

## **Cabinet**

**19 November 2024**

### **Revenue Budget Monitoring – Round 2 2024/25**

Portfolio Holder: Councillor Vince Maple, Leader of the Council  
Report from: Phil Watts, Chief Operating Officer (S151 Officer)  
Authors: Katey Durkin, Chief Finance Officer  
David Reynolds, Head of Revenue Accounts

#### **Summary**

This report presents the results of the second round of the Council's revenue budget monitoring process for 2024/25. The Council's summary position is presented in section 5 of the report, with sections 6-10 providing the detail for each service area.

#### **1. Recommendations**

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

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

- 2.1. The Full Council is responsible for agreeing a balanced budget in advance of each financial year. The 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. The 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 29 February 2024, the Council set a total budget requirement of £438.569 million for 2024/25. Since then, a number of changes to grant funding have been confirmed, primarily the Household Support Fund and in relation to various schools funding allocations. The net impact of these

amendments takes the round two budget requirement to a total of £436.239million.

- 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.
- 4.3. In previous financial years, the Council has carried out budget monitoring and reported the results to Members on a quarterly basis only. In 2023 the Council commissioned the Chartered Institute of Public Finance and Accountancy (CIPFA) to conduct a Financial Resilience Review, and the report recommended that "more frequent (monthly) forecasting would provide a more robust foundation for financial management especially given the size of the challenge facing Medway moving forward".
- 4.4. In response to this recommendation, from the beginning of the 2024/25 financial year, the Council has implemented a monthly revenue budget monitoring process. Each month budget and service managers are presented with the latest data on income, expenditure and commitments and are using this to update the forecast outturn position for their services. The results of each monthly monitoring are shared in full with Directorate Management Teams at a highly summarised level focussing on risks. Required actions are reported each month to the Corporate Management Team for discussion with Cabinet Portfolio Holders as appropriate. Public reporting of the monitoring via these Cabinet reports remains at quarterly intervals, to enable the accountancy teams to work with services on a rolling programme of activity to check and challenge the forecasts, to ensure all key budget lines have been validated ahead of reporting to Members.
- 4.5. To ensure available resources and effort are directed to the highest areas of risk, our monitoring of the capital programme and the Housing Revenue Account have remained on a quarterly basis, as expenditure and income are more stable and projections change less frequently in these areas. Both revenue and capital monitoring reports are scheduled for 2024/25 as follows Round 1 reported to Cabinet in July 2024; Round 2 reported to Cabinet in November 2024; Round 3 reported to Cabinet in February 2025; and the Outturn reported to Cabinet in June 2025.

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

5.1. The forecast outturn for 2024/25 represents a pressure of £11.221million, an improvement of £5.252million from the position reported at Round 1.

Directorate	2024/25 R1 Forecast variance £000's	2024/25 R2 Budget £000's	2024/25 R2 Forecast £000's	2024/25 R2 Forecast variance £000's
<i>Budget requirement:</i>				
Children and Adult Services	11,720	332,087	341,827	9,740
Regeneration, Culture and Environment	3,144	70,309	72,356	2,047
Business Support Department	1	9,485	9,019	(466)
Business Support Centralised Services:				
Interest & Financing	(147)	19,211	17,380	(1,830)
Corporate Management	1,755	2,884	4,614	1,730
Additional Government Support Grant Expenditure	0	2,262	2,262	0
<b>Budget Requirement</b>	<b>16,473</b>	<b>436,239</b>	<b>447,460</b>	<b>11,221</b>
<i>Funded by:</i>				
Council Tax	0	(158,462)	(158,462)	0
Retained Business Rates & Baseline Need Funding	0	(74,499)	(74,499)	0
Government Grants - Non Ringfenced	0	(8,129)	(8,129)	0
New Homes Bonus	0	(1,573)	(1,573)	0
Dedicated Schools Grant	0	(117,908)	(117,908)	0
Other School Grants	0	(4,883)	(4,883)	0
Adult Social Care Grants	0	(32,151)	(32,151)	0
CSC Grants	0	(197)	(197)	0
Public Health Grant	0	(19,037)	(19,037)	0
Use of Reserves	0	0	0	0
Additional Government Support Ringfenced Grant Income	0	(4,656)	(4,656)	0
Exceptional Financial support	0	(14,742)	(14,742)	0
<b>Total Available Funding</b>	<b>0</b>	<b>(436,239)</b>	<b>(436,239)</b>	<b>0</b>
<b>Net Forecast Variance</b>	<b>16,473</b>	<b>0</b>	<b>11,221</b>	<b>11,221</b>

