

Cabinet

11 June 2024

Capital and Revenue Outturn and Annual Debt Write Off Report 2023/24

Portfolio Holder: Councillor Vince Maple, Leader of the Council

Report from: Phil Watts, Chief Operating Officer (Section 151 Officer)

Author: Katey Durkin, Chief Finance Officer

Summary

This report details the final revenue and capital outturn position for the financial year ended 31 March 2024. These figures will form part of the Council's Statement of Accounts, which will be presented to the Audit Committee following the completion of the External Audit. The report also presents a summary of debts written off during the 2023/24 financial year in line with the constitutional requirement to submit a report to Cabinet on an annual basis setting out details of all debt written off.

1. Recommendations

- 1.1. Cabinet notes the 2023/24 revenue and capital outturn position as summarised in Section 5 of the report, and the Council's reserves position as summarised in Section 13 of the report.
- 1.2. Cabinet recommends that Council agree to the following additions as set out in Section 12 of this report:
 - £430,000 to the capital programme to fund the overspend reported on the Operational Depot scheme, to be funded by Prudential Borrowing, and
 - £4,655 to the capital programme to fund the overspend on the Mountbatten House Purchase scheme, to be funded from borrowing in advance of the capital receipts expected from the sale of the building to Medway Development Company.

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.
- 2.2. The transfer of reserves from earmarked to general reserves will enable the Council's general reserve balance to return to a position above the minimum level of £10million set by the Section 151 Officer, once the overspend on the 2023/24 outturn has been funded.

3. Budget and policy framework

- 3.1. Cabinet is the body charged with the executive management of the Council's budget and it is therefore important for the final outturn to be reported to Cabinet.
- 3.2. The report sets out requests for additions to the capital programme, a series of movements between schemes and reserves (virements) and removals of unspent budget. Virements below £150,000 can be approved by Directors under delegated authority. Virements between £150,000 and £1million can be approved by Cabinet and those in excess of £1million are a matter for Council.
- 3.3. The Chief Operating Officer has delegated authority to approve in year additions to the capital programme, in consultation with the Finance Portfolio Holder, subject to the following criteria:
 - funding coming from external sources, to be used for a specific purpose on a specific asset,
 - no financial contribution coming from the Council,
 - funding being ringfenced for specific purposes. Any additions made under delegated authority are reported through the next budget monitoring report.

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 final revenue outturn budget requirement to a total of £382.094million. The outturn position is detailed in sections 5-13 of this report.
- 4.2. The capital programme for 2023/24 and beyond was also agreed by Council on 23 February 2023, at £429.563million. Additions and removals made during the year resulted in a final capital outturn budget of £319.537million. The final capital outturn position is summarised in section 12 of this report.
- 4.3. Details of all debts written off in 2023/24 are provided at section 14 of this report in line with the constitutional requirement for this information to be provided to the Cabinet on an annual basis.

5. Revenue Outturn Summary 2023/24

5.1. The outturn for 2023/24 represents a net overspend of £6.706million, an improvement of £4.653million compared to the position reported at Round 3.

Directorate	R3 Forecast Over / (Under) £000s	Final Budget 2023/24 £000s	Final Outturn 2023/24 £000s	Final Outturn Over / (Under) £000s
<i>Budget requirement:</i>				
Children and Adult Services	10,759	298,945	310,234	11,289
Regeneration, Culture and Environment	480	80,463	77,201	(3,262)
Business Support Department	1,896	7,858	8,765	907
Business Support Centralised Services:				
Central Accounts	0	(17,361)	(17,361)	0
Interest & Financing	(1,536)	15,300	13,939	(1,361)
Levies	(3)	1,796	1,769	(27)
Medway Norse Joint Venture	259	(433)	(247)	186
Additional Government Support Grant Expenditure	0	5,516	5,516	0
Budget Requirement	11,855	392,084	399,815	7,731
<i>Funded by:</i>				
Council Tax	0	(148,883)	(148,883)	0
Retained Business Rates & Baseline Need Funding	(496)	(73,697)	(74,722)	(1,025)
New Homes Bonus	0	(1,998)	(1,998)	0
Dedicated Schools Grant	0	(105,712)	(105,712)	0
Other School Grants	0	(5,098)	(5,098)	0
Adult Social Care Grants	0	(26,646)	(26,646)	0
CSC Grants	0	(140)	(140)	0
Public Health Grant	0	(18,733)	(18,733)	0
Use of Reserves	0	(2,985)	(2,985)	0
Additional Government Support Ringfenced Grant Income	0	(8,191)	(8,191)	0
Additional Government Support Non-ringfenced Grant Income	0	0	0	0
Total Available Funding	(496)	(392,084)	(393,109)	(1,025)
Net Forecast Variance	11,359	0	6,706	6,706

6. Children and Adults

6.1. The Directorate outturn is a net overspend of £11.289million, a worsening of £530,000 compared to the position reported at Round 3. Further details of the outturn in each service area in the Directorate set out in the tables below.

