

**HEALTH AND SOCIAL CARE**  
**OVERVIEW AND SCRUTINY COMMITTEE**  
**7 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 6-10 providing the detail for each service area.

**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
<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>

## 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
<b>Total</b>	<b>7,576</b>	<b>88,247</b>	<b>95,559</b>	<b>7,312</b>

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.

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.

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)
<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.

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
<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.

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
<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 (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.

## 7. Additional Government Support

<b>Additional Government Support Expenditure</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>
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.	AI
Impact on service delivery	An overspend that cannot be funded from reserves could result in a diminution of the scale and quality of services that the Council is able to deliver.	Ensuring investment is prioritised to statutory services and key priorities, reviewing and reducing non-essential spend and maximising income.	All
Reputational damage	The challenging financial position of the Council, driven by increased demand for statutory services beyond available funding, could be misconstrued or reported as poor management or leadership, reducing the trust and confidence of residents, partners and regulators.	Clear communications with all interested parties on the cause of the financial position, lobbying the government for an improved funding settlement for local government, including implementation of the fair funding review.	BII
Demographic Growth	Further demographic pressures may surface across our social care services above those assumed in the budget.	Close monitoring of demand for service to identify pressures early, robust budget monitoring.	All
Interest Rate Rises	The budget assumes a significant proportion of the Capital Programme is funded from borrowing. If rates rise beyond the projections in the budget, or if additional borrowing is required, a revenue budget pressure will arise unless some elements of the programme can be curtailed or refinanced.	Close monitoring of the capital programme monitoring to minimise borrowing and avoid taking out borrowing at interest rate peaks.	BII
Special Educational	Further increases in the number of children requiring support, and in the	Close monitoring of demand for service to	All

<b>Risk</b>	<b>Description</b>	<b>Action to avoid or mitigate risk</b>	<b>Risk rating</b>
Needs and Disabilities	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.	identify pressures early, robust budget monitoring.	
<b>Likelihood</b>		<b>Impact:</b>	
A Very likely		I Catastrophic	
B Likely		II Major	
C Unlikely		III Moderate	
D Rare		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.
- 10.4 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