## 6. Children and Adults

6.1. The Directorate forecast is a pressure of £9.740million, an improvement of £1.980million from the position reported at Round 1. Details of the forecasts in each service area in the Directorate set out in the tables below.

<b>Adult Social Care</b>	<b>2024/25 R1 Forecast variance £000's</b>	<b>2024/25 R2 Budget £000's</b>	<b>2024/25 R2 Forecast £000's</b>	<b>2024/25 R2 Forecast variance £000's</b>
Assistant Director Adult Social Care	1,117	(6,594)	(6,420)	174
Locality Services	5,306	100,724	106,275	5,551
Business Operations & Provider Services	495	5,292	5,004	(288)
Specialist Services/Principal Social Worker	423	2,057	2,223	165
<b>Total</b>	<b>7,341</b>	<b>101,480</b>	<b>107,082</b>	<b>5,603</b>

The Adult Social Care forecast is an overall pressure of £5.603million, an improvement of £1.738million from the position reported at round one.

The underlying pressures on the Adult social care budget have worsened by £262,000 since Round 1. The continued increasing costs correlate with our projections around an aging population and the higher prevalence of complex conditions requiring more intensive and specialised care. In addition, criteria in respect of Continuing Health Care (CHC) changes when a person reaches the age of 18, and in this respect young people that were supported by Children's Services and jointly funded by health may not be eligible for CHC when they turn 18; this results in Adult Social Care having to fund the total package of care, which has a negative impact on the ASC budget.

However, management action has been identified to reduce the overspend by £2million, resulting in a net improvement of £1.738million compared to the position reported at Round 1. It is intended that this will be achieved by targeting savings in the MICES equipment budget, management of the winter pressures, and also reducing the use of locums in tandem with implementing the rightsizing of Adult Social Care staffing. The service has processes in place in relation to authorising all expenditure and the Assistant Director of Adult Social Care has recently implemented further measures regarding non-statutory spend with the aim of reducing the overspend and assist in delivering £250,000 management action, which will be achieved by working with Health and Social Care partners to ensure funding of client packages is shared fairly.

<b>Children's Services</b>	<b>2024/25 R1 Forecast variance £000's</b>	<b>2024/25 R2 Budget £000's</b>	<b>2024/25 R2 Forecast £000's</b>	<b>2024/25 R2 Forecast variance £000's</b>
Head Of Safeguarding & Quality Assurance	0	3,328	3,328	0
Children's Care Improvement	0	(1)	1,286	1,287
Children's Social Work Team	259	7,173	7,301	128
Business Support	0	1,729	1,694	(35)
Family SOL, Youth, MASH & ADOL	200	7,129	7,685	555
Children's Legal	500	2,742	3,231	489
Children's Social Care Management	0	331	(848)	(1,178)
Client Support Packages	0	4,425	5,546	1,121
Corporate Parenting	281	5,209	5,645	436
Placements	0	36,758	34,315	(2,444)
Provider Services	621	6,359	6,954	595

Children's Services	2024/25 R1 Forecast variance £000's	2024/25 R2 Budget £000's	2024/25 R2 Forecast £000's	2024/25 R2 Forecast variance £000's
<b>Total</b>	<b>1,861</b>	<b>75,181</b>	<b>76,136</b>	<b>955</b>

The Children's Services forecast is an overspend of £955,000, an improvement of £906,000 from the position reported at Round 1, which includes £345,000 of management action listed at the end of this section. The forecast has improved by £661,000 due to lower use of agency staffing, floating support and reduced placement cost.

There is an £330,000 pressure forecast on agency staffing across the service. The forecast assumes that an agency project team that was budgeted to end at the end of the last financial year, will instead be in place until the end of September due to high caseloads. The use of agency staff is also a pressure across teams including Fostering, Assessment and the Children's Social Work teams, though as recruitment activity is filling a number of key posts this is expected to reduce in future rounds.

