

## **Cabinet**

**13 February 2024**

### **Revenue Budget Monitoring – Round 3 2023/24**

Portfolio Holder: Councillor Vince Maple, Leader of the Council

Report from: Katey Durkin, Chief Finance Officer

Author: David Reynolds, Head of Revenue Accounts

#### **Summary**

This report presents the results of the third 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. Cabinet notes the results of the third round of revenue budget monitoring for 2023/24.
- 1.2. Cabinet instructs the Corporate Management Team to implement further urgent actions to bring expenditure back within the budget agreed by Full Council.
- 1.3. Cabinet recommends that Council declassifies the following amounts currently held in earmarked reserves and transfer them to general reserves:
  - £4.00million held in the South Medway Development Reserve,
  - £1.00million held in the Transformation Reserve, and
  - £727,000 held in the Mosaic Forms Reserve.

#### **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.
- 2.2. The transfer of reserves from earmarked to general reserves will enable an overspend of the size projected in this report to be funded from general reserves if it materialises.

#### **3. Budget and policy framework**

- 3.1. Cabinet is responsible for ensuring that income and expenditure remain within the budget approved by Council. Management of the Council's reserves is within the responsibility of the Chief Operating Officer, as the Council's

Section 151 Officer however as this report proposes the virement of sums in excess of the limits for both Directors and the Cabinet, as set out at chapter 3, part 5 of the constitution, the approval of Council is being sought.

#### 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 and 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 3 budget requirement to a total of £390.667million.
- 4.2. This report presents the results of the third 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 £11.359million which is an improvement of £892,000 compared to the position reported at Round 2.

Directorate	R2 Forecast Over/(Under) £000s	Budget 2023/24 £000s	R3 Forecast £000s	R3 Forecast Over/(Under) £000s
<i>Budget requirement:</i>				
Children and Adult Services	10,831	296,285	307,044	10,759
Regeneration, Culture and Environment	816	66,020	66,501	480
Business Support Department	2,568	7,174	9,070	1,896
Business Support Centralised Services:				
Interest & Financing	(1,661)	15,300	13,764	(1,536)
Levies	10	1,796	1,793	(3)
Medway Norse Joint Venture	184	(433)	(174)	259
Additional Government Support Grant Expenditure	0	4,525	4,525	0
<b>Budget Requirement</b>	<b>12,747</b>	<b>390,667</b>	<b>402,522</b>	<b>11,855</b>
<i>Funded by:</i>				
Council Tax	0	(148,883)	(148,883)	0
Retained Business Rates & Baseline Need Funding	(496)	(73,697)	(74,193)	(496)
New Homes Bonus	0	(1,998)	(1,998)	0
Dedicated Schools Grant	0	(105,712)	(105,712)	0
Other School Grants	0	(4,742)	(4,742)	0

Adult Social Care Grants	0	(26,646)	(26,646)	0
CSC Grants	0	(140)	(140)	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
<b>Total Available Funding</b>	<b>(496)</b>	<b>(390,667)</b>	<b>(391,163)</b>	<b>(496)</b>
<b>Net Forecast Variance</b>	<b>12,251</b>	<b>0</b>	<b>11,359</b>	<b>11,359</b>

## 6. Children and Adults

6.1. The Directorate forecasts a pressure of £10.759million, with details of the forecasts in each service area within the Directorate set out in the tables below.

Adult Social Care	R2 Forecast Over/(Under) £000s	Budget 2023/24 £000s	R3 Forecast £000s	R3 Forecast Over/(Under) £000s
Assistant Director Adult Social Care	(285)	(2,395)	(3,347)	(952)
Locality Services	7,210	84,337	93,747	9,410
Business Operations & Provider Services	(92)	4,458	4,084	(374)
Specialist Services/Principal Social Worker	479	1,848	2,205	356
<b>Total</b>	<b>7,312</b>	<b>88,247</b>	<b>96,688</b>	<b>8,441</b>

The Adult Social Care forecast is an overall pressure of £9.027million with management action of £587,000 reducing the reported overspend to £8.441million. As in recent years the overspend largely relates to placement costs.

The Disability Services forecast is a net overspend of £5.957million, however the ongoing targeted review work is projected to achieve further cashable savings of £117,000, resulting in a forecast net overspend of £5.840million. Supported Living is the largest area of overspend, forecast at £4.011million reflecting a net increase of 22 clients and a circa 10% increase in the average weekly cost of supported living packages above the budget. The remaining targeted review savings are expected in this service.