Adult Social Care	R3 Forecast Over/(Under) £000s	Budget 2023/24 £000s	Final Outturn £000s	Final Outturn Over/(Under) £000s
Assistant Director Adult Social Care	(952)	(2,328)	(2,939)	(612)
Locality Services	9,410	83,490	93,409	9,919
Business Operations & Provider Services	(374)	5,321	4,819	(502)
Specialist Services/Principal Social Worker	356	1,848	1,853	5
Total	8,441	88,332	97,142	8,810

The Adult Social Care outturn is a net overspend of £8.810million, a worsening of £369,000 from the position reported at Round 3. As in recent years the overspend largely relates to placement costs.

The Disability Services overspend was £6.149million. Supported Living is the largest area of overspend at £4.629million reflecting a net increase of 19 clients along with an increase in the average weekly cost of supported living packages above the budget. There was an overspend of £603,000 on Physical Disability residential and nursing services, due to increasing client numbers and increasing weekly costs beyond that initially budgeted. And there was a similar picture for Homecare where there was an overspend of £473,000. Disability daycare overspent by £989,000 however this was offset by an underspend in direct payments of £511,000 as more clients transition from a Direct Payment to a commissioned day care service, as more providers change their VAT status.

The Older People overspend was £3.069million. Residential/nursing placements overspent by £1.171million reflecting further increases in client numbers beyond the budgeted number of placements and a continued increase in the average weekly charge. Work continued in the service to reduce waiting lists and ensure Homecare packages are reflected accurately on the Mosaic system which resulted in an increase in the number of homecare packages above budgeted levels. There are 119 additional homecare placements above budgeted levels, which accounted for £2.364million of the overspend on Older People services.

Mental Health Services overspent by £667,000. The combined residential and nursing overspend was £325,000. Supported Living overspent by £364,000 although there was a reduction from the Round 3 forecast due to a small reduction in the number of placements.

Children's Services	R3 Forecast Over/(Under) £000s	Budget 2023/24 £000s	Final Outturn £000s	Final Outturn Over/(Under) £000s
Head Of Safeguarding & Quality Assurance	666	2,970	3,099	129
Childrens Care Improvement	72	393	2,688	2,295
Childrens Social Work Team	(983)	6,813	5,720	(1,093)
Business Support	(113)	1,691	1,526	(166)
Family SOL, Youth, MASH & ADOL	(38)	6,912	7,013	101
Childrens Legal	563	2,033	2,723	690
Childrens Social Care Management	(115)	1,411	1,131	(279)
Client Support Packages	1,703	4,528	6,678	2,150
Corporate Parenting	(337)	5,062	4,947	(115)

Children's Services	R3 Forecast Over/(Under) £000s	Budget 2023/24 £000s	Final Outturn £000s	Final Outturn Over/(Under) £000s
Placements	(179)	32,716	29,542	(3,175)
Provider Services	(575)	6,606	6,455	(151)
Total	663	71,136	71,521	385

The Children's Services outturn is an overspend of £385,000, which is an improvement of £277,000 from the position reported at Round 3.

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. There was an overspend of £1.150million, an improvement of £553,000 compared to Round 3 relating to these packages of support due to the continuous monitoring of placement efficiencies, review of the different levels of needs, and secured external contributions towards placement costs. As previously reported, Medway Council lost an appeal against the Home Office and now accept UASC children under the national transfer scheme; the outturn on these placements was a pressure of £799,000 on the budget, which is line with position reported at Round 3.

Placement costs includes any expenditure incurred in placing a CYP into care or paying for accommodation after a young person turns 18 and underspent by £78,000, an improvement of £101,000 compared to Round 3 due to reviews of different levels of need and a reduction in expenditure in planned caring responsibility costs.

Children's Legal Services overspent by £690,000, a worsening of the position of £127,000 from Round 3. There continued 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 along with additional spend on expert assessments.

There was a net underspend of £1.407million on Children's staffing due to the high number of uncovered vacancies within the service.

Directorate Management Team	R3 Forecast Over/(Under) £000s	Budget 2023/24 £000s	Final Outturn £000s	Final Outturn Over/(Under) £000s
Directorate Management Team	47	556	600	44
Total	47	556	600	44

The Directorate Management Team overspent by £44,000, is an improvement of £3,000 from Round 3. The overspend was due to an under delivery on the directorate's share of the savings target announced by the former Leader in setting the 2023/24 budget.

