Medway Council
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CABINET

6 AUGUST 2019

REVENUE BUDGET MONITORING – ROUND 1 2019/20

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Summary

This report presents the results of the first round of the Council's revenue budget monitoring for 2019/20.

1. Budget and Policy Framework

1.1 Cabinet are responsible for ensuring that income and expenditure remain within the budget approved by Council.

1.2 Write off of debts exceeding £25,000 is a matter for Cabinet, as specified in paragraph 5.4 of part 5 (financial limits) of chapter 3 (responsibility for functions) in the Council's Constitution.

2. Background

2.1 At its meeting on 21 February 2019, the Council set a budget requirement of £297.995 million for 2019/20. The budget was based on a Council Tax increase of 2.994%.

2.2 This report presents the results of the first round of revenue budget monitoring, summarising reports that have been considered by directorate management teams 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.

2.3 Table 1 provides a summary of the forecast position, reflecting the individual directorate monitoring summaries attached in the appendices to this report. The narrative below seeks to explain the pressures being faced and the corrective management action proposed by directorate management teams.

3. Summary Revenue Budget Position 2019/20

3.1 Table 1 overleaf shows that after proposed management action, the forecast outturn for 2019/20 represents a forecast pressure of £6.262 million. Management action plans are being formulated by directorate management teams and it is anticipated that this figure will be reduced significantly as the year progresses.

Table 1: Monitoring Summary

Directorate	**Budget 2019/20 £000's**	**Q1 Forecast Variance £000's**	**Q1 Proposed Action £000's**	**Q1 Adjusted Variance £000's**
Children and Adult Services (including Public Health)	223,030	4,790	(708)	4,082
Regeneration, Culture, Environment and Transformation	58,115	2,988	(700)	2,288
Business Support Department	1,901	712	(100)	612
Interest & Financing	13,756	(680)	0	(680)
Levies	1,455	(18)	0	(18)
Medway Norse Joint Venture	(263)	(22)	0	(22)
Budget Requirement	**297,995**	**7,770**	**(1,508)**	**6,262**
Funded by:				
Dedicated Schools Grant	(86,312)	0	0	0
Other School Specific Grants	(4,476)	0	0	0
Revenue Support Grant	(6,053)	0	0	0
Business Rate Share	(53,966)	0	0	0
New Homes Bonus	(1,978)	0	0	0
Council Tax	(119,651)	0	0	0
Public Health Grant	(16,762)	0	0	0
Specific Grants	(8,797)	0	0	0
Use of Reserves	0	0	0	0
Total Available Funding	**(297,995)**	**0**	**0**	**0**
Net Forecast Variance	**0**	**7,770**	**(1,508)**	**6,262**

4. Children & Adults including Public Health (Appendix 1)

4.1 The Directorate is forecasting a pressure of £4.082 million.

Table 2: C&A Summary

	Budget 2019/20	Q1 forecast variance	Q1 proposed action	Q1 adjusted variance
	£000's	£000's	£000's	£000's
Adult Social Care	68,559	353		353
Children's Services	68,706	3,348	(272)	3,076
Director	1,954	352		352
Directorate Management Team	(460)	178		178
Education	24,743	594	(436)	158
Partnership Commissioning	1,647	(35)		(35)
Public Health	13,237	0		0
Schools Retained Funding & Grants	44,643	1		1
Schools	0	(0)		(0)
Children and Adult Services Total	**223,030**	**4,790**	**(708)**	**4,082**

4.2 Adult Social Care

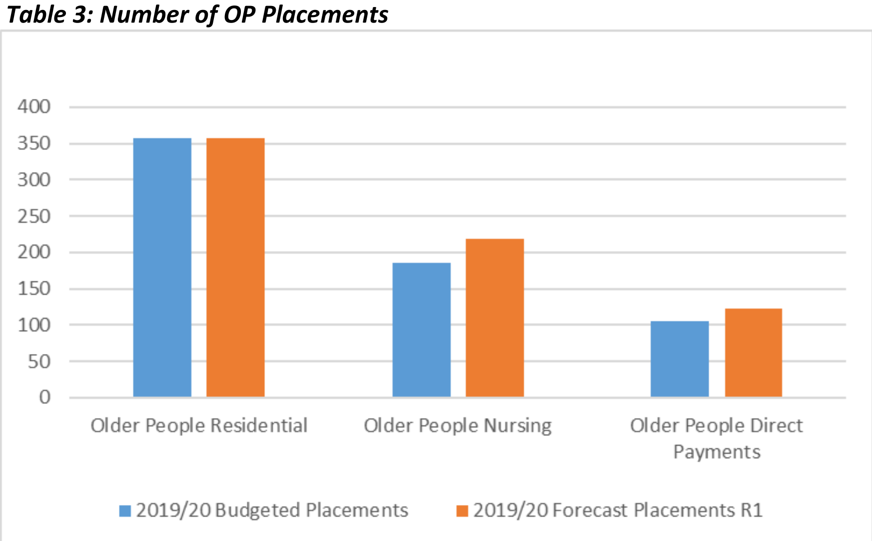
4.2.1 The division is currently forecasting a pressure of £353,000.

