

Business Support and Digital Overview and Scrutiny Committee

27 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 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 |
| 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. Business Support & Centralised Services

5.1. 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.

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 |
| 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.

7. Conclusions

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

8. Risk management

| Risk | Description | Action to avoid or mitigate risk | Risk rating |
|--|---|--|-------------|
| The Council overspends against the agreed budget | Overspends on budget would need to be met from the Council's limited reserves. | The revenue monitoring process is designed to identify and facilitate management action to mitigate the risk of overspending against the agreed budget. | AI |
| Impact on service delivery | An overspend that cannot be funded from reserves could result in a diminution of the scale and quality of services that the Council is able to deliver. | Ensuring investment is prioritised to statutory services and key priorities, reviewing and reducing non-essential spend and maximising income. | All |
| Reputational damage | The challenging financial position of the Council, driven by increased demand for statutory services beyond available funding, could be misconstrued or reported as poor management or leadership, reducing the trust and confidence of residents, partners and regulators. | Clear communications with all interested parties on the cause of the financial position, lobbying the government for an improved funding settlement for local government, including implementation of the fair funding review. | BII |
| Demographic Growth | Further demographic pressures may surface across our social care services above those assumed in the budget. | Close monitoring of demand for service to identify pressures early, robust budget monitoring. | All |

| Risk | Description | Action to avoid or mitigate risk | Risk rating |
|---|---|---|--------------------|
| 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 |
| 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 | | |

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.

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Appendices

None

Background papers

None