

Schools Retained Funding & Grants is forecast to underspend by £136,000, with the underspend principally relating to schools' historic pensions and redundancy costs.

## 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
<b>Total</b>	<b>0</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 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

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

## Lead officer contact

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## Appendices

None

## Background papers

None