

Cabinet

11 February 2025

Revenue Budget Monitoring – Round 3 2024/25

Portfolio Holder: Councillor Vince Maple, Leader of the Council
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Summary

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

1. Recommendations

- 1.1. The Cabinet is asked to note the results of the third 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 decisions

- 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 £438.569million 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 three budget requirement to a total of £438.805million.

- 4.2. This report presents the results of the third round of revenue budget monitoring based on returns submitted by individual budget managers. In preparing these forecasts, budget managers have taken account of last year's outturn, items of growth or savings agreed as part of the budget build, actual income and expenditure for the year to date, and most importantly, their knowledge of commitments and service requirements anticipated for the remainder of the financial year.

5. Summary Revenue Budget Forecast Position 2024/25

- 5.1. The forecast outturn for 2024/25 represents a pressure of £8.429million, an improvement of £2.792million from the position reported at Round 2.

Directorate	2024/25 R2 Forecast Variance £000's	2024/25 R3 Budget £000's	2024/25 R3 Forecast £000's	2024/25 R3 Forecast Variance £000's
<i>Budget requirement:</i>				
Children and Adult Services	9,740	332,391	342,968	10,577
Regeneration, Culture and Environment	2,047	70,309	70,453	144
Business Support Department	(466)	9,485	8,607	(878)
Business Support Centralised Services:				
Interest & Financing	(1,830)	19,211	16,316	(2,895)
Corporate Management	1,730	2,884	4,365	1,481
Additional Government Support Grant Expenditure	0	4,525	4,525	0
Budget Requirement	11,221	438,805	447,235	8,429
<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	(502)	(502)	0
Public Health Grant	0	(19,037)	(19,037)	0
Use of Reserves	0	0	0	0
Additional Government Support Ringfenced Grant Income	0	(6,919)	(6,919)	0
Exceptional Financial support	0	(14,742)	(14,742)	0
Total Available Funding	0	(438,805)	(438,805)	0
Net Forecast Variance	11,221	0	8,429	8,429

6. Children and Adults

6.1. The Directorate forecast is a pressure of £10.577million, a worsening of £837,000 from the position reported at Round 2. Details of the forecasts in each service area in the Directorate set out in the tables below.

Adult Social Care	2024/25 R2 Forecast Variance £000s	2024/25 R3 Budget £000s	2024/25 R3 Forecast £000s	2024/25 R3 Forecast Variance £000s
Assistant Director Adult Social Care	174	(6,594)	(827)	5,766
Locality Services	5,551	100,724	102,528	1,804
Business Operations & Provider Services	(288)	5,292	4,585	(707)
Specialist Services/Principal Social Worker	165	2,057	2,311	254
Total	5,603	101,480	108,597	7,117

The Adult Social Care forecast has worsened by £1.514million from the position reported at Round 2 to give a projected overspend of £7.117million for the year. The upward trend of demand for service provision continues and although positive case management within the service is helping to keep overall client numbers fairly static since Round 2, the increased cost of new packages continues to put increasing pressure on the financial position.

New packages in this period for disability supported living carried a higher average weekly cost of £381 per week compared to ended packages in the period (20% increase), reflecting a rise in the complexity of cases requiring support, with a similar picture also seen in other disability and mental health services, and all having a negative impact on the ASC budget.

Delivery against all savings targets associated with the Financial Improvement and Transformation (FIT) Plan have been incorporated into the forecast for this round. Almost £2million direct savings have been achieved by the service this year so far, in conjunction with a further £4million cost avoidance where demand management activity has prevented further pressures within the division. Further work is continuing to try and identify further savings and reduce the overspend wherever possible.

