

Health and Adult Social Care
Overview and Scrutiny Committee
14 March 2024

Revenue Budget Monitoring 2023/24 Round 3

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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 5-6 providing the detail for each service area within the remit of this committee.

1. Recommendations

- 1.1. The committee notes the results of the third round of revenue budget monitoring for 2023/24.
- 1.2. The committee notes 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 committee notes that Council, at its meeting on 29 February 2024, agreed to declassify 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 the movement of a sum considered material was proposed, which had a significant impact on the financial implications of the current budget, the approval of Council was sought and obtained.

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
Budget Requirement	12,747	390,667	402,522	11,855
<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
Total Available Funding	(496)	(390,667)	(391,163)	(496)
Net Forecast Variance	12,251	0	11,359	11,359

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.

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
Total	7,312	88,247	96,688	8,441

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 c10% 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.

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
Total	85	556	602	47

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.

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
Total	(9)	2,571	2,584	13

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)
Total	0	15,041	15,041	0

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
Total	0	2,701	2,701	0

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

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
Total	0	4,525	4,525	0

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 agreed 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

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 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.		
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 third round of revenue budget monitoring for 2023/24 projects an overspend of £11.359million. Council agreed, at its meeting on 29 February, the declassification of £5.727million of earmarked reserves to increase the general reserves balance to £15.882million. Should the Round 3 projection of an overspend of £11.359million materialise, 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.

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Appendices

None

Background papers

None