A pressure of £775,000 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 £268,000. An overspend for Disability daycare of £980,000 is offset by an underspend in direct payments of £150,000 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 £2.655million. The forecast for residential/nursing placements reflecting a further increase in client numbers beyond the budgeted number of placements and a continued increase in the average weekly charge. Work has continued 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 171 additional homecare placements above budgeted levels which accounts for £2.731million of the overspend on Older People services.

Mental Health Services are forecasting an overspend of £755,000. The combined residential and nursing forecasts are projecting an overspend of £298,000. Supported Living is showing

an overspend of £549,000 which is an adverse movement of £178,000 from Round 2 due to an increase in the number of placements.

Children's Services	R2 Forecast Over/(Under) £000s	Budget 2023/24 £000s	R3 Forecast £000s	R3 Forecast Over/(Under) £000s
Head Of Safeguarding & Quality Assurance	737	2,966	3,632	666
Childrens Care Improvement	501	393	465	72
Childrens Social Work Team	(772)	6,813	5,830	(983)
Business Support	(63)	1,691	1,578	(113)
Family SOL, Youth, MASH & ADOL	217	6,883	6,844	(38)
Childrens Legal	430	2,033	2,596	563
Childrens Social Care Management	(105)	1,361	1,246	(115)
Client Support Packages	1,428	4,528	6,231	1,703
Corporate Parenting	(206)	5,005	4,669	(337)
Placements	(76)	32,716	32,537	(179)
Provider Services	(226)	6,528	5,953	(575)
<b>Total</b>	<b>1,866</b>	<b>70,918</b>	<b>71,581</b>	<b>663</b>

The Children's Services forecast is an overspend of £663,000, which is an improvement of £1.203million from the position reported at Round 2.

Client support packages includes any expenditure required to stabilise existing placements such as floating support, Section 17 and 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 £1.703million.

As previously reported, Medway Council lost an appeal against the Home Office and must accept UASC children under the national transfer scheme. At the time of writing, currently there are 30 UASC on Medway's books and the Round 3 forecast anticipates a £802,000 pressure on the budget.

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 £179,000.

Children's Legal Services is forecast to overspend by £563,000, the is a worsening of the position of £133,000 from Round 2. 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 2 relates to additional forecast spend on expert assessments.

There is a net underspend forecast of £1.415million 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.

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

- To bring forward the staggered cessation dates of the three agency project teams by one month saving £170,000 across all three teams.
- To freeze recruitment of 6 posts (3 statutory and 3 admin) until April 2024 saving £255,000
- To freeze the improvement budget/spend until April 2024 saving £361,000.

Directorate Management Team	R2 Forecast Over/(Under) £000s	Budget 2023/24 £000s	R3 Forecast £000s	R3 Forecast Over/(Under) £000s
Directorate Management Team	85	556	602	47
<b>Total</b>	<b>85</b>	<b>556</b>	<b>602</b>	<b>47</b>

The Directorate Management Team is forecast to overspend by £47,000, which is an improvement of £38,000 from Round 2 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	R2 Forecast Over/(Under) £000s	Budget 2023/24 £000s	R3 Forecast £000s	R3 Forecast Over/(Under) £000s
School Organisation & Student Services	372	1,776	2,443	667
Psychology & Special Educational Needs	1,364	43,256	44,618	1,362
School Improvement	(84)	356	243	(113)
Special Educational Needs & Disabilities Transport	1,454	9,274	10,489	1,215
Inclusions	(1,034)	3,366	2,158	(1,209)
School Online Services	(5)	19	9	(9)
Education Management Team	(82)	564	504	(60)
Early Years Sufficiency	(272)	17,792	17,654	(137)
<b>Total</b>	<b>1,713</b>	<b>76,402</b>	<b>78,117</b>	<b>1,715</b>

Education is forecast to overspend by £1.715million. The main areas of overspend for the general fund are £1.215million on SEN transport due to the forecast increase in demand, inflationary uplifts and undelivered travel training savings which the service does not expect to materialise until 2024/25. A pressure of £571,000 is forecast on mainstream transport.

