



Serving You

Regeneration Culture and Environment Overview and Scrutiny Committee

25 March 2025

Revenue Budget Monitoring – Round 3 2024/25

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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 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 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
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

5. Regeneration, Culture and Environment

5.1. 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

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.

6. 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.

7. 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.

8. Conclusions

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

9. 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
Special Educational	Further increases in the number of children requiring support, and in the	Close monitoring of demand for service to	All

Risk	Description	Action to avoid or mitigate risk	Risk rating
Needs and Disabilities	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.	identify pressures early, robust budget monitoring.	
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		I Catastrophic	
B Likely		II Major	
C Unlikely		III Moderate	
D Rare		IV Minor	

10. Financial implications

- 10.1. 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.
- 10.2. 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.

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.

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Appendices

None

Background papers

None