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## **Regeneration Culture & Environment Overview and Scrutiny Committee**

**15 August 2024**

### **Revenue Budget Monitoring – Round 1 2024/25**

Report from: Phil Watts, Chief Operating Officer (S151 Officer)

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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 6-8 providing the detail for the service areas within the remit of this committee.

#### **1. Recommendations**

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

#### **2. Suggested reasons for decision(s)**

- 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, including instructing corrective action to prevent any forecast overspend from materialising.

#### **3. Budget and policy framework**

- 3.1. 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.

#### **4. Background**

- 4.1. 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.

- 4.2. 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.

## 5. Summary Revenue Budget Forecast Position 2024/25

- 5.1. 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
<b>Budget Requirement</b>	<b>399,815</b>	<b>440,551</b>	<b>457,024</b>	<b>16,473</b>
<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
<b>Total Available Funding</b>	<b>(393,109)</b>	<b>(440,551)</b>	<b>(440,551)</b>	<b>0</b>
<b>Net Forecast Variance</b>	<b>6,706</b>	<b>0</b>	<b>16,473</b>	<b>16,473</b>

## 6. Regeneration, Culture and Environment

6.1. The Directorate forecast is an overspend of £3.144million. Details of the forecasts in each service area are set out in the tables below.

Culture & Community	2023/24 Outturn £000's	2024/25 Budget R1 £000's	R1 Forecast £000's	R1 Forecast Over/(Under) £000's
Sport, Leisure, Tourism & Heritage	3,380	4,112	4,018	(94)
Cultural Services	2,351	2,137	2,102	(34)
Planning	2,427	2,216	2,331	115
South Thames Gateway Partnership	135	135	142	7
Strategic Housing	3,878	6,308	9,189	2,881
Libraries & Community Hubs	4,389	4,818	4,774	(44)
Culture & Community Support	91	73	68	(4)
<b>Total</b>	<b>16,652</b>	<b>19,797</b>	<b>22,624</b>	<b>2,827</b>

The Culture & Community division forecast is a net overspend of £2.827million.

There is a £2.881million pressure projected on Temporary Accommodation as the number of Homeless presentations remains high and the cost of private sector accommodation has increased by 20%, exceeding the budget expectations and the LGA recently reported that the proportion of Council budgets spend on Homelessness/Temporary Accommodation has tripled since 2015. While good progress is being made on the programme of purchasing Council Temporary Accommodation stock, the service do not expect a significant impact will be realised until Q3 of 2024/25 and this is reflected in the forecast.

There is a £115,000 pressure on the Planning service due to the projected cost of the accelerated delivery of the Local plan.

There is a projected underspend of £94,000 on Sport, Leisure, Tourism & Heritage largely due to underspends on staffing, supplies and services budgets across heritage sites.

Director's Office	2023/24 Outturn £000's	2024/25 Budget R1 £000's	R1 Forecast £000's	R1 Forecast Over/(Under) £000's
Director's Office	959	2,067	2,033	(34)
<b>Total</b>	<b>959</b>	<b>2,067</b>	<b>2,033</b>	<b>(34)</b>

The Director's Office is forecast to underspend by £34,000 relating to underspends on staffing budgets and also savings on utilities costs in Public Conveniences.

Front Line Services	2023/24 Outturn £000's	2024/25 Budget R1 £000's	R1 Forecast £000's	R1 Forecast Over/(Under) £000's
Front Line Services Support	644	851	889	38
Highways	4,394	5,873	5,463	(410)
Parking Services	(4,831)	(6,670)	(6,704)	(35)
Environmental Services	29,093	31,408	31,588	179
Integrated Transport	7,246	7,600	7,658	58
Regulatory Services	2,149	2,701	2,748	47
Greenspaces	5,287	5,740	5,681	(59)
<b>Total</b>	<b>43,982</b>	<b>47,503</b>	<b>47,323</b>	<b>(181)</b>

The Front Line Services division is forecast to underspend by £181,000.

Highways is forecast to underspend by £410,000 as a pressure of £100,000 on Highways patching is more than mitigated by underspends on electricity costs for street lighting and additional income from additional income from charges to capital schemes.

Parking Services is forecasting a net underspend of £35,000 as a projected shortfall in income of £328,000 on the Safer, Healthier Streets programme is offset by additional income above budgeted levels from Parking of £363,000.

The Environmental Services forecast is an overspend of £179,000, due to an increase in organic waste and as breakdowns at the energy recovery facility mean landfill has been used for the first time in two years.

