

Business Support & Digital Overview and Scrutiny Committee

21 August 2024

Revenue Budget Monitoring – Round 1 2024/25

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Summary

This report presents the results of the first round of the Council's revenue budget monitoring process for 2024/25. The Council's summary position is presented in section 5, with sections 6 and 7 providing the detail for the service areas within the remit of this committee.

1. Recommendations

- 1.1. The Committee is asked to note the results of the first round of revenue budget monitoring for 2024/25.
- 1.2. The Committee is asked to note that Cabinet instructed the Corporate Management Team to implement urgent actions to bring expenditure back within the budget agreed by Full Council.

2. Budget and policy framework

- 2.1. Cabinet is responsible for ensuring that income and expenditure remain within the budget approved by Council. Budget virements are subject to the financial limits contained in part 5 of chapter 3 of the Council's Constitution.

3. Background

- 3.1. At its meeting on 23 February 2023, the Council set a total budget requirement of £438.569million for 2024/25. Since then additional grant funding has been confirmed, primarily the Household Support Fund. The net impact of these amendments takes the Round 1 budget requirement to a total of £440.551million.
- 3.2. This report presents the results of the first round of revenue budget monitoring 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 2024/25

4.1. The forecast outturn for 2024/25 represents a pressure of £16.473million.

Directorate	2023/24 Outturn £000's	2024/25 Budget R1 £000's	R1 Forecast £000's	R1 Forecast Over/(Under) £000's
<i>Budget requirement:</i>				
Children and Adult Services	307,958	336,672	348,392	11,720
Regeneration, Culture and Environment	62,462	70,332	73,476	3,144
Business Support Department	6,624	8,133	8,134	1
Business Support Centralised Services:				
Interest & Financing	13,943	19,211	19,064	(147)
Corporate Management	3,312	3,941	5,695	1,755
Additional Government Support Grant Expenditure	5,516	2,262	2,262	0
Budget Requirement	399,815	440,551	457,024	16,473
<i>Funded by:</i>				
Council Tax	(148,883)	(158,462)	(158,462)	0
Retained Business Rates & Baseline Need Funding	(65,464)	(74,499)	(74,499)	0
Government Grants - Non Ringfenced	(9,258)	(8,129)	(8,129)	0
New Homes Bonus	(1,998)	(1,573)	(1,573)	0
Dedicated Schools Grant	(105,712)	(122,220)	(122,220)	0
Other School Grants	(5,098)	(4,883)	(4,883)	0
Adult Social Care Grants	(26,646)	(32,151)	(32,151)	0
CSC Grants	(140)	(197)	(197)	0
Public Health Grant	(18,733)	(19,037)	(19,037)	0
Use of Reserves	(2,985)	0	0	0
Additional Government Support Ringfenced Grant Income	(8,191)	(4,656)	(4,656)	0
Exceptional Financial support	0	(14,742)	(14,742)	0
Total Available Funding	(393,109)	(440,551)	(440,551)	0
Net Forecast Variance	6,706	0	16,473	16,473

5. Business Support & Centralised Services

5.1. The Business Support Services forecast is an overspend of £1,000, while the Centralised Services forecast is an underspend of £1.607million, bringing the overall forecast to an overspend of £1.608million. The details of the forecasts in each service area are set out in the tables below.

Communications & Marketing	2023/24 Outturn £000's	2024/25 Budget R1 £000's	R1 Forecast £000's	R1 Forecast Over/(Under) £000's
Communications & Marketing	36	29	26	(3)
Total	36	29	26	(3)

The service is forecasting a minor underspend of £3,000 due to vacancy savings offset by lower than budgeted income.

Divisional Management Team	2023/24 Outturn £000's	2024/25 Budget R1 £000's	R1 Forecast £000's	R1 Forecast Over/(Under) £000's
Divisional Management Team	8	0	25	25
Total	8	0	25	25

The service is forecasting a small overspend of £25,000 due to a pressure on the staffing budget which will be corrected once a budget transfer has been actioned.