There is a pressure of £543,000 as the budget assumed the Eden House facility would be open in April 2024 and would generate savings from that point. The Ofsted application has now been approved and the service was cleared to open in October and therefore only six months savings will be delivered and have been reflected in the forecast.

There is a forecast overspend of £489,000 on Children's Legal Services reflecting continued increases in demand and expenditure on external assessments, however, as the multi-disciplinary team is embedded and the reunification programme of work begins this forecast pressure may reduce.

Further work being undertaken to reduce overspend over the remainder of the financial year that has been included in the forecast as management action totalling £345,000:

- Reducing the recruitment and retention budget for remainder of the year will save £100,000,
- Continuing to target and reduce use of agency staff while retaining stability in the workforce is planned to achieve £200,000 saving, and
- Holding some specific posts vacant until the end of the financial year will saving £45,000.

Directorate Management Team	2024/25 R1 Forecast variance £000's	2024/25 R2 Budget £000's	2024/25 R2 Forecast £000's	2024/25 R2 Forecast variance £000's
Directorate Management Team	(38)	3,040	2,955	(85)
<b>Total</b>	<b>(38)</b>	<b>3,040</b>	<b>2,955</b>	<b>(85)</b>

The Directorate Management Team forecast is an underspend of £85,000 on staffing arising from the arrangements for covering the Assistant Director for Children's Services; this is an improvement of £47,000 from Round 1.

Education	2024/25 R1 Forecast variance £000's	2024/25 R2 Budget £000's	2024/25 R2 Forecast £000's	2024/25 R2 Forecast variance £000's
School Organisation & Student Services	213	2,958	3,190	232
Psychology & Special Educational Needs	1,752	43,409	47,126	3,717
School Improvement	(102)	324	224	(99)
Special Educational Needs & Disabilities Transport	804	12,281	12,896	616
Inclusions	(0)	3,152	2,236	(916)

Education	2024/25 R1 Forecast variance £000's	2024/25 R2 Budget £000's	2024/25 R2 Forecast £000's	2024/25 R2 Forecast variance £000's
School Online Services	(21)	15	21	6
Education Management Team	(28)	816	746	(70)
Early Years Sufficiency	0	17,964	17,798	(166)
<b>Total</b>	<b>2,617</b>	<b>80,919</b>	<b>84,238</b>	<b>3,320</b>

Education is forecast to overspend by £3.320million, a worsening of £703,000 from the Round 1 position.

The main areas of projected overspend for the general fund are an £616,000 pressure on Special Educational Needs (SEN) transport which reflects increased demand based the September intake of new pupils, though this is lower than projected at Round 1. A pressure of £1.274million is forecast on Educational Psychology staffing as 10 agency staff have been engaged to clear statutory assessment backlogs. There is a pressure of £1.413million on staffing within the SEND team, with agency staff in the Assessment team currently forecast to be in place until the end of March alongside agency staff covering vacancies in the service. The extension of the SEND Assessment team from November to March, is the primary reason for the worsening of the forecast since Round 1. The agency costs in the forecasts include posts above the budgeted establishment.

The High Needs Block of the Dedicated Schools Grant (DSG) is projected to be £2.300million underspent, a worsening of £1million compared to the Round 1 forecast. The service is forecasting a £1.300million shortfall against the High Needs Safety Valve Improvement Plan (SVIP) saving required for 2024/25. This is due to a £300,000 provision for non-payment of recoupment charges by other local authorities along with a worsening of the forecast in relation to residential/independent schools due to 45 additional placements in the new academic year.

As at 31st March 2024 the DSG reserve was reporting a £19.378million deficit; this is forecast to reduce to £15.995million by March 2025 when the projected in year underspend of £3.383million is transferred into the reserve. This forecast year end deficit position is before the Department for Education (DfE) contribution is added and is £1.300million higher than submitted as part of the SVIP, so it will be necessary to increase the savings delivery in line with the plan or utilise the earmarked reserve that we were required to set up as part of the SVIP.