Education	R3 Forecast Over/(Under) £000s	Budget 2023/24 £000s	Final Outturn £000s	Final Outturn Over/(Under) £000s
School Organisation & Student Services	667	1,776	2,499	723
Psychology & Special Educational Needs	1,362	43,256	44,675	1,419
School Improvement	(113)	356	387	31
Special Educational Needs & Disabilities Transport	1,215	9,274	11,335	2,060
Inclusions	(1,209)	3,366	2,216	(1,151)
School Online Services	(9)	19	(3)	(22)
Education Management Team	(60)	564	446	(118)
Early Years Sufficiency	(137)	17,792	17,618	(174)
Total	1,715	76,402	79,172	2,770

The Education outturn is an overspend of £2.770million, a worsening of £1.055million compared to the position reported at Round 3. The main areas of overspend for the general fund are £2.060million on SEN transport due to the increasing demand, inflationary uplifts and undelivered travel training savings which will not materialise until 2024/25, the outturn position is £846,000 higher than forecast at Round 3. There was also an overspend on mainstream transport of £554,000, a slight improvement of £17,000 compared to the Round 3 forecast.

The Dedicated Schools Grant (DSG) funded services underspent by £2.062million, which was 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 31 March 2023 the DSG reserve was reporting a £21.440million deficit. At 31 March 2024 this has reduced to £19.378million after the in-year underspend of £2.062million has been transferred into the reserve. This outturn position represents an under-delivery of £11,000 compared to the budget submitted to the government through the Safety Valve deficit recovery plan, so it will be necessary to increase the savings delivery in line with the plan in 2024/25.

Partnership Commissioning & Business Intelligence	R3 Forecast Over/(Under) £000s	Budget 2023/24 £000s	Final Outturn £000s	Final Outturn Over/(Under) £000s
Adults Commissioning	(26)	438	393	(44)
Children's Commissioning	39	1,600	1,515	(85)
C&A Performance & Intelligence	0	533	531	(2)
Total	13	2,571	2,439	(131)

Partnership Commissioning underspent by £131,000, an improvement of £144,000 from Round 3 arising from reduced contract costs, increased partner contributions and a number of small movements in staffing and associated training and IT equipment costs across all commissioning teams.

Public Health	R3 Forecast Over/(Under) £000s	Budget 2023/24 £000s	Final Outturn £000s	Final Outturn Over/(Under) £000s
Public Health Management	183	1,404	1,775	371
Health Improvement Programmes	(60)	3,902	3,702	(200)
Stop Smoking Services	3	824	751	(73)
Supporting Healthy Weight	43	1,465	1,511	46
Substance Misuse	26	2,133	2,136	4
Child Health	(196)	5,382	5,234	(148)
Total	0	15,109	15,109	0

Public Health services outturn is to budget. £532,000 of activity above budgeted levels was funded through the use of Public Health reserves.

Additional Government Grants	R3 Forecast Over/(Under) £000s	Budget 2023/24 £000s	Final Outturn £000s	Final Outturn 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

The outturn on Additional Government Grants is to budget, as projected in the Round 3 monitoring.

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 was £1.161million. This mainly funded activities over the Easter and summer holidays, with the remainder used to fund a further program for the October and Christmas breaks.

Schools Retained Funding & Grants	R3 Forecast Over/(Under) £000s	Budget 2023/24 £000s	Final Outturn £000s	Final Outturn Over/(Under) £000s
Finance Provisions	(4)	2,667	2,412	(255)
Hr Provisions	(116)	713	568	(146)
School Grants	0	38,758	38,569	(189)
Total	(120)	42,139	41,549	(590)

Schools Retained Funding & Grants underspent by £590,000, an improvement of £470,000 compared to the Round 3 forecast. The underspend and movement principally relate to schools' historic pensions and redundancy costs.

7. Regeneration, Culture and Environment

7.1. The Directorate outturn is an underspend of £3.262million, an improvement of £3.742million compared to the position reported at Round 3. Details of the outturn in each service area are set out in the tables below.

Culture & Community	R3 Forecast Over/(Under) £000s	Budget 2023/24 £000s	Final Outturn £000s	Final Outturn Over/(Under) £000s
Sport, Leisure, Tourism & Heritage	(629)	7,979	7,421	(558)
Cultural Services	293	2,561	2,824	262
Planning	1,481	1,345	2,427	1,082
South Thames Gateway Partnership	0	135	135	0
Strategic Housing	174	5,392	3,892	(1,500)
Libraries & Community Hubs	(48)	4,810	4,665	(144)
Culture & Community Support	31	54	91	37
Total	1,303	22,276	21,456	(820)

The Culture & Community division outturn is an underspend of £820,000, an improvement of £2.122million from the position reported at Round 3.