The Dedicated Schools Grant (DSG) funded services are forecasting to underspend by £1.918million, 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 £19.252million by March 2024 when the projected in year underspend of £1.918million is transferred into the reserve. This forecast year end deficit position is £191,000 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	R2 Forecast Over/(Under) £000s	Budget 2023/24 £000s	R3 Forecast £000s	R3 Forecast Over/(Under) £000s
Adults Commissioning	(29)	438	412	(26)
Children's Commissioning	32	1,600	1,638	39
C&A Performance & Intelligence	(13)	533	533	0
<b>Total</b>	<b>(9)</b>	<b>2,571</b>	<b>2,584</b>	<b>13</b>

Partnership Commissioning is forecasting a small underspend of £13,000, a worsening of £22,000 from Round 2 arising from a number of small movements in staffing and associated training and IT equipment costs across all commissioning teams.

Public Health	R2 Forecast Over/(Under) £000s	Budget 2023/24 £000s	R3 Forecast £000s	R3 Forecast Over/(Under) £000s
Public Health Management	45	1,404	1,587	183
Health Improvement Programmes	(153)	3,902	3,842	(60)
Stop Smoking Services	13	824	827	3
Supporting Healthy Weight	43	1,465	1,508	43
Substance Misuse	33	2,133	2,159	26
Child Health	19	5,314	5,118	(196)
<b>Total</b>	<b>0</b>	<b>15,041</b>	<b>15,041</b>	<b>0</b>

Public Health services are forecast to budget. £1.3million 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 coming under increasing costs pressures due to NHS uplifts not being funded through increase to 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	R2 Forecast Over/(Under) £000s	Budget 2023/24 £000s	R3 Forecast £000s	R3 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 and initial payments to mobilise each of the project streams are now underway. 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.

The Health Determinants Research Collaboration (HDRC) project is still appointing members to the project team, with 4 posts expected to begin before the end of this financial year. The 5 year program formally commenced in October 2023 and further details of the project progress will be shared as we go through the program each year

Schools Retained Funding & Grants	R2 Forecast Over/(Under) £000s	Budget 2023/24 £000s	R3 Forecast £000s	R3 Forecast Over/(Under) £000s
Finance Provisions	(4)	693	689	(4)
Hr Provisions	(147)	713	598	(116)
School Grants	15	38,443	38,443	0
<b>Total</b>	<b>(136)</b>	<b>39,850</b>	<b>39,730</b>	<b>(120)</b>

Schools Retained Funding & Grants is forecast to underspend by £120,000, 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 £480,000, an improvement of £335,000 from the position reported at Round 2. Details of the forecasts in each service area are set out in the tables below.

Culture & Community	R2 Forecast Over/(Under) £000s	Budget 2023/24 £000s	R3 Forecast £000s	R3 Forecast Over/(Under) £000s
Sport, Leisure, Tourism & Heritage	(613)	3,938	3,309	(629)
Cultural Services	124	2,088	2,381	293
Planning	1,461	1,345	2,826	1,481
South Thames Gateway Partnership	1	135	135	0
Strategic Housing	(40)	5,378	5,552	174
Libraries & Community Hubs	(34)	4,534	4,486	(48)
Culture & Community Support	31	54	85	31
<b>Total</b>	<b>931</b>	<b>17,472</b>	<b>18,774</b>	<b>1,303</b>

The Culture & Community division forecast is a net overspend of £1.303million, a worsening of £372,000 from the position reported at Round 2.

The most significant pressure is the Planning Service which is reporting a pressure of £1.481million. There are three main factors, £417,000 relating to the use of consultants for legal and specialist planning work, £377,000 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 £293,000. The events programme is reporting a pressure of £326,000 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 £629,000 forecast underspend on Sport, Leisure, Tourism & Heritage, due to an increase in sports centre memberships, there has also been a change in the VAT treatment of Leisure activities which has resulted in Medway not having to pass on to HMRC as much of the fees charged for activities. The combined effect of these is that we are forecasting an additional £852,000 of income. However, we were unsuccessful in our claim for a grant from the Government's Swimming Pool Support Fund and this has generated a pressure of circa £300,000.

There is a forecast overspend relating to Strategic Housing of £174,000, the Homelessness budgets are forecasting a pressure at Round 3 of £1.265million. This is an increase of £473,000 on the position reported at Round 2 which is due to an increase in households and a rise in the cost of placements. The forecast is now based on 457 temporary accommodation households which have risen from the 432 allowed for in the Round 2 forecast. However, this increased cost has been offset by savings across other parts of the service and through drawing down earmarked reserves relating to homelessness.