Partnership Commissioning & Business Intelligence	2024/25 R1 Forecast variance £000's	2024/25 R2 Budget £000's	2024/25 R2 Forecast £000's	2024/25 R2 Forecast variance £000's
Adults Commissioning	5	515	531	16
Children's Commissioning	(57)	1,721	1,659	(63)
C&A Performance & Intelligence	(8)	626	620	(5)
<b>Total</b>	<b>(61)</b>	<b>2,862</b>	<b>2,810</b>	<b>(52)</b>

The forecast on the Partnership Commissioning and Business Intelligence teams is a net underspend of £52,000, this is an improvement of £9,000 from Round 1 due to savings on forecasted contract payments.

Public Health	2024/25 R1 Forecast variance £000's	2024/25 R2 Budget £000's	2024/25 R2 Forecast £000's	2024/25 R2 Forecast variance £000's
Public Health Management	37	1,221	1,417	196
Health Improvement Programmes	(35)	4,196	4,106	(90)
Stop Smoking Services	(37)	845	764	(82)
Supporting Healthy Weight	132	1,519	1,638	119
Substance Misuse	2	2,136	2,142	5
Child Health	(98)	5,485	5,337	(148)
<b>Total</b>	<b>0</b>	<b>15,403</b>	<b>15,403</b>	<b>0</b>

Public Health services continued to forecast to budget, however 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	2024/25 R1 Forecast variance £000's	2024/25 R2 Budget £000's	2024/25 R2 Forecast £000's	2024/25 R2 Forecast variance £000's
Start 4 Life Funding	0	1,232	1,232	0
Holiday Activity Fund	0	1,162	1,162	0
Health Determinants Research Collaboration	0	0	0	0

In February 2023 Medway Council signed a memorandum of understanding with the DfE 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 program. The first tranche of year one funding was received in February 2023. The budget shown for 2024/25 represents the annual allocation. All funding received is projected to be spent by March 2025.

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 program for the October and Christmas breaks.

Schools Retained Funding & Grants	2024/25 R1 Forecast variance £000's	2024/25 R2 Budget £000's	2024/25 R2 Forecast £000's	2024/25 R2 Forecast variance £000's
Finance Provisions	2,585	693	3,278	2,585
Hr Provisions	0	681	681	0
School Grants	(2,585)	49,435	46,850	(2,585)
<b>Total</b>	<b>0</b>	<b>50,809</b>	<b>50,809</b>	<b>0</b>

Schools Retained Funding & Grants forecast is to budget.

There is a £2.6million pressure projected on the schools' growth funding which allows for new classes opened in September (and those opened between Jan and April) however this may not materialise as not all schools are taking up the offer of the growth fund. Any overspend will be transferred into the DSG reserve and reclaimed from the Schools Block grant in 2025/26.

## 7. Regeneration, Culture and Environment

7.1. The Directorate forecast is an overspend of £2.047million, an improvement of £1.097million from the position reported at Round 1. Details of the forecasts in each service area are set out in the tables below.

Culture & Community	2024/25 R1 Forecast variance £000's	2024/25 R2 Budget £000's	2024/25 R2 Forecast £000's	2024/25 R2 Forecast variance £000's
Sport, Leisure, Tourism & Heritage	(94)	4,209	3,806	(402)
Cultural Services	(34)	2,193	2,202	9
Planning	115	2,216	2,343	127
South Thames Gateway Partnership	7	135	142	7
Strategic Housing	2,881	6,308	8,508	2,200
Libraries & Community Hubs	(44)	4,811	4,799	(12)
Culture & Community Support	(4)	73	108	35
<b>Total</b>	<b>2,827</b>	<b>19,943</b>	<b>21,908</b>	<b>1,965</b>

The Culture & Community division forecast is a net overspend of £1.965million, an improvement of £861,000 from the position reported at Round 1.

There is a £2.200million 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. The government has recently recognised that nationally the number of households in temporary accommodation has risen by 12.3% over the past year with the proportion of Council budgets spent on Homelessness/Temporary Accommodation having tripled since 2015. The average number of overnight Temporary accommodation placements in Medway during September 2024 was 552. While good progress is being made on the programme of purchasing Council Temporary Accommodation stock, the service does not expect a significant impact will be realised until Q3 of 2024/25 and this is reflected in the forecast.