There was a £558,000 underspend on Sport, Leisure, Tourism & Heritage, largely due to additional income from 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 was an additional £940,000 of income. This was offset by overspends on utilities costs across the various leisure centres.

Cultural Services overspent by £262,000, an improvement of £31,000 compared to the Round 3 forecast. The events programme overspent by £308,000 with the infrastructure and staging equipment costs being 30% in excess of the available budget allocation. These pressures were partially offset by additional income being generated at the Corn Exchange, which accounts for the improvement.

The Planning Service overspent by £1.082million, an improvement of £399,000. The overspend and improvement was driven by three main factors; £275,000 relating to the use of consultants for legal and specialist planning work, £279,000 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 £566,000.

The STG outturn is to budget, as projected in Round 3.

Strategic Housing underspent by £1.500million, the Homelessness budgets had an underlying overspend of £1.625million, due to an increase in households and a rise in the cost of placements. There were 520 temporary accommodation households at the end of March 2024 which was an increase from the 457 allowed for in the Round 3 forecast. However, this pressure was offset by savings across other parts of the service and through drawing down earmarked reserves relating to homelessness. In total Strategic Housing used £2.495million of earmarked reserves in 2023/24.

Libraries and Community Hubs underspent by £144,000 which is an improvement of £97,000 from the position reported at Round 3 due to reductions in staffing costs and on supplies and services budgets across all libraries.

The Culture and Community Support outturn is a pressure of £37,000, broadly in line with the Round 3 forecast and due to the savings target for vacancies being held centrally and the actual vacancy savings showing elsewhere in the division.

Director's Office	R3 Forecast Over/(Under) £000s	Budget 2023/24 £000s	Final Outturn £000s	Final Outturn Over/(Under) £000s
Director's Office	49	1,052	992	(60)
Total	49	1,052	992	(60)

The Director's Office underspent by £60,000, due to 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 was a pressure around the cost of specific Traveler incursions which reduced the overall overspend.

Front Line Services	R3 Forecast Over/(Under) £000s	Budget 2023/24 £000s	Final Outturn £000s	Final Outturn Over/(Under) £000s
Front Line Services Support	(93)	780	644	(136)
Highways	(2,355)	13,641	11,666	(1,975)
Parking Services	510	(4,657)	(4,581)	76
Environmental Services	67	29,418	29,153	(265)
Integrated Transport	(76)	7,472	7,401	(71)
Regulatory Services	(7)	2,568	2,422	(146)
Greenspaces	29	5,770	5,670	(100)
Total	(1,925)	54,992	52,374	(2,618)

The Front Line Services outturn is an underspend of £2.618million, an improvement of £693,000 compared to the position reported at Round 3.

Front Line Services Support underspent by £136,000, an improvement of £44,000 from the position reported at Round 3, due to reduced spend on staffing and supplies and services following the cessation of non-essential spend.

Highways underspent by £1.975million, a worsening of £381,000 from Round 3, as the Round 3 forecast reflected the assumption that more elements of the highways patching works could be funded through capital programme than was possible.

Parking Services overspent by £76,000, an improvement of £434,000 from Round 3 due to further improvements in the income levels achieved across both on and off-street parking.

The Environmental Services outturn is an underspend of £265,000, an improvement of £333,000 from Round 3. A net pressure of £86,000 on the HWRC has been offset by

underspends on Recycling and Refuse Collection, Waste Disposal costs, Environmental Protection and Sustainable Waste Management from staffing costs and additional grant funding across the services. The movement from Round 3 was due to improvements in both the HWRC and Recycling & Refuse Collection budgets, due to reductions in the contract payments for delivering the services and reduced spend on equipment & materials.

Integrated transport underspent by £71,000, broadly in line with projection at Round 3, as additional income from Street Closures was offset by additional costs on street works salaries and consultant costs and traffic signal repair works.

Regulatory Services underspent by £146,000, an improvement of £139,000 from the position reported at Round 3 due to an improvement in the income received through Bereavement services.

Greenspaces underspent by £100,000, an improvement of £129,000 from the position reported at Round 3 due to a reduction in the grounds maintenance costs.