Children's Services	2024/25 R2 Forecast Variance £000's	2024/25 R3 Budget £000's	2024/25 R3 Forecast £000's	2024/25 R3 Forecast Variance £000's
Head Of Safeguarding & Quality Assurance	0	3,328	3,467	140
Childrens Care Improvement	1,287	(1)	1,255	1,256
Childrens Social Work Team	128	7,173	7,446	273
Business Support	(35)	2,033	1,656	(378)
Family SOL, Youth, MASH & ADOL	555	7,129	7,925	796
Childrens Legal	489	2,742	3,635	893
Childrens Social Care Management	(1,178)	331	(787)	(1,118)
Client Support Packages	1,121	4,425	5,748	1,323
Corporate Parenting	436	5,209	5,705	496
Placements	(2,444)	36,758	34,743	(2,015)
Provider Services	595	6,359	6,577	218
Total	955	75,485	77,371	1,886

Children's Services	2024/25 R2 Forecast Variance £000's	2024/25 R3 Budget £000's	2024/25 R3 Forecast £000's	2024/25 R3 Forecast Variance £000's
<p>The Children's Services forecast is an overspend of £1.886million, a worsening of £931,000 from the position reported at Round 2. This is mainly due to higher placement costs and legal costs, The placement cost increased include two additional residential placements, one unregulated placement and five parent and child placements, some of which were court ordered.</p> <p>The staffing forecasts included an agency project team that was budgeted to end at the end of the last financial year, that was instead released at the end of September due to high caseloads. The use of agency staff continues to cause pressures across most teams including Fostering, Assessment and the Children's Social Work teams, though as recruitment activity is filling several key posts and is expected to reduce towards the end of the financial year. Additional staff may be required if caseloads continue to increase beyond budgeted levels.</p> <p>There is a pressure of £513,000 as the budget assumed the Eden House facility would be open in April 2024 and would generate savings from that point onwards. The Ofsted application has now been approved and the service was cleared to open in October, however this means only six months savings will be delivered this year. Two children are currently in placement with two more children transferring before the end of the financial year.</p> <p>There is a forecast overspend of £893,000 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. The forecast also includes a potential £400,000 cost to settle five age assessment outcome appeals from Unaccompanied Asylum-Seeking Children (UASC) clients.</p>				

Directorate Management Team	2024/25 R2 Forecast Variance £000's	2024/25 R3 Budget £000's	2024/25 R3 Forecast £000's	2024/25 R3 Forecast Variance £000's
Directorate Management Team	(85)	3,040	1,372	(1,668)
Total	(85)	3,040	1,372	(1,668)
<p>The Directorate Management Team forecast is an underspend of £1.668million, an improvement of £1.583million from the position reported at round 2. The budget includes an allowance for the completion of the MedPay review in the Directorate, and as a significant proportion of service areas are concluding the review late in the 2024/25 financial year this allowance will not be used in full resulting in the increased underspend projected here.</p>				

Education	2024/25 R2 Forecast Variance £000s	2024/25 R3 Budget £000s	2024/25 R3 Forecast £000s	2024/25 R3 Forecast Variance £000s
School Organisation & Student Services	232	2,958	3,221	264
Psychology & Special Educational Needs	3,717	43,409	47,039	3,629
School Improvement	(99)	324	211	(113)
Special Educational Needs & Disabilities Transport	616	12,281	12,888	607
Inclusions	(916)	3,152	2,318	(833)
School Online Services	6	15	(16)	(31)
Education Management Team	(70)	816	752	(64)

Education	2024/25 R2 Forecast Variance £000s	2024/25 R3 Budget £000s	2024/25 R3 Forecast £000s	2024/25 R3 Forecast Variance £000s
Early Years Sufficiency	(166)	17,964	17,877	(87)
Total	3,320	80,919	84,290	3,372

Education is forecast to overspend by £3.272million, a worsening of £52,000 from the Round 2 position.

The main areas of projected overspend for the general fund are an £607,000 pressure on Special Educational Needs (SEN) transport which reflects increased demand based the September intake of new pupils, although this is slightly lower than projected at Round 2. A pressure of £1.173million is forecast on Educational Psychology staffing as 10 agency staff have been engaged to clear statutory assessment backlogs. There is a pressure of £1.565million 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 combined total of these agency teams is broadly in line with those reported in Round 2. The agency costs in the forecasts continue to include posts above the budgeted establishment.