4.2.2 Disability Services are forecasting a favourable variance of £235,000. While additional placements has led to an increase in homecare expenditure and a forecast under delivery on savings targets allocated to disability services, demographic growth has been slower than budgeted resulting in an overall underspend forecast.

4.2.3 Mental Health Services are forecasting a pressure of £126,000. This is primarily due to an increase in the number of supported living placements and a shortfall against savings targets attributed to Mental Health Services.

4.2.4 Services for Older Persons are forecasting a pressure of £523,000. The most significant variance relates to nursing placements where there has been a large increase in placement numbers since the budget was built, as shown in Table 3. A deep dive is being undertaken by the Principal Social Worker Adults, to help us to understand the drivers for this increase in demand and to identify action that could be taken to mitigate the increase.

Table 3: Number of OP Placements



4.2.5 The overall staffing forecast across all areas represents an underspend of £57,000.

4.2.6 Progress against the budgeted savings targets is reported to the Adult Social Care Improvement Board every two months. Table 4 represents the current forecast performance against the budgeted savings.

Table 4 – savings reported to ASC Improvement Board 11 July 2019

Project	Total budgeted Savings 2019/20 (£)	2019/20 - Forecast in-year savings (£)
Shortfall from 2018/19	(424,000)	
- ASC Diagnostic Analysis – Rephasing	(764,600)	
- ASC Improvement Programme stretch target	(248,000)	
Targeted Reviews	0	(685,758)
Respite Provision (Napier/Birling)	0	
Extra Care Provision	0	(100,000)
Commissioning decisions	0	(200,000)
CSOT/147 nelson Road	0	(26,900)
Shared Lives	(178,191)	(178,191)
B&I restructure	(120,000)	(120,000)
Total ASC Savings programme	**(1,734,791)**	**(1,310,849)**
Shortfall Against Total Budgeted Savings		**423,942**

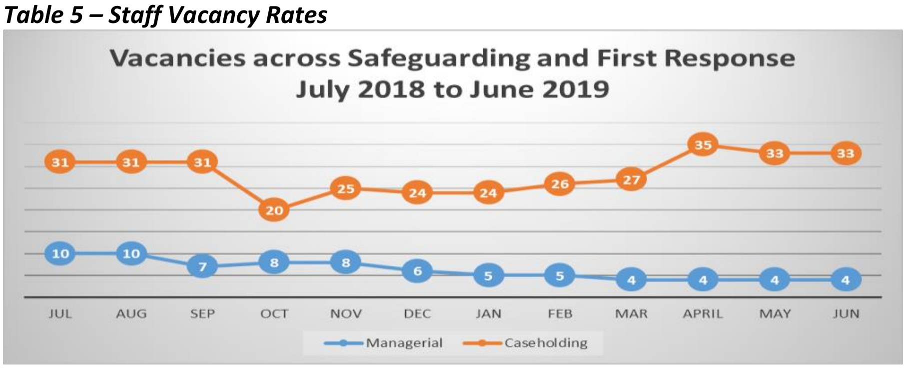
4.2.7 Canterbury and Coastal Clinical Commissioning Group were formed on 1 April 2013, taking over from the previous Eastern and Coastal Primary Care Trust (PCT). At that point, Medway Council had adult social care placements in place for which the Eastern and Coastal PCT contributed via invoices. Canterbury and Coastal CCG disputed the contributions and no agreement has been reached. As such, this debt is irrecoverable and Cabinet are asked to write off the sum of £106,932.13 against the corporate bad debt provision with no impact on the revenue budget monitoring.

