



Serving You

Regeneration Culture & Environment Overview and Scrutiny Committee

12 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 5-7 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. Regeneration, Culture and Environment

- 5.1. 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 |
| Total | 2,827 | 19,943 | 21,908 | 1,965 |

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) |
| Total | (34) | 1,820 | 1,770 | (50) |

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) |
| Total | (181) | 47,595 | 48,157 | 562 |

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 |
| Total | 386 | 1,384 | 1,091 | (293) |

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) |
| Total | 128 | (433) | (590) | (157) |

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.

6. 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) |
| Total | (218) | 0 | (284) | (284) |

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.

7. 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.

8. Conclusions

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

9. Risk management

| Risk | Description | Action to avoid or mitigate risk | Risk rating |
|------------------------|--|---|-------------|
| The Council overspends | Overspends on budget would need to be met from the Council's limited reserves. | The revenue monitoring process is designed to identify and facilitate | AI |

| Risk | Description | Action to avoid or mitigate risk | Risk rating |
|--|---|--|--------------------|
| against the agreed budget | | management action to mitigate the risk of overspending against the agreed budget. | |
| 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 |
| Likelihood | | Impact: | |
| A Very likely | | I Catastrophic | |

| | |
|------------|--------------|
| B Likely | II Major |
| C Unlikely | III Moderate |
| D Rare | IV Minor |

10. Financial implications

- 10.1. 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.
- 10.2. 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.

11. Legal implications

- 11.1. 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.
- 11.2. 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."
- 11.3. 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.

- 11.4. 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.
- 11.5. 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
- 11.6. 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.
- 11.7. 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