Finance & Business Improvement	2023/24 Outturn £000's	2024/25 Budget R1 £000's	R1 Forecast £000's	R1 Forecast Over/(Under) £000's
Internal Audit & Counter Fraud	47	0	(35)	(35)
FBI Divisional Management Team	(15)	0	8	8
FBI - Finance	3,851	4,387	4,279	(108)
FBI - Information	282	1,138	1,045	(94)
FBI - Organisational Culture	(759)	(125)	(190)	(65)
Total	3,406	5,400	5,106	(294)

The Finance & Business Improvement division forecast is an underspend of £294,000.

The Finance forecast (which includes Accountancy, Revenues, Benefits and Debt) is an underspend of £108,000 primarily driven by vacancy savings across the teams, offset by increased costs associated with a number of ICT systems and contracts in excess of the budget allocations.

The Information forecast (which includes Technology, Customer Experience and Digital) is an underspend of £94,000. There is a pressure on CCTV services of £88,000 though work is ongoing to implement changes to achieve the required level of savings. That overspend is offset by an underspend on Customer & Business Support (CABS) of £118,000 due to vacancy savings along with vacancy savings across a number of other teams.

The Organisational Culture forecast (which includes HR, Payroll and Council Plan service areas) is an underspend of £65,000. This is due to a mixture of income targets not being achieved (including from schools) offset by additional income from agencies.

Legal & Governance	2023/24 Outturn £000's	2024/25 Budget R1 £000's	R1 Forecast £000's	R1 Forecast Over/(Under) £000's
Democratic Services	559	651	639	(11)

Members & Elections	2,039	2,231	2,234	2
Category Management	(7)	0	(9)	(9)
Legal, Land Charges & Licensing	584	(179)	113	291
Total	3,174	2,704	2,977	273

The divisional forecast is an overspend of £273,000.

Legal, Land Charges and Licensing are forecast to overspend by £291,000. This is comprised of a £649,000 underspend on permanent staff as new posts agreed in the budget are not yet all in post, offset by an overspend of £808,000 on agency staffing to deliver the caseload.

Centralised Services	2023/24 Outturn £000's	2024/25 Budget R1 £000's	R1 Forecast £000's	R1 Forecast Over/(Under) £000's
Interest & Financing	13,943	19,211	19,064	(147)
Levies	1,769	1,892	1,892	0
Corporate Management	1,548	2,048	3,803	1,755
Total	17,259	23,151	24,759	1,607

Collectively, Centralised Services are forecast to overspend of £1.607million.

The Interest & Financing budget funds the cost of borrowing required to support the Council's capital programme and is projected to underspend by £147,000, as the interest earned on the loans to Medway Development Company PRS is higher than the interest payable on the borrowing to fund it.

The Corporate Management overspend relates to Medway 2.0 and the Transformation Roadmap, and reflects the CMT agreed spend against budget as an underspend, offset by the £2million savings target held here until savings are identified across the Council's budgets to deliver this.

6. Additional Government Support

Additional Government Support Expenditure	2023/24 Outturn £000's	2024/25 Budget R1 £000's	R1 Forecast £000's	R1 Forecast Over/(Under) £000's
Household Support Grant	4,525	2,262	2,262	0
Homes for Ukraine	864	0	0	0
Total	5,389	2,262	2,262	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. Conclusions

7.1. The first round of revenue budget monitoring for 2024/25 projects an overspend of £16.473million.

8. 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	AI

Risk	Description	Action to avoid or mitigate risk	Risk rating
		overspending against the agreed budget.	
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 £3million reserve created to fund any shortfall.	Close monitoring of demand for service to identify pressures early, robust budget monitoring.	All
Likelihood		Impact:	
A Very likely B Likely		I Catastrophic II Major	

C Unlikely D Rare	III Moderate IV Minor
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9. Financial implications

- 9.1. The first round of revenue budget monitoring for 2023/24 projects an overspend of £16.473million. As reported to the Cabinet in June in the Capital and Revenue Budget Outturn for 2023/24, the Council's general reserves currently stand at £10.065million. The Council would not therefore be in a position to fund an overspend on the scale of that currently projected.
- 9.2. It will now be necessary for the Council's senior managers and elected Members to implement urgent actions 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.

10. Legal implications

- 10.1. 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.
- 10.2. 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."
- 10.3. 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.

10.4. 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.

10.5. 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.

10.6. 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.

10.7. 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