



Serving You

Health and Adult Social Care Overview and Scrutiny Committee

5 December 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 is requested to note the results of the second round of revenue budget monitoring for 2024/25.
- 1.2. The Committee is requested to note 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. Children and Adults

- 5.1. 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.

Adult Social Care	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
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
Total	7,341	101,480	107,082	5,603

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.

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)
Total	(38)	3,040	2,955	(85)

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.

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)
Total	(61)	2,862	2,810	(52)

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)
Total	0	15,403	15,403	0

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.

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.	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

Risk	Description	Action to avoid or mitigate risk	Risk rating
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		I Catastrophic	
B Likely		II Major	
C Unlikely		III Moderate	
D Rare		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