Regeneration	2023/24 Outturn £000's	2024/25 Budget R1 £000's	R1 Forecast £000's	R1 Forecast Over/(Under) £000's
Medway Norse	103	0	157	157
Property & Capital Projects	1,949	1,447	1,729	284
Regeneration Delivery	900	951	982	31
Valuation & Asset Management	(2,589)	(1,915)	(1,971)	(56)
Economic Development	511	542	565	23
Skills & Employability	223	373	340	(33)
<b>Total</b>	<b>1,097</b>	<b>1,397</b>	<b>1,802</b>	<b>405</b>

The Regeneration division forecast is a net pressure of £405,000.

The Medway Norse Core Contract is projected to overspend by £157,000 as the planned savings arising from a review/renegotiation of Facilities Management have not been achieved.

The Property & Capital Projects forecast is a net pressure of £284,000 as a forecast shortfall of £518,000 on income from capital schemes is offset by savings on permanent staff budgets.

Medway Norse Profit Share	2023/24 Outturn £000's	2024/25 Budget R1 £000's	R1 Forecast £000's	R1 Forecast Over/(Under) £000's
Medway Norse Profit Share	(247)	(433)	(305)	128
<b>Total</b>	<b>(247)</b>	<b>(433)</b>	<b>(305)</b>	<b>128</b>

The Medway Norse profit share is currently forecast to be £128,000 lower than budgeted.

## 7. Housing Revenue Account

Housing Revenue Account	2023/24 Outturn £000's	2024/25 Budget R1 £000's	R1 Forecast £000's	R1 Forecast Over/(Under) £000's
Housing Revenue Account	(1,152)	0	(218)	(218)
<b>Total</b>	<b>(1,152)</b>	<b>0</b>	<b>(218)</b>	<b>(218)</b>

The Housing Revenue Account forecast is an underspend of £218,000. The forecast reflects small pressures across Homes for Independent Living and Housing Maintenance. The overspend in these areas are offset by vacancy savings in tenancy services, primarily due to the Head of Tenant Service post being vacant. The rental income forecast includes the rent and service charge income as well as recharged expenditure, each forecast has been based upon actual income to date which is favourable to the budget.

## 8. Additional Government Support

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

All additional government support grants are currently forecast to be fully spent. Budget in respect of Homes for Ukraine scheme will be added throughout the year under the delegation of the Chief Operating Officer as funding is received.

## 9. Conclusions

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

## 10. Risk management

<b>Risk</b>	<b>Description</b>	<b>Action to avoid or mitigate risk</b>	<b>Risk rating</b>
The Council overspends against the agreed budget	Overspends on budget would need to be met from the Council's limited reserves.	The revenue monitoring process is designed to identify and facilitate management action to mitigate the risk of overspending against the agreed budget.	AI
Impact on service delivery	An overspend that cannot be funded from reserves could result in a diminution of the scale and quality of services that the Council is able to deliver.	Ensuring investment is prioritised to statutory services and key priorities, reviewing and reducing non-essential spend and maximising income.	All
Reputational damage	The challenging financial position of the Council, driven by increased demand for statutory services beyond available funding, could be misconstrued or reported as poor management or leadership, reducing the trust and confidence of residents, partners and regulators.	Clear communications with all interested parties on the cause of the financial position, lobbying the government for an improved funding settlement for local government, including implementation of the fair funding review.	BII
Demographic Growth	Further demographic pressures may surface across our social care services above those assumed in the budget.	Close monitoring of demand for service to identify pressures early, robust budget monitoring.	All

<b>Risk</b>	<b>Description</b>	<b>Action to avoid or mitigate risk</b>	<b>Risk rating</b>
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
<b>Likelihood</b>		<b>Impact:</b>	
A Very likely B Likely C Unlikely D Rare		I Catastrophic II Major III Moderate IV Minor	

## 11. Financial implications

- 11.1. 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.
- 11.2. 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.

## 12. Legal implications

- 12.1. 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.

- 12.2. 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."
- 12.3. 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.
- 12.4. 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.
- 12.5. 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
- 12.6. 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.
- 12.7. If the council is not minded to agree a supplementary revenue estimate, then the Cabinet is required to operate with the approved estimate. If that necessitates revisions of policies or service standards, then unless those matters are delegated to officers, it is matter for Cabinet to determine those matters.

## Lead officer contact

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## Appendices

None

## Background papers

None