



Serving You

Regeneration, Culture and Environment Overview and Scrutiny Committee

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Revenue Budget Monitoring 2023/24 – Round 2

Report from: Katey Durkin, Chief Finance Officer

Author: David Reynolds, Head of Revenue Accounts

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 section 6 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
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. Regeneration, Culture and Environment

6.1. 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.

7. 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.

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.	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	Close monitoring of the capital programme monitoring to minimise	BII

Risk	Description	Action to avoid or mitigate risk	Risk rating
	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.	borrowing and avoid taking out borrowing at interest rate peaks.	
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		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.

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

Katey Durkin, Chief Finance Officer, 01634 33 23 55
katey.durkin@medway.gov.uk

Appendices

None

Background papers

None