The High Needs Block of the Dedicated Schools Grant (DSG) is projected to be £411,000 underspent, a worsening of £1.889million compared to the Round 2 forecast. Following some operational guidance from the DfE we have ended the process of charging between local authorities which has led to reduced income compared to budget income levels being received from 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 and a lower percentage of children with EHCP's being educated in mainstream settings. This is a projected shortfall of £3.271million against the High Needs Safety Valve Improvement Plan (SVIP) saving required for 2024/25. There are also projected underspends on the School block section of the DSG of £1.394million and a projected underspend on the Early years block of the DSG of £850,000 due to impact of the January pupil headcount. The total underspend on the DSG is currently projected to be £2.654million.

As at 31st March 2024 the DSG reserve was reporting a £19.378million deficit; this is forecast to reduce to £16.724million by March 2025 when the projected in year underspend of £2.654million is transferred into the reserve. This forecast year end deficit position is before the Department for Education (DfE) contribution is added and is a £1.028million worsening than submitted as part of the SVIP, so it will be necessary to increase the savings delivery in the remainder of 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 R2 Forecast Variance £000s	2024/25 R3 Budget £000s	2024/25 R3 Forecast £000s	2024/25 R3 Forecast Variance £000s
Adults Commissioning	16	515	503	(12)
Children's Commissioning	(63)	1,721	1,646	(75)
C&A Performance & Intelligence	(5)	626	596	(29)
Total	(52)	2,862	2,745	(117)

The forecast on the Partnership Commissioning and Business Intelligence teams is a net underspend of £117,000, this is an improvement of £65,000 from Round 2 due to savings on staffing and contract payments.

Public Health	2024/25 R2 Forecast Variance £000s	2024/25 R3 Budget £000s	2024/25 R3 Forecast £000s	2024/25 R3 Forecast Variance £000s
Public Health Management	196	1,221	1,474	252
Health Improvement Programmes	(90)	4,196	4,067	(129)
Stop Smoking Services	(82)	845	801	(44)
Supporting Healthy Weight	119	1,519	1,592	74
Substance Misuse	5	2,136	2,134	(2)
Child Health	(148)	5,485	5,335	(150)
Total	0	15,403	15,403	(0)

Public Health services continue to be forecast to budget, however contracted Services continue to come under increasing cost pressures as NHS uplifts have not been funded through increased Public Health Grant.

Additional Government Grants	2024/25 R2 Forecast Variance £000s	2024/25 R3 Budget £000s	2024/25 R3 Forecast £000s	2024/25 R3 Forecast Variance £000s
Start 4 Life Funding	0	1,232	1,232	0
Holiday Activity Fund	0	1,162	1,162	0
Total	0	2,394	2,394	0

In February 2023 Medway Council signed a memorandum of understanding with the Department for Education to participate in the Family Hubs and Start for life Program. Medway will receive approximately £3million over three 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 R2 Forecast Variance £000s	2024/25 R3 Budget £000s	2024/25 R3 Forecast £000s	2024/25 R3 Forecast Variance £000s
Finance Provisions	2,585	693	1,133	440
Hr Provisions	0	681	668	(13)
School Grants	(2,585)	49,435	48,995	(440)
Total	0	50,809	50,796	(13)

Schools Retained Funding & Grants is forecasting a small underspend of £13,000.

There is a £522,000 pressure projected on the schools' growth funding which improved by £2.1million from Round 2, based on the new classes that opened in September (and those opened between Jan and April). 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 £144,000, an improvement of £1.903million from the position reported at Round 2. Details of the forecasts in each service area are set out in the tables below.

Culture & Community	2024/25 R2 Forecast Variance £000s	2024/25 R3 Budget £000s	2024/25 R3 Forecast £000s	2024/25 R3 Forecast Variance £000s
Sport, Leisure, Tourism & Heritage	(402)	2,882	2,713	(169)
Cultural Services	9	3,519	3,353	(166)
Greenspaces	(57)	5,942	5,905	(37)
Planning	127	2,216	1,853	(363)
South Thames Gateway Partnership	7	135	142	7
Strategic Housing	2,200	6,308	8,170	1,862
Libraries & Community Hubs	(12)	4,811	4,785	(26)
Culture & Community Support	35	73	91	19
Total	1,908	25,886	27,012	1,127

The Culture & Community division forecast is a net overspend of £1.127million, an improvement of £781,000 from the position reported at Round 2.