There is a £127,000 pressure on the Planning service due to the projected cost of the accelerated delivery of the Local plan.

There is a projected underspend of £402,000 on Sport, Leisure, Tourism & Heritage, an improvement of £308,000 from Round 1. There is a £324,000 underspend on Leisure services due to reduced staffing costs and additional income offsetting additional utilities costs, this also accounts for the movement from round one. There is also an underspend of £70,000 on heritage and tourism largely due to underspends on staffing, supplies and services budgets.

Director's Office	2024/25 R1 Forecast variance £000's	2024/25 R2 Budget £000's	2024/25 R2 Forecast £000's	2024/25 R2 Forecast variance £000's
Director's Office	(34)	1,820	1,770	(50)
<b>Total</b>	<b>(34)</b>	<b>1,820</b>	<b>1,770</b>	<b>(50)</b>

The Director's Office is forecast to underspend by £50,000, an improvement of £16,000 from round one, relating to underspends on staffing budgets and also savings on utilities costs in Public Conveniences.



Front Line Services	2024/25 R1 Forecast variance £000's	2024/25 R2 Budget £000's	2024/25 R2 Forecast £000's	2024/25 R2 Forecast variance £000's
Front Line Services Support	38	851	909	57
Highways	(410)	5,873	5,325	(548)
Parking Services	(35)	(6,606)	(5,747)	859
Environmental Services	179	31,408	31,706	298
Integrated Transport	58	7,628	7,637	9
Regulatory Services	47	2,701	2,645	(56)
Greenspaces	(59)	5,740	5,682	(57)
<b>Total</b>	<b>(181)</b>	<b>47,595</b>	<b>48,157</b>	<b>562</b>

The Front Line Services division is forecast to overspend by £562,000, a worsening of £742,000 from the position reported at Round 1.

Highways is forecast to underspend by £548,000 as a pressure of £100,000 on Highways patching is more than mitigated by underspends on staffing, electricity costs for street lighting and additional income from additional income from charges to capital schemes. There is also an increased forecast on preliminary costs which is to be paid from earmarked reserves. The improvement from Round 1 is due to reductions in the forecast for staffing expenditure.

The Parking Services forecast is an overspend of £859,000, a worsening of £893,000 from Round 1. There is a projected shortfall in income of £1.077million on the Safer, Healthier Streets programme and an overspend of £220,000 on Parking admin costs, primarily on bank charges, legal fees, postage and computer software. These are partially mitigated by additional income above budgeted levels from Parking of £429,000.

The Environmental Services forecast is an overspend of £298,000, which is a worsening of £119,000 from Round 1 due to an increased forecast cost of refuse collection related to additional costs for waste vehicles offset by a reduction in the forecast cost of waste disposal.

Regeneration	2024/25 R1 Forecast variance £000's	2024/25 R2 Budget £000's	2024/25 R2 Forecast £000's	2024/25 R2 Forecast variance £000's
Medway Norse	157	0	157	157
Property & Capital Projects	264	1,387	1,128	(258)
Regeneration Delivery	31	946	957	11
Valuation & Asset Management	(56)	(1,855)	(2,148)	(292)
Economic Development	23	534	569	35
Skills & Employability	(33)	373	428	55
<b>Total</b>	<b>386</b>	<b>1,384</b>	<b>1,091</b>	<b>(293)</b>

The Regeneration division forecast is an underspend of £293,000, which is an improvement of £679,000 from the position reported at Round 1.

Expenditure through the Core Contract with Medway Norse is projected to overspend by £157,000 as at Round 1, as the planned savings arising from a review/renegotiation of Facilities Management have not been achieved.

The Property & Capital Projects forecast is an underspend of £258,000, an improvement of £523,000 from Round 1 as the forecast shortfall on income from capital schemes has reduced to £342,000 along with a reduced contribution to the Buildings Repair and Maintenance Fund reserve.