Regeneration	R3 Forecast Over/(Under) £000s	Budget 2023/24 £000s	Final Outturn £000s	Final Outturn Over/(Under) £000s
Medway Norse	100	(8)	103	111
Property & Capital Projects	521	1,573	2,334	761
Regeneration Delivery	(20)	926	923	(3)
Valuation & Asset Management	558	(1,423)	(1,875)	(452)
Economic Development	(156)	742	583	(158)
Skills & Employability	51	333	311	(22)
Total	1,054	2,143	2,380	236

The Regeneration outturn is an overspend of £236,000, an improvement of £818,000 from the position reported at Round 3.

The Medway Norse Core Contract overspent by £111,000, broadly in line with the Round 3 forecast.

The Property & Capital Projects outturn position is a pressure of £761,000, a worsening of £240,000 from Round 3. The pressure and movement primarily relates to a shortfall on income budgets of £383,000 and overspends on Gun Wharf utilities and Kingsley House costs. Costs totalling £45,000 relate to the costs of enabling access following the discovery of RAAC at Gun Wharf for which there was no budget.

Regeneration Delivery outturn is broadly to budget, a worsening of £17,000 compared to the Round 3 forecast.

Valuation & Asset Management underspent by £452,000, an improvement of £1.010million compared to the Round 3 forecast, primarily relating to additional income and reduces costs at the Pentagon Centre, as the Future High Streets Fund budget will now fund the services charges in respect of the Innovation Hub.

Economic Development underspent by £158,000, broadly in line with the position reported at Round 3 and 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.

The Skills & Employability outturn is an underspend of £22,000, an improvement of £73,000 due to additional grant income being received.

8. Housing Revenue Account

Housing Revenue Account	R3 Forecast Over/(Under) £000s	Budget 2023/24 £000s	Final Outturn £000s	Final Outturn Over/(Under) £000s
Housing Revenue Account	(510)	(5)	(1,152)	(1,147)
Total	(510)	(5)	(1,152)	(1,147)

The Housing Revenue Account ended the year with a surplus of £1.147million, an improvement of £637,000 from the position reported at Round 3. The underspend was driven by lower capital financing costs as borrowing was not as high as budgeted for the decarbonisation initiative, a favourable variance on rental income and staff vacancy savings. The improvement was due to the cost of repairs and maintenance not being as high as previously projected with some works delayed until the 2024/25 financial year.

9. Business Support & Centralised Services

9.1. The Business Support Services outturn is an overspend of £907,000 which is an improvement of £989,000 compared to Round 3, while the Centralised Services outturn is an underspend of £1.202million, £78,000 worse than Round 3. The details of the outturn in each service area are set out in the tables below.

Communications & Marketing	R3 Forecast Over/(Under) £000s	Budget 2023/24 £000s	Final Outturn £000s	Final Outturn Over/(Under) £000s
Communications & Marketing	33	32	45	13
Total	33	32	45	13

The service overspent by £13,000, an improvement of £20,000 compared to the Round 3 with the pressure driven by the cessation on non-essential spend reducing income in to the service.

Corporate Management	R3 Forecast Over/(Under) £000s	Budget 2023/24 £000s	Final Outturn £000s	Final Outturn Over/(Under) £000s
Corporate Management	338	1,168	1,556	388
Total	338	1,168	1,556	388

The Corporate Management outturn is an overspend of £388,000, a worsening of £50,000 compared to the Round 3 projection. The pressure relates to a shortfall on the savings budgeted for across Business Support of £600,000, of which £200,000 relates to the planned corporate property rationalisation review; these have been addressed in the budget build for 2024/25. The movement from the Round 3 forecast is due to an increase in treasury expenses as it has been necessary to refinance a series of loans including one of the Council's Lender Option Borrower Option (LOBO) loans.

Finance & Business Improvement	R3 Forecast Over/(Under) £000s	Budget 2023/24 £000s	Final Outturn £000s	Final Outturn Over/(Under) £000s
Internal Audit & Counter Fraud	(49)	101	47	(54)
FBI Divisional Management Team	1	(16)	(15)	1
FBI - Finance	1,338	2,873	3,851	977
FBI - Information	(774)	1,799	860	(939)
FBI - Organisational Culture	(39)	(293)	(759)	(466)
Total	478	4,464	3,984	(481)

The Finance & Business Improvement divisional outturn is an underspend of £481,000, an improvement of £959,000 from the position reported at Round 3.

The overspend of £977,000 on Finance relates to the Benefits Subsidy, as local authorities are not fully subsidised for the types of claims that remain after the rollout of Universal Credit,

however the outturn position was a £200,000 improvement compared to the Round 3 forecast.

The Information outturn is an underspend of £939,000, an improvement of £165,000 compared to the Round 3 forecast. The underspend is due to a decision not to action the annual budgeted contribution of £500,000 to the ICT renewals fund and savings on software contracts, with the improvement arising from additional income from external organisations and further savings on contract expenditure.