Director's Office	R2 Forecast Over/(Under) £000s	Budget 2023/24 £000s	R3 Forecast £000s	R3 Forecast Over/(Under) £000s
Director's Office	42	1,069	1,118	49
<b>Total</b>	<b>42</b>	<b>1,069</b>	<b>1,118</b>	<b>49</b>

The Director's Office is forecast to overspend by £49,000, There are forecast savings related to staffing and NNDR 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	R2 Forecast Over/(Under) £000s	Budget 2023/24 £000s	R3 Forecast £000s	R3 Forecast Over/(Under) £000s
Front Line Services Support	(113)	780	687	(93)
Highways	(1,462)	6,369	4,013	(2,355)
Parking Services	696	(4,907)	(4,397)	510
Environmental Services	(143)	29,359	29,426	67
Integrated Transport	(61)	7,318	7,242	(76)
Regulatory Services	119	2,295	2,288	(7)
Greenspaces	4	5,387	5,416	29
<b>Total</b>	<b>(962)</b>	<b>46,601</b>	<b>44,675</b>	<b>(1,925)</b>

The Front Line Services division forecast is forecast to underspend by £1.925million, an improvement of £963,000 from the position reported at Round 2.

Highways is forecast to underspend by £2.355million. Which is three main areas, firstly the forecast assumes that £1.013million of works on Highways drainage and the Medway Tunnel is funded through earmarked reserves. There is a £328,000 saving on street lighting due to reduced costs for commercial supply and usage as a result of the use of LED lighting along with savings on contract to replace rusting or defective lampposts. The forecast also assumes that £900,000 of highways patching works is funded through capital rather than revenue. These are marginally offset by pressures on winter maintenance. In addition, there is forecasted income for streetworks in excess of budgeted levels of £102,000.

Parking Services is forecasting a pressure of £510,000. The forecast now assumes an additional pressure relating to the Safer Healthier Streets programme of £875,000 due to delays in implementing the scheme. However, there has been further improvement across both on & off-street parking which is forecast to underspend by £365,000 an improvement of £232,000 compared to the Round 2 position.

The Environmental Services forecast is an overspend of £67,000. There is a net pressure of £173,000 on the HWRC budgets and a forecast overspend of £117,000 on recycling & refuse collection. These pressures are offset by underspends on waste disposal costs, Environmental Protection and Sustainable Waste Management due to staffing costs, additional grant funding and additional savings on staff costs across the services.

Integrated transport is forecast to underspend by £76,000. The Traffic Management service has forecast additional income from Street Closures of £203,000, 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 £130,000 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.



Regeneration	R2 Forecast Over/(Under) £000s	Budget 2023/24 £000s	R3 Forecast £000s	R3 Forecast Over/(Under) £000s
Medway Norse	100	(8)	93	100
Property & Capital Projects	611	1,188	1,709	521
Regeneration Delivery	7	904	884	(20)
Valuation & Asset Management	209	(2,119)	(1,561)	558
Economic Development	(99)	670	514	(156)
Skills & Employability	(23)	244	296	51
<b>Total</b>	<b>805</b>	<b>879</b>	<b>1,933</b>	<b>1,054</b>

The Regeneration division forecast is a net pressure of £1.054million, a worsening of £249,000 from the position reported at Round 2.

The Medway Norse Core Contract is projected to overspend by £100,000.

The Property & Capital Projects forecast is a pressure of £521,000. There is a £300,000 pressure on the Property Capital & Projects team due to shortfall on income budgets, an overspend of £74,000 on Kingsley House. An overspend of £69,000 is also forecast on Gun Wharf relating to increased utilities costs. There are also overspends of £48,000 associated with the feasibility studies and building surveys following the discovery of RAAC at Gun Wharf.

Value & Asset Management is projecting to overspend by £558,000. There is an overspend of £252,000 on the management of the Pentagon Centre. This is predominately due to an increase the Service Charge & NNDR accounts which have been offset by reductions in the R&M Buildings & Consultants Fees. In addition, the payment of a retention payment following renegotiation of a lease has been made and is £321,000 more than the balance of the money that was lodged with us for this purpose, when we bought the Pentagon in April 2019. This payment is the primary reason for the movement from Round 2.