4.3 Children's Services

4.3.1 The Division is forecasting a pressure of £3.076 million, driven by three key areas:

4.3.2 Staffing – there is a £946,000 pressure forecast on staffing due to the continued use of agency staff at higher cost than permanent appointments. The budget for 2019/20 assumed that 28% of posts would be filled by agency staff, however 35% of posts are currently filled by agency staff. The service has employed ten further social workers posts above the structure creating a pressure of £660,000 on the budget.

Table 5 – Staff Vacancy Rates



4.3.3 Placements – there is a £1.097 million pressure forecasts on placements including Independent Fostering Agency, special guardianship, residential, internal and external placements, which is being driven by increases in the provider packages, demand for placements and complexity of need. Table 6 shows the increasing pressure on placement numbers over the years 2017/18, 2018/19 and the year to date while Table 7 shows the change in unit costs.

Table 6 – Number of Looked After Children 2017/18 to YTD

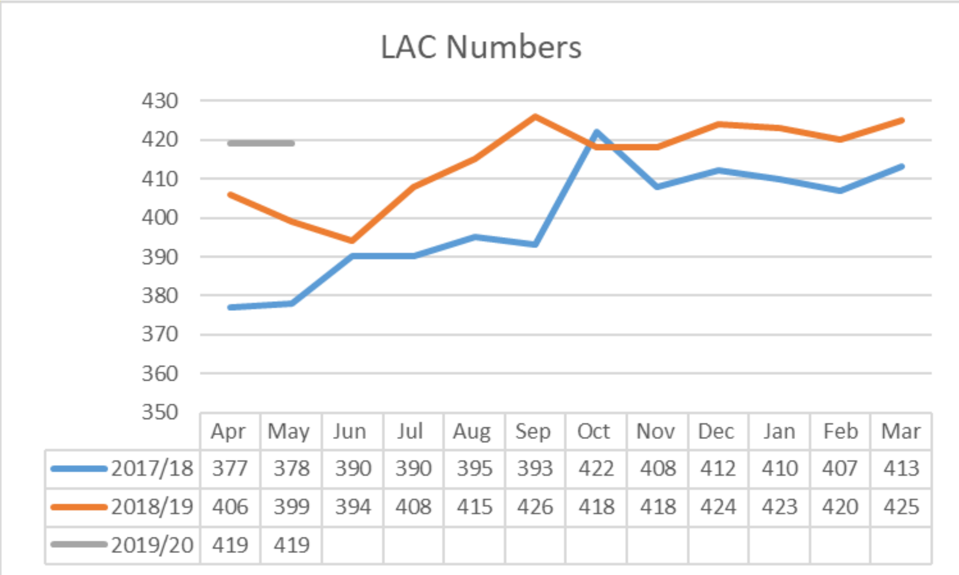


Table 7 – Placement Unit Costs

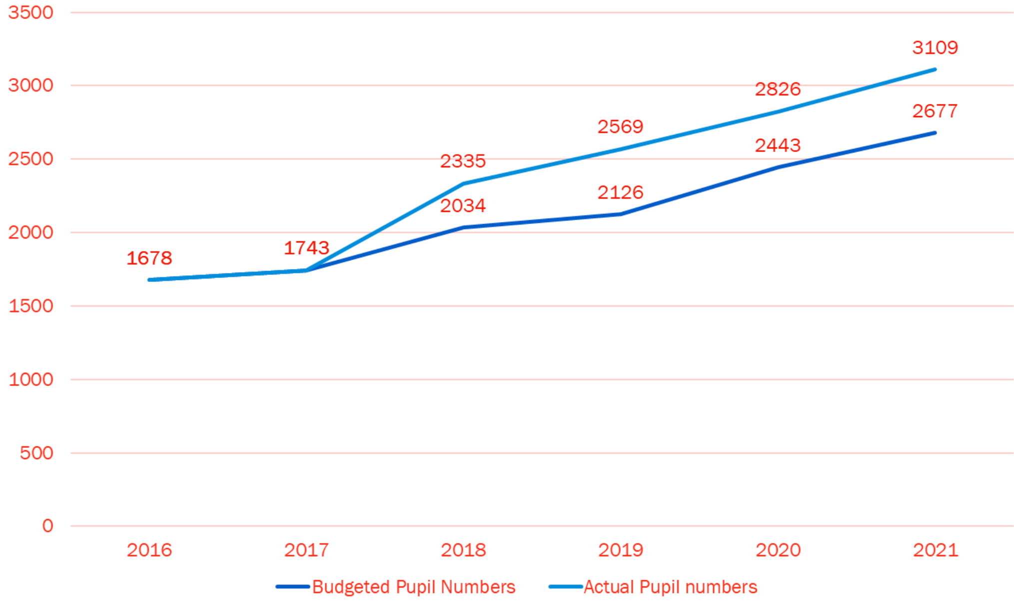
Placement Type	2018/19 Unit Costs per week	2018/19 Unit Costs per year	2019/20 Unit Costs per week	2019/20 Unit Costs per year	% Change
In-house Fostering	349.60	18,179.20	361.67	18,806.84	3.5%
In-house Residential	2,503.51	130,182.34	2,262.66	117,658.32	-9.6%
External Residential	2,914.00	151,528.00	3,630.46	188,783.92	24.6%
External Residential SEN	1,686.52	87,698.78	2,787.09	144,928.68	65.3%
External Residential 0-25	4,026.00	209,352.00	4,100.00	213,200.00	1.8%
External Secure	6,000.00	312,000.00	6,000.00	312,000.00	0.0%
Independent Fostering Agency	850.43	44,222.36	930.14	48,367.28	9.4%
Family placements	951.00	49,452.00	1,603.26	83,369.52	68.6%
Supported Accommodation (LAC & CARE LEAVERS)	957.00	49,764.00	811.45	42,195.40	-15.2%
Supported Lodgings (LAC & CARE LEAVERS)	189.00	9,828.00	223.69	11,631.88	18.4%
Special Guardianship orders (POST LAC)	230.00	11,960.00	150.61	7,831.72	-34.5%
Residence Orders	163.00	8,476.00	118.72	6,173.44	-27.2%
Child Arrangement Orders	168.00	8,736.00	130.71	6,796.92	-22.2%
Adoption Allowances (POST LAC)	133.00	6,916.00	173.00	8,996.00	30.1%

4.3.4 The Children's Financial Recovery Group reviews the Council's most expensive placements, which are generally external residential placements. Since the 1 April 2019, twelve placements have stopped or had their package of support reduced saving £1.726m, however this saving has been offset by the 9 new residential placements costing £921,000.The total saving the Group achieved to date is £957,000 when all the different placement types are included.