The Valuation and Asset management forecast is an underspend of £292,000, an improvement of £237,000 from Round 1. There is a forecast surplus of rental income for investment properties of £510,000, an improvement of £490,000 from Round 1, mainly due to backdated rent. This is however offset by a net pressure on the Pentagon centre of £248,000

which is worsening from Round 1 as service charges and other costs are now projected to exceed rental income.

Medway Norse Profit Share	2024/25 R1 Forecast variance £000's	2024/25 R2 Budget £000's	2024/25 R2 Forecast £000's	2024/25 R2 Forecast variance £000's
Medway Norse Profit Share	128	(433)	(590)	(157)
<b>Total</b>	<b>128</b>	<b>(433)</b>	<b>(590)</b>	<b>(157)</b>

The Medway Norse profit share is currently forecast to be £157,000 higher than budgeted as the final audited Medway Norse accounts for 2023/24 provide for a higher rebate to Medway Council than was assumed when the Medway Council accounts for 2023/24 were closed.

## 8. Housing Revenue Account

Housing Revenue Account	2024/25 R1 Forecast variance £000's	2024/25 R2 Budget £000's	2024/25 R2 Forecast £000's	2024/25 R2 Forecast variance £000's
Housing Revenue Account	(218)	0	(284)	(284)
<b>Total</b>	<b>(218)</b>	<b>0</b>	<b>(284)</b>	<b>(284)</b>

The Housing Revenue Account is forecast to underspend by £284,000, an improvement of the position reported at Round 1 of £66,000. The forecast reflects a small pressure across Housing Maintenance, however, this is offset primarily by a forecast underspend on staffing due to the vacancies in tenancy services.

## 9. Business Support & Centralised Services

9.1. The Business Support Services forecast is an underspend of £466,000, while the Centralised Services forecast is an underspend of £100,000, bringing the overall forecast to an underspend of £566,000. This is an overall improvement of £2.175million from the position reported at Round 1. The details of the forecasts in each service area are set out in the tables below.

Communications & Marketing	2024/25 R1 Forecast variance £000's	2024/25 R2 Budget £000's	2024/25 R2 Forecast £000's	2024/25 R2 Forecast variance £000's
Communications & Marketing	(3)	94	76	(18)
<b>Total</b>	<b>(3)</b>	<b>94</b>	<b>76</b>	<b>(18)</b>

The service is forecasting an underspend of £18,000 due to savings on staffing lines due to the timing of budget adjustments for MedPay reviews.

Divisional Management Team	2024/25 R1 Forecast variance £000's	2024/25 R2 Budget £000's	2024/25 R2 Forecast £000's	2024/25 R2 Forecast variance £000's
Divisional Management Team	25	0	27	27
<b>Total</b>	<b>25</b>	<b>0</b>	<b>27</b>	<b>27</b>

The service is forecast to overspend by £27,000 on staffing costs.

<b>Finance and Business Improvement</b>	<b>2024/25 R1 Forecast variance £000's</b>	<b>2024/25 R2 Budget £000's</b>	<b>2024/25 R2 Forecast £000's</b>	<b>2024/25 R2 Forecast variance £000's</b>
Internal Audit and Counter Fraud	(35)	0	(32)	(32)
FBI Divisional Management Team	8	0	8	8
FBI - Finance	(108)	4,733	4,228	(505)
FBI - Information	(94)	1,460	1,423	(37)
FBI - Organisational Culture	(65)	470	144	(326)
<b>Total</b>	<b>(294)</b>	<b>6,663</b>	<b>5,770</b>	<b>(892)</b>

The Finance and Business Improvement division forecast is an underspend of £892,000, an improvement of £598,000 from Round 1.

The Finance forecast (which includes Accountancy, Revenues, Benefits and Debt) is an underspend of £505,000, which is an improvement of £397,000 from Round 1. There are a number of vacancy savings across the teams, offset by increased costs associated with a number of ICT systems and contracts in excess of the budget allocations which result in a net underspend of £175,000, an improvement of £60,000 from Round 1. There is a projected shortfall on income from awarded court costs of £72,000 however this is more than mitigated by a £401,000 projected underspend on the benefits subsidy which is an improvement of £350,000 from Round 1.