The Economic Development forecast is an underspend of £156,000, this is due to income at the Innovation Centre and Innovation Studios in excess of the budget along with savings on partner contributions towards the Greater North Kent Partnership.

## 8. Housing Revenue Account

Housing Revenue Account	R2 Forecast Over/(Under) £000s	Budget 2023/24 £000s	R3 Forecast £000s	R3 Forecast Over/(Under) £000s
Housing Revenue Account	(452)	(5)	(515)	(510)
<b>Total</b>	<b>(452)</b>	<b>(5)</b>	<b>(515)</b>	<b>(510)</b>

The Housing Revenue Account forecast is a surplus of £510,000. 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. There is also a favourable variance on rental income which is forecast to exceed budgeted levels by £152,000 as well as savings on staffing costs due to a number of vacancies throughout the year.

## 9. Business Support & Centralised Services

9.1. The Business Support Services forecast is an overspend of £1.896million which is an improvement of £672,000 compared to Round 2, while the Centralised Services forecast is an underspend of £1.280million, £188,000 worse than Round 2. This brings the overall forecast to an overspend of £616,000, an improvement of £484,000 compared to Round 2. The details of the forecasts in each service area are set out in the tables below.

Communications & Marketing	R2 Forecast Over/(Under) £000s	Budget 2023/24 £000s	R3 Forecast £000s	R3 Forecast Over/(Under) £000s
Communications & Marketing	34	23	56	33
<b>Total</b>	<b>34</b>	<b>23</b>	<b>56</b>	<b>33</b>

The service is forecast to overspend by £33,000, which is in line with the position reported at Round 2 due to the cessation on non-essential spend reducing forecasts in a number of areas.

Corporate Management	R2 Forecast Over/(Under) £000s	Budget 2023/24 £000s	R3 Forecast £000s	R3 Forecast Over/(Under) £000s
Corporate Management	644	1,118	1,455	338
<b>Total</b>	<b>644</b>	<b>1,118</b>	<b>1,455</b>	<b>338</b>

The Corporate Management forecast is an overspend of £338,000, which is an improvement of £306,000 from the position reported at Round 2. There continues to be 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. Work is ongoing to deliver this shortfall in 2023/24. There is also a pressure of £81,000 on treasury expenses. The movement from the Round 2 forecast is due to a reduction of £319,000 in the audit fees forecast following agreement not to undertake the outstanding audit of the 2021/22 and 2022/23 accounts.

Finance & Business Improvement	R2 Forecast Over/(Under) £000s	Budget 2023/24 £000s	R3 Forecast £000s	R3 Forecast Over/(Under) £000s
Internal Audit & Counter Fraud	(47)	101	52	(49)
FBI Divisional Management Team	0	(16)	(15)	1
FBI - Finance	1,641	2,833	4,171	1,338
FBI - Information	(612)	1,221	447	(774)
FBI - Organisational Culture	(76)	(293)	(331)	(39)
<b>Total</b>	<b>905</b>	<b>3,846</b>	<b>4,324</b>	<b>478</b>

The Finance & Business Improvement division forecast is an overspend of £478,000, an improvement of £427,000 from the position reported at Round 2.

The Finance forecast (which includes Accountancy, Revenues, Benefits and Debt) is a pressure of £1.338million, 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 £913,000. There are net pressures of £128,000 in Benefits and Welfare and £74,000 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 £130,000 pressure relating to a shortfall of Awarded Court Costs as the Council has been allocated fewer court dates than in previous years.

The Organisational Culture forecast (which includes HR, Payroll and Council Plan service areas) is an underspend of £39,000, a worsening of £37,000 from the position reported at Round 2. This is due to a slight worsening in projected income across a number of areas including the rebate from.

The Information forecast (which includes Technology, Customer Experience and Digital) is an underspend of £774,000, which is an improvement of £162,000 from the position reported at Round 2. ICT is forecasting an underspend of £670,000 an improvement of £71,000 from Round 2, the underspend is due to 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. The movement from Round 2 is largely due to savings on software contracts and savings on software contracts. There remains a pressure on CCTV services of £91,000 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 largely due to vacancy savings and the cessation of non-essential spend.

