

## **Children and Young People Overview and Scrutiny Committee**

**07 March 2024**

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

Report from: Katey Durkin, Chief Finance Officer

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#### **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 4, with sections 5 and 6 providing the detail for each service area within the remit of this committee.

#### **1. Recommendations**

1.1. The Children and Young People Overview and Scrutiny Committee is asked to note the results of the third round of revenue budget monitoring for 2023/24.

1.2. The Children and Young People Overview and Scrutiny Committee is asked to note that Cabinet instructed the Corporate Management Team to implement further urgent actions to bring expenditure back within the budget agreed by Full Council.

1.3. The Children and Young People Overview and Scrutiny Committee is asked to note that Cabinet recommended 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. Budget and policy framework**

2.1. 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 movement of a sum considered material and has a significant impact on the financial implications of the current budget, the approval of Council was sought at its 29 February 2024 meeting.

### 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 3 budget requirement to a total of £390.667million.
- 3.2. 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.

### 4. Summary Revenue Budget Forecast Position 2023/24

- 4.1. The forecast outturn for 2023/24 is 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>

## 5. Children and Adults

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

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:

Children's Services	R2 Forecast Over/(Under) £000s	Budget 2023/24 £000s	R3 Forecast £000s	R3 Forecast Over/(Under) £000s
<ul style="list-style-type: none"> <li>To bring forward the staggered cessation dates of the three agency project teams by one month saving £170,000 across all three teams.</li> <li>To freeze recruitment of 6 posts (3 statutory and 3 admin) until April 2024 saving £255,000</li> <li>To freeze the improvement budget/spend until April 2024 saving £361,000.</li> </ul>				

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>
<p>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.</p>				

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.

<b>Partnership Commissioning &amp; Business Intelligence</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>
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.

<b>Public Health</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>
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.

<b>Additional Government Grants</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>
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.

## 6. 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.

## 7. Reserves

- 7.1. 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.
- 7.2. 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.
- 7.3. 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.

## 8. Conclusions

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

## 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 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

<b>Risk</b>	<b>Description</b>	<b>Action to avoid or mitigate risk</b>	<b>Risk rating</b>
	£3million reserve created to fund any shortfall.		
<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 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.
- 10.2. 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.
- 10.3. 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.

## 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