The Information forecast (which includes Technology, Customer Experience and Digital) is an underspend of £37,000, which is a worsening of £57,000 from Round 1. There continues to be a pressure on CCTV services of £88,000 though work is ongoing to implement changes to achieve the required level of savings to mitigate this. There is also a forecast overspend of £123,000 on ICT due to cost pressures on a number of centralised ICT systems. Those overspends are offset by an underspend on Customer & Business Support (CABS) of £79,000, digital of £81,000 and Performance & intelligence of £80,000 due to vacancy savings.

The Organisational Culture forecast (which includes HR, Payroll and Council Plan service areas) is an underspend of £326,000, which is an improvement of £262,000 from Round 1. There a number of staffing related underspends totalling £175,000 as well as additional income from agencies of £131,000.

<b>Legal &amp; Governance</b>	<b>2024/25 R1 Forecast variance £000's</b>	<b>2024/25 R2 Budget £000's</b>	<b>2024/25 R2 Forecast £000's</b>	<b>2024/25 R2 Forecast variance £000's</b>
Democratic Services	(11)	651	640	(11)
Members & Elections	2	2,231	2,222	(9)
Category Management	(9)	9	(41)	(50)
Legal, Land Charges & Licensing	291	(163)	324	487
<b>Total</b>	<b>273</b>	<b>2,728</b>	<b>3,145</b>	<b>417</b>

The divisional forecast is an overspend of £417,000, a worsening of £144,000 from the position reported at Round 1.

Legal, Land Charges and Licensing are forecast to overspend by £487,000, which is a worsening of £196,000 from Round 1. There is a £50,000 net overspend on Legal Services as an £805,000 underspend on permanent staff as new posts agreed in the budget are not yet all in post, and additional income of £45,000 is offset by an overspend of £892,000 on agency staffing to deliver the caseload. There is an overspend on Land Charges of £96,000 due to reduced income as the service transfers to the new His Majesty's Land Charges (HMLC) and a £317,000 forecast overspend on the cost of Legal support for Children's services, which is a worsening since Round 1 of £232,000.

Centralised Services	2024/25 R1 Forecast variance £000's	2024/25 R2 Budget £000's	2024/25 R2 Forecast £000's	2024/25 R2 Forecast variance £000's
Interest and Financing	(147)	19,211	17,380	(1,830)
Levies	0	1,892	1,892	0
Corporate Management	1,755	992	2,722	1,730
<b>Total</b>	<b>1,607</b>	<b>22,095</b>	<b>21,995</b>	<b>(100)</b>

Collectively, Centralised Services are forecast to underspend of £100,000, which is an improvement of 1.707million from the position reported at Round 1.

The Interest and Financing budget funds the cost of borrowing required to support the Council's capital programme and is projected to underspend by £1.830million, an improvement of £1.683million from the position reported at Round 1 following a full review of the interest and financing requirements for current and future years, resulting in a lower than projected borrowing requirement and therefore reduced cost.

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.

## 10. Additional Government Support

Additional Government Support Expenditure	2024/25 R1 Forecast variance £000's	2024/25 R2 Budget £000's	2024/25 R2 Forecast £000's	2024/25 R2 Forecast variance £000's
Household Support Grant	0	2,262	2,262	0
Homes for Ukraine	0	0	0	0
<b>Total</b>	<b>0</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.

## 11. Conclusions

11.1. The second round of revenue budget monitoring for 2024/25 projects an overspend of £11.221million.

## 12. 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

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

### 13. Financial implications

- 13.1. The second round of revenue budget monitoring for 2024/25 projects an overspend of £11.221million. 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.
- 13.2. 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; in order to preserve our minimum level of general reserves or it may be necessary to seek further support from the government through the Exceptional Financial Support scheme in respect of 2024/25.

### 14. Legal implications

- 14.1. 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.
- 14.2. 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."
- 14.3. 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.
- 14.4. 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.

14.5. 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

14.6. 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.

14.7. If the Council is not minded to agree a supplementary revenue estimate, then the Cabinet is required to operate within 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

Katey Durkin, Chief Finance Officer, 01634 33 23 55,  
[katey.durkin@medway.gov.uk](mailto:katey.durkin@medway.gov.uk)

#### Appendices

None

#### Background papers

None