There is a £1.862million 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 average number of overnight Temporary Accommodation placements in Medway has reduced over the Round 3 reporting period to 513, with these numbers expected to improve further over the remainder of the financial year.

There is a £363,000 underspend on the Planning service due to an improved income position in relation to planning fees and staffing underspends offsetting the additional projected cost of the accelerated delivery of the Local plan.

There is a combined projected underspend of £335,000 on Sport, Leisure, Tourism & Heritage and Cultural Services, a worsening of £58,000 from Round 2. There is a £152,000 underspend on Leisure services due to reduced staffing costs and additional income offsetting additional utilities costs. There is also an underspend of £202,000 on Heritage and Tourism largely due to underspends on staffing, supplies and services budgets.

Director's Office	2024/25 R2 Forecast Variance £000s	2024/25 R3 Budget £000s	2024/25 R3 Forecast £000s	2024/25 R3 Forecast Variance £000s
Director's Office	(50)	1,820	1,382	(438)
Total	(50)	1,820	1,382	(438)

The Director's Office is forecast to underspend by £438,000, an improvement of £388,000 from Round 2. The budget includes an allowance for the completion of the MedPay review in the Directorate, and as a significant proportion of service areas are concluding the review late in the 2024/25 financial year this allowance will not be used in full resulting in the increased underspend projected.

Front Line Services	2024/25 R2 Forecast Variance £000s	2024/25 R3 Budget £000s	2024/25 R3 Forecast £000s	2024/25 R3 Forecast Variance £000s
Front Line Services Support	57	851	901	50
Highways	(548)	5,873	5,298	(575)
Parking Services	859	(6,606)	(5,842)	764
Environmental Services	298	31,206	31,253	47
Integrated Transport	9	7,628	7,463	(165)
Regulatory Services	(56)	2,701	2,638	(63)

Total	619	41,653	41,711	58
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The Front Line Services division is forecast to overspend by £58,000, an improvement of £560,000 from the position reported at Round 2.

Highways is forecast to underspend by £575,000 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. The improvement from Round 2 is due to reductions in the forecast for staffing expenditure.

The Parking Services forecast is an overspend of £764,000, an improvement of £95,000 from Round 2. There is a projected shortfall in income of £957,000 on the Safer, Healthier Streets programme and an overspend of £808,000 on Parking Admin and Enforcement costs, primarily on bank charges, legal fees, postage and computer software. These are partially mitigated by additional income above budgeted levels from parking of £567,000.

Integrated Transport is forecast to underspend by £165,000 an improvement of £174,000 from Round 2 due to additional income from charging for street closures and reduced staffing costs.

The Environmental Services forecast is an overspend of £47,000, which is an improvement of £251,000 from Round 2 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, these are offset further by an underspend on the amount built into the budget to deliver a Waste Strategy where the costs will not be incurred in the current financial year but is due to be delivered in 2025/26.

Regeneration	2024/25 R2 Forecast Variance £000's	2024/25 R3 Budget £000's	2024/25 R3 Forecast £000's	2024/25 R3 Forecast Variance £000's
Medway Norse	157	0	269	269
Property & Capital Projects	(258)	1,387	1,198	(189)
Regeneration Delivery	11	946	922	(23)
Valuation & Asset Management	(292)	(1,855)	(2,441)	(585)
Economic Development	35	534	587	53
Skills & Employability	55	373	377	4
Total	(293)	1,384	912	(472)

The Regeneration division forecast is an underspend of £472,000, which is an improvement of £179,000 from the position reported at Round 2.

Expenditure through the Core Contract with Medway Norse is projected to overspend by £269,000, a worsening of £112,000 from the position reported at Round 2, as the planned savings arising from a review/renegotiation of Facilities Management have not been achieved for 2024/25 and an increase from Round 2 in relation to additional repairs and maintenance costs.

The Property & Capital Projects forecast is an underspend of £189,000, a worsening of £69,000 from Round 2 as the forecast shortfall on income from capital schemes has reduced to £302,000 along with a reduced forecast on staffing.

The Valuation and Asset management forecast is an underspend of £585,000, an improvement of £293,000 from Round 2. There is a forecast surplus of rental income for investment properties of £510,000, mainly due to backdated rent. There is also a forecast underspend on the Pentagon centre of £77,000 which is an improvement of £293,000 from Round 2 due to a reduction in forecast service charges.