4.3.5 Special Educational Needs (SEN) – In common with other upper tier local authorities, Medway continues to experience significant pressure on SEN, caused by a combination of increasing demand for Education, Health and Care Plans (EHCPs), a lower proportion of children with EHCPs supported in mainstream schools than the national average, and a lack of special school places in Medway resulting in increased demand for independent school and out of area places. These result in a pressure of £4.521 million; this has been transferred to the DSG High Needs Reserve. Along with the £3.688 million of SEN expenditure transferred in 2018/19 and a deficit relating to schools, this reserve is forecast to be in a deficit position of £8.841 million by the end of 2019/20. As required, the Council submitted a Deficit Recovery Plan to the Department of Education at the end of June.

4.3.6 There is also a £120,000 overspend on Aut Even as additional staff employed to ensure compliance with Ofsted criteria must be maintained until the service moves to the Parklands building. The employment of an interim manager on a six month contract after the recent Ofsted outcome review also contributes to this pressure.

Table 8 – Actual growth in SEN pupil numbers compared to budgeted



4.3.7 The 0-25 team have six agency staff covering four vacant posts, and are operating with five posts above the budgeted establishment, resulting in a pressure of £410,000.

4.3.8 There is a £269,000 overspend on preventative measures to avoid children being brought into care. £230,000 is being spent in relation to children with ‘no recourse to public funds’ against an approved budget of £25,000 and £187,000 on section 17 payments against a budget of £123,000. Due to the work in closing section 17 cases in 2018/19, the overspend this year has halved from previous years.

4.4 Director’s Office

4.4.1 There is a forecast pressure of £352,000 mainly due to the agency staff covering vacant Independent Reviewing Officer (IRO) posts as well as the employment of additional staff above the budgeted establishment.

4.5 Directorate Management Team

4.5.1 There is a forecast pressure of £178,000 as a vacant post continues to be covered by an interim until the end of the financial year. The stretched transformation savings target and other savings agreed through the budget build process are shown as being met here, but remain a risk.

