

Health and Social Care Overview and Scrutiny Committee

20 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. Recommendation

1.1. The Committee is asked to note the results of the first round of revenue budget monitoring for 2024/25.

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. Children and Adults

5.1. The Directorate forecast is a pressure of £11.720million, with details of the forecasts in each service area in the Directorate set out in the tables below.

Adult Social Care	2023/24 Outturn £000's	2024/25 Budget R1 £000's	R1 Forecast £000's	R1 Forecast Over/(Under) £000's
Assistant Director Adult Social Care	(3,048)	(6,376)	(5,259)	1,117
Locality Services	93,409	100,724	106,030	5,306
Business Operations & Provider Services	4,377	5,292	5,786	495
Specialist Services/Principal Social Worker	1,853	2,057	2,481	423
Total	96,591	101,698	109,038	7,341

The Adult Social Care forecast is an overall pressure of £7.341million.

The forecast reflects the impact on placement costs of continuing demographic pressures, increases to the cost of packages and the increased level of complex needs for some of our new clients compared to the levels assumed in the budget. Activity/client data indicates pressures are primarily driven by supported living disability services and homecare for older people, though work is ongoing to deliver the savings targets agreed in the budget and later rounds of monitoring will reflect the impact of this work as savings are delivered.

In previous years forecasts have been based on spend data from the financial system and were led by the Accountancy team and agreed with the service. Instead, for 2024/25 the forecasts have been produced by the service directly, based on activity/client data from the Social Care software system, Mosaic. The service forecast is broadly in line with the projections of the Accountancy team based on early indications on spend, however there is an element of risk in the position declared as the new resources and ways of working agreed in the 2024/25 budget will take time to fully bed in.

Medway's Care Quality Commission inspection site visit has been confirmed for August, impacting the service workload and priorities ahead of the inspection and represents a risk to the budget forecast.

Directorate Management Team	2023/24 Outturn £000's	2024/25 Budget R1 £000's	R1 Forecast £000's	R1 Forecast Over/(Under) £000's
Directorate Management Team	600	4,385	4,347	(38)
Total	600	4,385	4,347	(38)

The Directorate Management Team is forecast to underspend by £38,000 on staffing arising from the appointment of the new Assistant Director for Children's Services.

Partnership Commissioning & Business Intelligence	2023/24 Outturn £000's	2024/25 Budget R1 £000's	R1 Forecast £000's	R1 Forecast Over/(Under) £000's
Adults Commissioning	393	515	519	5
Children's Commissioning	1,515	1,721	1,664	(57)
C&A Performance & Intelligence	531	564	556	(8)
Total	2,439	2,800	2,740	(61)

The forecast on the Partnership Commissioning and Business Intelligence teams is a net underspend of £61,000, due to savings on forecasted contract payments.

Public Health	2023/24 Outturn £000's	2024/25 Budget R1 £000's	R1 Forecast £000's	R1 Forecast Over/(Under) £000's
Public Health Management	1,775	1,221	1,259	37
Health Improvement Programmes	3,702	4,196	4,161	(35)
Stop Smoking Services	751	845	808	(37)
Supporting Healthy Weight	1,511	1,519	1,650	132
Substance Misuse	2,136	2,136	2,138	2
Child Health	5,234	5,485	5,387	(98)
Total	15,109	15,403	15,403	0

Public Health services are forecast to budget. Contracted Services continue to come under increasing cost pressures due to NHS uplifts not being funded through increase to Public Health Grant.

Additional Government Grants	2023/24 Outturn £000's	2024/25 Budget R1 £000's	R1 Forecast £000's	R1 Forecast Over/(Under) £000's
Start 4 Life Funding	1,514	1,232	1,232	0
Holiday Activity Fund	1,187	1,162	1,162	0
Total	2,701	2,394	2,394	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. A multi-agency working group has been established to oversee planning and delivery of the programme. The first tranche of year one funding was received in February 2023 and work is underway to recruit a transformation team to get the project mobilized. The budget shown for 2024/25 represents the annual allocation.

The 2024/25 allocation for the Holiday, Activities and Food program in Medway is £1.162million. This will mainly fund activities over the Easter and summer holidays, with the remainder used to fund a further programme for the October and Christmas breaks.

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 the 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 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 B Likely C Unlikely D Rare		I Catastrophic II Major III Moderate IV Minor	

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