The Organisational Culture outturn is an underspend of £466,000, an improvement of £427,000 compared to the Round 3 forecast. The movement primarily relates to an additional £300,000 of rebate income from recruitment agencies due to the significant growth in the number of agencies being used via the framework in place, alongside further staff vacancy savings.

The Internal Audit outturn is an underspend of £54,000, broadly in line with the Round 3 forecast relating to staff vacancy savings. The outturn on the Divisional Management Team is to budget.

Legal & Governance	R3 Forecast Over/(Under) £000s	Budget 2023/24 £000s	Final Outturn £000s	Final Outturn Over/(Under) £000s
Democratic Services	(46)	614	559	(55)
Members & Elections	144	1,902	2,045	143
Category Management	(7)	0	(7)	(7)
Legal, Land Charges & Licensing	957	(322)	584	906
Total	1,047	2,194	3,180	986

The divisional outturn is an overspend of £986,000, a improvement of £61,000 compared to the Round 3 forecast.

Legal, Land Charges and Licencing overspent by £906,000, due to high levels of expensive locum/agency staff in place during the year required to cover the caseload, and the decision of Full Council on 19 October 2023 to restructure and increase the permanent staffing establishment in the service. The improvement of £51,000 compared to Round 3 is due to staff vacancy savings and the cessation of non-essential spend.

Members and Elections overspent by £143,000, in line with the Round 3 forecast due to the increase in Members' Allowances rates and the number of Members increasing from 55 to 59.

The Democratic Services outturn is an underspend of £55,000, an improvement of £9,000 compared to the Round 3 forecast due to staff vacancy savings.

Centralised Services	R3 Forecast Over/(Under) £000s	Budget 2023/24 £000s	Final Outturn £000s	Final Outturn Over/(Under) £000s
Central Accounts	0	(17,361)	(17,361)	0
Interest & Financing	(1,536)	15,300	13,939	(1,361)
Levies	(3)	1,796	1,769	(27)
Medway Norse Profit Share	259	(433)	(247)	186
Total	(1,280)	(699)	(1,901)	(1,202)

The collective outturn on Centralised Services is an underspend of £1.202million.

There was an underspend of £27,000 relating to Levies, an improvement of £24,000 as the Coroners Service charge from Kent County Council to Medway was lower than projected.

The Medway Norse rebate was a pressure of £186,000, an improvement of £73,000 compared to the Round 3 forecast.

The Interest & Financing budget funds the cost of borrowing required to support the Council's capital programme and was underspent by £1.361million, a worsening of £175,000 from the

position reported at Round 3 due to the increased requirement to borrow to refinance one of the Council's Lender Option Borrower Option (LOBO) loans.

10. Additional Government Support

Additional Government Support Expenditure	R3 Forecast Over/(Under) £000s	Budget 2023/24 £000s	Final Outturn £000s	Final Outturn Over/(Under) £000s
Household Support Grant	0	4,525	4,525	0
Energy Rebate Scheme (Council Tax Support for Energy Bills)	0	128	128	0
Homes for Ukraine	0	864	864	0
Total	0	5,516	5,516	0

All additional government support grants were spent to budget.

11. Funding

11.1. There is a £1.025million surplus of income compared to the budget, an improvement of £529,000 compared to the Round 3 forecast. This is due to the government's decision to distribute the surplus on the national Business Rates Levy Account, with Medway Council's share for 2023/24 of £404,000. The government also announced retrospective grant funding of £125,000 relating to the Green Plant and Machinery business rates relief awarded for 2022/23 and 2023/24.

12. Capital Outturn

12.1. The capital programme year end position is shown in the table below. A carry forward budget of £251.864million is committed on existing schemes and will be added to the new schemes agreed by Council on 29 February 2024. The outturn represents an underspend against the 2023/24 agreed budget of £36.551million, arising from the decision to pause the Innovation Park Medway schemes, as agreed by Cabinet in February 2024.

Directorate	2023/24 Budget	2023/24 Outturn	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast	Outturn/Forecast Variance
	£000s	£000s	£000s	£000s	£000s	£000s
Children and Adults	41,581	9,455	31,623	400	0	(103)
Regeneration, Culture and Environment	239,105	44,125	106,334	45,688	6,517	(36,441)
Housing Revenue Account	38,298	10,582	24,231	3,486	0	0
Business Support Department	471	41	430	0	0	(1)
Members Priorities	81	75	0	0	0	(6)
Total	319,537	64,278	162,618	49,574	6,517	(36,551)

12.2. The outturn on the Children and Adults programme is an underspend of £103,000, primarily arising from the SEND programme. The Abbey Court and

Bradfields school schemes delivered an underspend of £102,000 through project efficiencies and value engineering, as projected in the budget monitoring. The completion of the Halling project resulted in the Basic Needs Primary schemes delivering an underspend of £1,000. The remaining budget will be removed from the capital programme.

