

Business Support and Digital Overview And Scrutiny Committee

28 November 2024

Revenue Budget Monitoring – Round 2 2024/25

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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 4, with sections 5 and 6 providing the detail for the service areas within the remit of this committee.

1. Recommendations

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

2. Budget and policy framework

- 2.1. 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.

3. Background

- 3.1. At its meeting on 29 February 2024, the Council set a total budget requirement of £438.569million 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.
- 3.2. This report presents the results of the second 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.

- 3.3. 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”.
- 3.4. 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.
- 3.5. 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.

4. Summary Revenue Budget Forecast Position 2024/25

4.1. 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
Budget Requirement	16,473	436,239	447,460	11,221
<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
Total Available Funding	0	(436,239)	(436,239)	0
Net Forecast Variance	16,473	0	11,221	11,221

5. Business Support & Centralised Services

5.1. 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)
Total	(3)	94	76	(18)

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
Total	25	0	27	27

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

Finance and Business Improvement	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
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)
Total	(294)	6,663	5,770	(892)

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.

Legal & Governance	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
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
Total	273	2,728	3,145	417

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
Total	1,607	22,095	21,995	(100)

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.

6. 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

Total	0	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 second round of revenue budget monitoring for 2024/25 projects an overspend of £11.221million.

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.	All
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	Close monitoring of the capital programme monitoring to minimise borrowing and avoid taking out borrowing at interest rate peaks.	BII

Risk	Description	Action to avoid or mitigate risk	Risk rating
	arise unless some elements of the programme can be curtailed or refinanced.		
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 C Unlikely D Rare		I Catastrophic II Major III Moderate IV Minor	

9. Financial implications

- 9.1. 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.
- 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; 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.

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