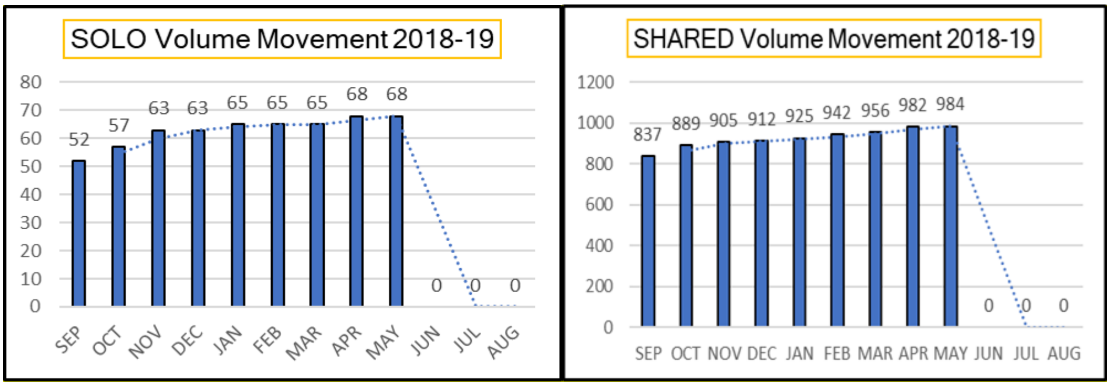
4.6 Education

4.6.1 The division is forecasting a pressure of £158,000, driven by two key areas:

4.6.2 Provision for excluded pupils is forecast to overspend by £120,000 and while Medway schools have only made six permanent exclusions in the current financial year, the Council continues to pay for 31 pupils being educated in non-standard settings.

4.6.3 SEN Transport – due to significant growth in numbers transported as Personal Travel Budgets were successfully challenged by parents, and 7 of the 33 routes have broken their tolerance levels resulting in an anticipated pressure of £436,000. However, management action being taken to re-procure the routes is anticipated to result in reduced unit costs, and bring this to a breakeven position by year end. As at the end of May 2019, Medway are transporting 1,052 pupils on solo and shared transport, 28 pupils on a bus/rail pass and 157 pupils receiving a direct payment. Table 8 below shows that since the start of the 2018/19 academic year there has been an 18.3% (163 pupils) increase in the number of pupils being transported across the hired routes. On average it currently costs £21,516 a year to transport a pupil on a solo taxi route and £5,146 a year in a hired vehicle.

Table 9 –SEN Transport Growth



4.7 Partnership Commissioning

4.7.1 Partnership Commissioning is forecast to underspend by £35,000 mainly due to vacant posts within Children's Commissioning.

4.8 Public Health

4.8.1 Public Health are forecasting a breakeven position. As the grant is ring-fenced, any under/overspend is offset by contributions to/from the Public Health Reserve.

5. Regeneration, Culture, Environment and Transformation (Appendix 2)

5.1 The Directorate is forecasting a pressure of £2.288 million.

Table 10: RCET Summary

	Budget 2019/20	Q1 forecast variance	Q1 proposed action	Q1 adjusted variance
	£000's	£000's	£000's	£000's
Corn Exchange	(6)	137		137
Deangate Golf	0	86		86
Director's Office	1,165	(38)		(38)
Front Line Services	38,504	1,479	(310)	1,169
MCG Services	(292)	0		0
Physical & Cultural Regeneration	13,108	1,006	(140)	866
Transformation	5,636	318	(250)	68
Regeneration, Culture, Environment & Transformation Total	**58,115**	**2,988**	**(700)**	**2,288**

5.2 Front Line Services

5.2.1 The Division is forecasting a pressure of £1.169 million.

5.2.2 Parking Services are forecasting a pressure of £1.208 million primarily due to a projected shortfall in income compared to budget on pay and display and penalty charge notices. The income budget was based on the implementation of new on-street controlled parking zones agreed by Full Council, which was subsequently postponed indefinitely by Members. Further pressures relate to the security costs for multi-story car parks, higher than anticipated electricity costs and administrative costs from the aborted virtual permits scheme.

5.2.3 Front Line Services Support are forecasting a favourable variance of £74,000 primarily due to staff vacancy savings.

5.2.4 Regulatory Services are forecasting a pressure of £277,000, primarily due to a projected shortfall in income compared to budget for the crematorium; this is based on a target of 10 cremations per day with current activity at seven per day.

5.2.5 Integrated Transport are forecasting a pressure of £74,000; pressures relating to permit schemes and subsidised bus services (for which no S106 funding is available this year) are mitigated by staff vacancy savings, controlling expenditure and additional income from street traffic closures.