- 12.3. The outturn on the Regeneration, Culture and Environment programme is an underspend of £36.441million, primarily due to the decision of the Cabinet in February 2024 to pause expenditure on the Innovation Park Medway scheme whilst options are considered for the future of the project representing an underspend of £32.930million; this will not be removed from the budget until a further formal decision of the Cabinet to do so.
- 12.4. As reported in the budget monitoring, following a dispute with the contractor the final sum has been agreed in relation to the Operational Depot Scheme, which is £430,000 over the agreed budget. The Cabinet is therefore asked to recommend to Council to add £430,000 to the capital programme, funded from prudential borrowing, to fund this overspend.
- 12.5. There is also an underspend of £2.978million on corporate property, as reported in the budget monitoring. Of this, a £2.951million underspend on the Climate change Phase 2 Refit programme has arisen as the Council has not secured match funding and will not therefore be able to claim a Salix grant of this value. This scheme will now not proceed and will be removed from the Capital Programme.
- 12.6. There is also an underspend of £27,000 on the Rochester Pier Salvage scheme, which delivered a saving due to project efficiencies and the remaining budget will be removed from the capital programme.
- 12.7. There is an underspend of £924,000 on the Medway Development Company (MDC) schemes remaining in the Capital Programme. This primarily relates to an underspend of £929,000 on the Mountbatten House Project scheme. MDC will purchase the site from the Council and the scheme will be funded through borrowing from the Council as with the rest of their activities. The scheme will therefore be removed from the Council's Capital Programme.
- 12.8. There is an overspend of £4,655 on the Mountbatten House Purchase scheme, due to ongoing costs in preparing the building for sale to Medway Development Company. The Cabinet is therefore asked to recommend to Council to add £4,655 to the capital programme, funded from prudential borrowing. The service will be reporting to a future meeting of Cabinet seeking a further budget addition for ongoing costs.
- 12.9. Finally, there is an underspend of £39,000 on the Housing Infrastructure Fund scheme; the final grant claim has been submitted and all expenditure now incurred and accounted for. The remaining budget will be removed from the Capital programme.
- 12.10. The outturn on the Housing Revenue Account programme is to budget.

- 12.11. The outturn on the Business Support programme is an underspend of £659 against the grant received for the Individual Electoral Register scheme. As the capital scheme is now complete the remaining grant will be transferred to revenue to be drawn down against future expenditure incurred on this scheme, using the delegation of the Chief Operating Officer.
- 12.12. The outturn on the Members Priority programme is an underspend of £6,000, as the Halling Palace scheme has not been able to proceed as Heritage England have not provided consent to the project. The remaining budget will be removed from the capital programme.
- 12.13. All unused approved budgets for continuing schemes will be carried forward to the new financial year where funding streams allow with an update reported to the Cabinet with the first round of budget monitoring in August 2024. However a small number of completed schemes that have a small budget remaining, funded by s106 developer contribution or grant, have been transferred to revenue so that any remaining revenue expenditure attributed to the schemes and allowed by the conditions of the grant or developer contribution can be drawn down.

13. Reserves

- 13.1. As at March 2023 the Council had non-earmarked general fund reserves of £10.238million available to it; a modest increase on the £10.155million previously reported following the completion of the work to produce the 2022/23 and 2023/24 Statement of Accounts. A review of the Council's earmarked reserves was 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. In February 2024 alongside the budget, Council agreed that these sums be declassified to increase general reserves to a projected £15.965million.
- 13.2. A further review of earmarked reserves and provisions has identified a series of relatively small balances (all below £250,000) which no longer need to be held for the purpose they were created, totalling £807,000. These have been declassified and transferred to general reserves using the delegation of the Chief Executive. Following this exercise, the Council's general reserves balance stands at £16.772million.
- 13.3. In order to fund the Outturn position for 2023/24 the Council must use a total of £6.706million of the available reserves; taking the balance to £10.065million, above the minimum level of £10million set by the Section 151 Officer.

14. Irrecoverable Debt written off in 2023/24

- 14.1. Chapter 3, Part 5, section 5.4 of the Council's Constitution sets out the financial limits in place with respect to writing off irrecoverable debts, with Directors having authority to write off debts relating to the services which are

their responsibility of up to £5,000. The Chief Operating Officer has authority to write off debts as follows:

- Council Tax – within the approved provision held within the accounts,
- Business Rates – within the approved provision held within the accounts,
- Other debts of the Council – up to £25,000 in consultation with the director responsible for services to which the debt relates.

