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## **Health and Adult Social Care Overview and Scrutiny Committee**

**13 March 2025**

### **Revenue Budget Monitoring – Round 3 2024/25**

Report from: Phil Watts, Chief Operating Officer (S151 Officer)

Authors: Katey Durkin, Chief Finance Officer  
David Reynolds, Head of Revenue Accounts

#### **Summary**

This report presents the results of the third 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 third 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 three budget requirement to a total of £438.805million.
- 3.2. 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.

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

4.1. 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
<b>Budget Requirement</b>	<b>11,221</b>	<b>438,805</b>	<b>447,235</b>	<b>8,429</b>
<i>Funded by:</i>				
Council Tax	0	(158,462)	(158,462)	0
Retained Business Rates & Baseline Need Funding	0	(74,499)	(74,499)	0
Government Grants - Non Ringfenced	0	(8,129)	(8,129)	0
New Homes Bonus	0	(1,573)	(1,573)	0
Dedicated Schools Grant	0	(117,908)	(117,908)	0
Other School Grants	0	(4,883)	(4,883)	0
Adult Social Care Grants	0	(32,151)	(32,151)	0
CSC Grants	0	(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
<b>Total Available Funding</b>	<b>0</b>	<b>(438,805)</b>	<b>(438,805)</b>	<b>0</b>
<b>Net Forecast Variance</b>	<b>11,221</b>	<b>0</b>	<b>8,429</b>	<b>8,429</b>

## 5. Children and Adults

- 5.1. 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
<b>Total</b>	<b>5,603</b>	<b>101,480</b>	<b>108,597</b>	<b>7,117</b>

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.

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)
<b>Total</b>	<b>(85)</b>	<b>3,040</b>	<b>1,372</b>	<b>(1,668)</b>

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.

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)
<b>Total</b>	<b>(52)</b>	<b>2,862</b>	<b>2,745</b>	<b>(117)</b>

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)
<b>Total</b>	<b>0</b>	<b>15,403</b>	<b>15,403</b>	<b>(0)</b>

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
<b>Total</b>	<b>0</b>	<b>2,394</b>	<b>2,394</b>	<b>0</b>

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.

## 6. 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
<b>Total</b>	<b>0</b>	<b>4,525</b>	<b>4,525</b>	<b>0</b>

All additional government support grants are currently forecast to be fully spent. Budget in respect of Homes for Ukraine scheme will be added throughout the year under the delegation of the Chief Operating Officer as funding is received.

## 7. Conclusions

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

## 8. Risk management

<b>Risk</b>	<b>Description</b>	<b>Action to avoid or mitigate risk</b>	<b>Risk rating</b>
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

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

## 9. Financial implications

- 9.1. 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.
- 9.2. 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.

## 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.

#### Lead officer contact

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

#### Appendices

None

#### Background papers

None