5.2.6 Greenspaces are forecasting a small pressure of £5,000 as an unbudgeted increase in the unit cost of utilities and an underachievement of income receivable on lettings and rents are offset by management action to draw down commuted sums will mitigate this.

5.2.7 Highways are forecasting a pressure of £83,000 as the £368,000 pressure resulting from a 30% increase in the unit price of electricity from October 2018, has been largely mitigated through a drawdown from reserves, staff vacancy savings and savings on planned and reactive maintenance. However, management action to control expenditure will mitigate this.

5.2.8 These pressures are partially mitigated because Environmental Services are forecasting a favourable variance of £393,000, predominantly due to net additional income from the Household Waste Recycling Centres following the agreement with Kent County Council to allow their residents to use Medway's facilities. However, the Medway Norse refuse collection contract represents a pressure of £158,000. Work continues to refine budget assumptions and by the time the contract goes live we would expect to be within budget.

5.3 Physical & Cultural Regeneration

5.3.1 The Division is forecasting a pressure of £866,000.

5.3.2 Sports, Leisure, Tourism and Heritage are forecasting a pressure of £511,000 primarily due to the projected shortfall in income compared to budget for Leisure Centres as usage suffers from the proximity of low-cost gyms. A pressure of £29,000 is forecast for Eastgate House as income from admissions and the shop is lower than budgeted, despite savings made on supplies and services.

5.3.3 Festivals, Arts, Theatres and Events are forecasting a pressure of £384,000, primarily driven by the projected shortfall in income compared to budget in respect of the Castle Concerts, however the concerts had not yet taken place when this report was prepared so the final position will be reported in the Round 2 monitoring. The income target associated with an undelivered festivals programme initiative and underfunding of the Rochester Art Gallery contribute to the overall pressure.

5.3.4 Physical and Cultural Regeneration Directorate Support is forecasting a favourable variance of £83,000 however a budget to address pressures arising from the National Living Wage increase is held here but will be realigned across the directorate once work to identify the areas of the businesses impacted has been completed. Management action to control expenditure is reflected here.

5.3.5 Regeneration is forecasting a pressure of £64,000 primarily due to shortfalls on income compared to budget for the three markets; management action to commission an independent review to assess the viability of Medway's market provision is reflected here. Unbudgeted studies required to progress the Rochester Airport LDO / Masterplan evidence base represent a further £69,000 pressure.

5.3.6 The Artlands project was a not-for-profit organisation that delivered a programme of contemporary art commissions for public spaces as part of the 'Greening the Gateway' initiative. Medway Council submitted a number of claims totalling £115,223.47 to the grant paying body, which were rejected. As such, this debt is irrecoverable and the Cabinet are asked to write off the sum of £115,223.47 against the corporate bad debt provision with no impact on the revenue budget monitoring.

5.3.7 Strategic Housing is forecasting a favourable variance of £65,000, as the service are working with the Business Change team on a restructure and it is anticipated this will deliver significant savings. As recommended through an internal audit, a review of the Private Sector Housing enforcement charges has been carried out. This found that the charges in place did not reflect the cost of enforcement action carried out and it is proposed to increase charges as set out in Table 11 below. In accordance with the Employee Scheme of Delegation set out within Chapter 3 the

Council's Constitution (Responsibility for Functions), having consulted with the relevant Portfolio Holder and the Leader who are supportive of these new fees, the Chief Finance Officer will vary the existing charges and introduce the new charge as set out in Table 11.

Table 11 – Proposed Private Sector Housing Enforcement Charges

Enforcement activity	Existing charge	Proposed charge
Service of Statutory Notices	Variable, based on officer time	£525
HMO License Renewal Charge	£376.67	£589.83
Non Statutory Accommodation Inspections	£100.32	£140.00 + £83.50 per additional follow up inspection
Fee for Assistance with (HMO) Application & pre Application inspection	No charge	£160.00 + £7.50 per room over 5

5.3.8 The Planning Service is forecasting a favourable variance of £21,000 as planning fee income is to be higher than budgeted.