<b>Legal &amp; Governance</b>	<b>R2 Forecast Over/(Under) £000s</b>	<b>Budget 2023/24 £000s</b>	<b>R3 Forecast £000s</b>	<b>R3 Forecast Over/(Under) £000s</b>
Democratic Services	(39)	614	568	(46)
Members & Elections	134	1,896	2,040	144
Category Management	(6)	0	(7)	(7)
Legal, Land Charges & Licensing	896	(322)	635	957
<b>Total</b>	<b>985</b>	<b>2,188</b>	<b>3,235</b>	<b>1,047</b>

The divisional forecast is an overspend of £1.047million, which is a worsening of 625,000 from the position reported at Round 2.

Legal, Land Charges and Licensing are forecast to a pressure of £957,000, this is a worsening of £61,000 from Round 2. 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 £619,000. Following the restructure that was agreed by Full Council on 19th October, work has continued to recruit to permanent posts which should reduce the reliance on agency staff to cover at a much higher cost. Despite success with converting some agency staff to permanent contracts there still continues to be a number of agency staff covering roles until they are successfully recruited to. In addition, centralised Children's Services Legal Costs is forecast to overspend by £250,000 as agency staff are engaged over and above the establishment to cope with the current caseload.

The overspend of £144,000 on Members & Elections is due to the increase in Members' Allowances rates and the number of Members increasing from 55 to 59.

Centralised Services	R2 Forecast Over/(Under) £000s	Budget 2023/24 £000s	R3 Forecast £000s	R3 Forecast Over/(Under) £000s
Interest & Financing	(1,661)	15,300	13,764	(1,536)
Levies	10	1,796	1,793	(3)
Medway Norse Profit Share	184	(433)	(174)	259
<b>Total</b>	<b>(1,468)</b>	<b>16,663</b>	<b>15,383</b>	<b>(1,280)</b>

Collectively these are forecasting an underspend of £1.280million.

There is an overspend forecast of £3,000 relating to Levies.

The Medway Norse rebate is currently forecast to be a pressure of £259,000.

The Interest & Financing budget funds the cost of borrowing required to support the Council's capital programme and is projected to underspend by £1.536million, a worsening of £125,000 from the position reported at Round 2. This is due to the net impact of making a provision for a possible loss on investments alongside drawing down available funding from an earmarked reserve.

## 10. Additional Government Support

Additional Government Support Expenditure	R2 Forecast Over/(Under) £000s	Budget 2023/24 £000s	R3 Forecast £000s	R3 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.

## 11. Reserves

11.1. As reported to the Cabinet in June 2023 in the Capital and Revenue Budget Outturn for 2022/23, the Council's general reserves currently stand at £10.155million.

11.2. A review of the Council's earmarked reserves has been carried out as part of the work to address the overspend projected in 2023/24 and to close the budget gap projected for 2024/25. That work has identified £5.727million in earmarked reserves that are no longer required for their original purpose. As such, Cabinet is asked to recommend to Council that these sums be declassified to increase general reserves to a projected £15.882million.

11.3. Should the Round 3 projection of an overspend of £11.359million materialise and the earmarked reserves are declassified as recommended, the Council's general reserve balance would stand at £4.523million, some £5.477million below the minimum balance set by the Section 151 Officer.

## 12. Conclusions

12.1. The third round of revenue budget monitoring for 2023/24 projects an overspend of £11.359million.

### 13. 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 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	Close monitoring of demand for service to identify pressures early, robust budget monitoring.	All

Risk	Description	Action to avoid or mitigate risk	Risk rating
	£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	

## 14. Financial implications

- 14.1. The third round of revenue budget monitoring for 2023/24 projects an overspend of £11.359million. This report asks Cabinet to recommend to Council the declassification of £5.727million of earmarked reserves to increase the general reserves balance. Should the Round 3 projection of an overspend of £11.359million materialise and the earmarked reserves are declassified as recommended, the Council's general reserve balance would stand at £4.523million, some £5.477million below the minimum balance set by the Section 151 Officer.
- 14.2. Following previous budget monitoring reports 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.
- 14.3. Work continues identify further management action to further reduce the forecast and minimise the impact on the Council's reserves, including continued review of the Councils earmarked reserves.

## 15. Legal implications

- 15.1. 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.
- 15.2. 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.”

- 15.3. 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.
- 15.4. 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.
- 15.5. 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
- 15.6. 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.
- 15.7. 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](mailto:katey.durkin@medway.gov.uk)

Appendices

None

Background papers

None