Medway Norse Profit Share	2024/25 R2 Forecast Variance £000s	2024/25 R3 Budget £000s	2024/25 R3 Forecast £000s	2024/25 R3 Forecast Variance £000s
Medway Norse Profit Share	(157)	(433)	(598)	(165)
Total	(157)	(433)	(598)	(165)

The Medway Norse profit share is currently forecast to be £165,000 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 R2 Forecast Variance £000s	2024/25 R3 Budget £000s	2024/25 R3 Forecast £000s	2024/25 R3 Forecast Variance £000s
Housing Revenue Account	(284)	0	(243)	(243)
Total	(284)	0	(243)	(243)

The Housing Revenue Account is forecast to underspend by £243,000, a worsening of the position reported at Round 2 of £41,000. 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 £878,000, while the Centralised Services forecast is an underspend of £1.414million, bringing the overall forecast to an underspend of £2.292million. This is an overall improvement of £1.726million from the position reported at Round 2. The details of the forecasts in each service area are set out in the tables below.

Communications & Marketing	2024/25 R2 Forecast Variance £000s	2024/25 R3 Budget £000s	2024/25 R3 Forecast £000s	2024/25 R3 Forecast Variance £000s
Communications & Marketing	(18)	94	102	8
Total	(18)	94	102	8

The service is forecasting an overspend of £8,000 due to savings on staffing due to the timing of budget adjustments for MedPay reviews.

Divisional Management Team	2024/25 R2 Forecast Variance £000s	2024/25 R3 Budget £000s	2024/25 R3 Forecast £000s	2024/25 R3 Forecast Variance £000s
Divisional Management Team	27	0	27	27
Total	27	0	27	27

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

Finance & Business Improvement	2024/25 R2 Forecast Variance £000's	2024/25 R3 Budget £000's	2024/25 R3 Forecast £000's	2024/25 R3 Forecast Variance £000's
Internal Audit & Counter Fraud	(32)	0	(58)	(58)
FBI Divisional Management Team	8	0	8	8
FBI - Finance	(505)	4,733	4,151	(582)
FBI - Information	(37)	1,460	1,290	(170)
FBI - Organisational Culture	(326)	470	36	(434)
Total	(892)	6,663	5,428	(1,235)

The Finance and Business Improvement division forecast is an underspend of £1.235million, an improvement of £343,000 from Round 2.

The Finance forecast (which includes Accountancy, Revenues, Benefits and Debt) is an underspend of £582,000, which is an improvement of £77,000 from Round 2. 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 £138,000, a worsening of £37,000 from Round 2. There is a projected shortfall on income from awarded court costs of £57,000 however this is more than mitigated by a £501,000 projected underspend on the benefits subsidy which is an improvement of £100,000 from Round 2.

The Information forecast (which includes Technology, Customer Experience and Digital) is an underspend of £170,000, which is an improvement of £133,000 from Round 2. 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 £285,000 on ICT due to cost pressures on a number of centralised ICT systems and Medway Grid for Learning. Those overspends are offset by an underspend on Customer & Business Support (CABS) of £105,000, digital of £120,000 and Performance & intelligence of £107,000 due to vacancy savings. There is also an underspend on transformation of £206,000 as some planned expenditure will not now be necessary until the new financial year.

The Organisational Culture forecast (which includes HR, Payroll and Council Plan service areas) is an underspend of £434,000, which is an improvement of £107,000 from Round 2. There a number of staffing related underspends totalling £278,000 as well as additional income from agencies of £131,000.

Legal & Governance	2024/25 R2 Forecast Variance £000's	2024/25 R3 Budget £000's	2024/25 R3 Forecast £000's	2024/25 R3 Forecast Variance £000's
Democratic Services	(11)	651	651	1
Members & Elections	(9)	2,231	2,223	(8)
Category Management	(50)	9	(70)	(79)
Legal, Land Charges & Licensing	487	(163)	311	473
Total	417	2,728	3,114	386

The divisional forecast is an overspend of £386,000, an improvement of £31,000 from the position reported at Round 2.