The rules also require a report to be submitted to Cabinet on an annual basis setting out details of all debt written off, and as such the required information is presented below:

Debt Written Off 2021/22 to 2023/24

Debt Category	2021/22		2022/23		2023/24	
	Raised	Raised	Raised	Written Off	Raised	Written Off
	£000s	£000s	£000s	£000s	£000s	£000s
Council tax ¹	164,509	1,470	171,336	1,979	181,835	1,448
Business Rates ¹	78,476	436	90,177	783	93,493	1,120
Housing Benefit Overpayments ¹	2,301	281	2,283	83	1,993	321
Housing ¹	14,102	51	14,463	103	15,963	47
Temporary Accommodation ²	2,820	100	2,464	50	3,013	9
Penalty Charge Notices (PCN's) ³	3,901	299	3,844	215	4,601	198
Sundry Debt ^{4 & 5}	46,490	6	55,576	26	28,059	14
Adult Social Care ⁴	16,721	40	17,290	2	21,596	4
Total	329,320	2,683	357,433	3,241	350,553	3,161

1) Amounts written off each year are cumulative, including amounts raised in previous years.

2) Temporary Accommodation moved from being raised as a Sundry Debt to on the Housing database (Academy) from 2020/21.

3) PCNs are 'cancelled' rather than written off but included here for transparency. (Excludes Moving Traffic Enforcement) and school streets warning notices.)

4) Amounts written off relate only to debt raised in those years (not the total debt written off within the period).

5) The level of sundry debt raised was reduced significantly for 2023/24 primarily due to a change in the accounting treatment for NHS contributions to social care and public health.

15. Risk management

Risk	Description	Action to avoid or mitigate risk	Risk rating
Financial resilience	Closing the 2023/24 accounts requires the use of a significant proportion of the available general reserves. This may impact the Council's financial resilience as it may now be less able to withstand budgetary pressures.	Close monitoring of the Council's budget forecast and enhanced monitoring of reserves and other financial resilience measures being introduced in 2024/25.	BII

Risk	Description	Action to avoid or mitigate risk	Risk rating
Inherent budget pressures	The 2023/24 outturn includes pressures in a range of services that are likely to be ongoing into 2024/25; these may have not been adequately addressed in the budget for next year.	Close monitoring of the Council's budget forecast, and work to develop the budget for 2025/26 and beyond is beginning early in 2024/25.	BII
Likelihood		Impact:	
A Very likely		I Catastrophic	
B Likely		II Major	
C Unlikely		III Moderate	
D Rare		IV Minor	

16. Financial implications

- 16.1. The 2023/24 budget set in February 2023 was balanced without the use of general reserves, though it assumed the use of £2.985million from earmarked reserves to fund the cost of services for the year.
- 16.2. The 2023/24 outturn represents a net overspend on the cost of services for Children & Adults of £11.289million and on Business Support of £907,000, partially offset by net underspends on the cost of Regeneration, Culture and Environment of £3.262million and on Centralised Services of £1.202million. The redistribution of the central Business Rates Levy Account and additional government grant funding relating to Business Rate Reliefs granted in respect of Green Plant and Machinery resulted in a favourable variance on the Council's funding of £1.025million.
- 16.3. As set out in section 13 of this report, the 2023/24 Outturn position requires the use of £6.706million of general reserves, however the declassification of further balances on earmarked reserves and provisions means the Council's general reserve balance as at 31 March 2024 will be £10.065million, above the minimum level of £10million set by the Section 151 Officer.

17. Legal and constitutional implications

- 17.1. 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.
- 17.2. 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."

- 17.3. 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.
- 17.4. 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.
- 17.5. 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
- 17.6. 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.
- 17.7. 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.
- 17.8. Chapter 3, Part 5, section 5.4 of the Council's Constitution sets out the financial limits in place with respect to writing off irrecoverable debts, with Directors having authority to write off debts relating to the services which are their responsibility of up to £5,000. The Chief Operating Officer has authority to write off debts as follows:
- Council Tax – within the approved provision held within the accounts,
 - Business Rates – within the approved provision held within the accounts,

- Other debts of the Council – up to £25,000 in consultation with the director responsible for services to which the debt relates.

The rules also require a report to be submitted to Cabinet on an annual basis setting out details of all debt written off. Requests for debt to be written off beyond the delegated authority set out above are a matter for the Cabinet.

Lead officer contact

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

Appendices

None

Background papers

None