Legal, Land Charges and Licensing are forecast to overspend by £473,000, which is an improvement of £14,000 from Round 2. There is a £80,000 net overspend on Legal Services as an £815,000 underspend on permanent staff as new posts agreed in the budget are not yet all in post, offset by an overspend of £908,000 on agency staffing to deliver the caseload. There is a £411,000 forecast overspend on the cost of Legal support for Children's services, which is a worsening since Round 2 of £95,000, the main reason being due to £68,000 relating to court costs in respect of the Judicial review of the National Transfer Scheme.

Centralised Services	2024/25 R2 Forecast Variance £000s	2024/25 R3 Budget £000s	2024/25 R3 Forecast £000s	2024/25 R3 Forecast Variance £000s
Interest & Financing	(1,830)	19,211	16,316	(2,895)
Levies	0	1,892	1,858	(34)
Corporate Management	1,730	992	2,507	1,515
Total	(100)	22,095	20,681	(1,414)

Collectively, Centralised Services are forecast to underspend of £1.414million, which is an improvement of £1.314million from the position reported at Round 2.

The Interest and Financing budget funds the cost of borrowing required to support the Council's capital programme and is projected to underspend by £2.895million, an improvement of £1.064million from the position reported at Round 2 as a lower than previously projected borrowing requirement has reduced costs.

The Corporate Management overspend relates to Medway 2.0 and the Transformation Roadmap and reflects the spend against budget agreed by Corporate Management Team as an underspend against the total budget, offset by the £2million corporate savings target held here. The proposed budget for 2024/25 presented to the Cabinet in February 2025 removes this discrete savings target and instead reflects that the Transformation Team will support all services to deliver savings agreed across the budget.

The budget includes an allowance for the completion of the MedPay review in the Directorate, and as a significant proportion of service areas are concluding the review late in the 2024/25 financial year this allowance will not be used in full resulting in a £292,000 increase to the under projected here.

10. Additional Government Support

Additional Government Support Expenditure	2024/25 R2 Forecast Variance £000's	2024/25 R3 Budget £000's	2024/25 R3 Forecast £000's	2024/25 R3 Forecast Variance £000's
Household Support Grant	0	4,525	4,525	0
Homes for Ukraine	0	0	0	0
Total	0	4,525	4,525	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.

11. Conclusions

11.1. The third round of revenue budget monitoring for 2024/25 projects an overspend of £8.429million.

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.	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 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	Close monitoring of demand for service to identify pressures early, robust budget monitoring.	All

Risk	Description	Action to avoid or mitigate risk	Risk rating
	£3million reserve created to fund any shortfall.		
Exceptional Financial Support not agreed	If the Council's request for Exceptional Financial Support for 2024/25 and 2025/26 is not granted it will not be possible to balance the budget within the Council's resources, and it would be therefore necessary for the Chief Operating Officer to issue a Section 114 report.	Close working with officials from MHCLG.	CI
Likelihood		Impact:	
A Very likely B Likely C Unlikely D Rare		I Catastrophic II Major III Moderate IV Minor	

13. Financial implications

- 13.1. The third round of revenue budget monitoring for 2024/25 projects an overspend of £8.429million. 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 and funding an overspend of the scale projected would reduce reserves below the £10million minimum balance set by the Section 151 Officer.
- 13.2. The Revenue Budget Monitoring 2024/25 Round 2 report to Cabinet in November 2024 noted that 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. When considering the Draft Capital and Revenue Budget 2025/26 also reported in November, the Cabinet agreed to instruct officers to continue to work with Portfolio Holders in formulating robust proposals to reduce the budget deficit for 2025/26 and to continue to liaise with the Ministry of Housing, Communities and Local Government to secure support through the Exceptional Financial Support scheme. In November 2024 officers submitted an Exceptional Financial Support request to the government seeking a further £11.221million in respect of 2024/25, in addition to the £14.742million incorporated into the budget, to fund the overspend projected at Round 2 should that arise at year end. The EFS request submitted in November 2024 also included support of £26.177million as per the potential budget gap projected for 2025/26 at that stage. The outcome of these requests is expected to be confirmed by the government in February 2025.

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 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