5.3.9 In December 2011, Medway Council's Cabinet approved a Development Brief setting out the Council's policies, expectations and ambitions for a new settlement at Lodge Hill. Land Securities was selected as the land sale delivery partner. Medway Council's Planning Services incurred costs in relation to 'core strategy' with an expectation that Medway Council would be reimbursed for the core strategy costs by Land Securities. In September 2015, Land Securities decided to no longer progress with their master plan for development at Lodge Hill and on that basis contested the invoices raised by the Council and the agreement on which these invoices were raised was unenforceable. As such, this debt is irrecoverable and the Cabinet are asked to approve the write off of the sum of £145,729.98 against the corporate bad debt provision with no impact on the revenue budget monitoring.

5.4 Transformation

5.4.1 The division is forecasting a pressure of £68,000.

5.4.2 Marketing and Communications is forecasting a pressure of £219,000, primarily due to historic budget pressures arising from underfunded salaries and unachievable income targets. Additional marketing activity to boost the sale of Castle Concerts tickets contributes £40,000 to this pressure.

5.4.3 ICT are forecasting an underspend of £14,000. The forecast assumes the divisional transformation savings target of £406,000 will be delivered, as the removal of the vacant posts within the service has achieved this, however it is anticipated that further savings will be delivered through the restructure that will mitigate the pressure within the service.

5.4.4 The Head of Transformation is forecasting a pressure of £15,000 arising from changes in the staffing establishment in previous years without appropriate budget transfer to cover these costs. However, management action will mitigate this.

5.4.5 Libraries, Community Hubs and Archives are forecasting a pressure of £35,000 as the rent-free period for the Strood Library and Community Hub ends on 31 July 2019 and there is no budgetary provision for this cost. National Non Domestic

Rates (NNDR) costs across the portfolio of library buildings have also increased. These pressures have been partially mitigated by additional income from external lettings at Hempstead Library.

5.4.6 The Community Interpreters are forecasting a pressure of £13,000 as increased costs have not been passed on to ensure the service remains competitive.

5.4.7 These pressures are mitigated by forecast favourable variances in Customer and Business Support of £171,000 due to additional income, and in HR and Organisational Services of £13,000 due to a reduction in the cost of providing the salary sacrifice scheme.

5.5 Corn Exchange

5.5.1 The Corn Exchange is forecasting a pressure of £137,000, primarily resulting from a shortfall in income compared to budget. The 2019/20 budget includes a scheme for refurbishment works to the Corn Exchange and the employment of a business development manager to identify income generation opportunities to mitigate this pressure.

5.6 Deangate Golf

5.6.1 Deangate Golf Course is forecasting a pressure of £86,000 which is the full year NNDR charge for the site; following the closure of the course in April 2018 the budget was removed.

5.7 MCG Services

5.7.1 MCG Services are forecast to breakeven.

5.8 Housing Revenue Account

5.8.1 The Housing Revenue Account is forecasting a surplus of £480,500 which is £264,300 above the approved budget surplus of £216,200.

6. Business Support (Appendix 3)

6.1 The Directorate is forecasting a pressure of £612,000.

Table 12: BSD Summary

	Budget 2019/20	Q1 forecast variance	Q1 proposed action	Q1 adjusted variance
	£000's	£000's	£000's	£000's
Central Finance	1,212	179		179
Corporate Management	1,752	10		10
Democracy and Governance	2,131	10		10
Legal, Contracts and Property	(3,194)	514	(100)	414
Business Support Total	**1,901**	**712**	**(100)**	**612**

6.2 Finance Division

6.2.1 The Finance Division is forecasting a net overall pressure of £179,000. This is entirely due to the delay in realising additional income from proposals to increase the level of subsidy received in relation to enhanced housing benefit.

6.2.2 The current budget assumes that one of the major providers of supported accommodation in Medway would become a registered social landlord. This registration would ensure that the Council receives 100% subsidy on enhanced housing benefit paid to tenants in this accommodation, generating additional income of almost £1.2million per annum. Homes England raised one issue, which the provider has now resolved, however the resultant delay in registration represents a pressure to the Council of around £565,000. The good news is that this pressure has largely been mitigated. The Revenues and Benefits team expects to deliver its transformation target through a new hosting arrangement with its software supplier, improved performance in recovering overpaid housing benefit and savings from a shared management arrangement with Gravesham BC. More importantly though, a reduction in backlogs and the impact of an overall reduction in housing benefit payable, has meant that the gap between benefit paid and subsidy claimed has reduced, meaning that overall Revenues and Benefits is only forecasting an overspend of £243,000.

6.2.3 Finance Strategy is forecasting a favourable variance of £50,000 due to vacancy savings resulting from delays in recruitment to posts following a restructure.

6.2.4 Internal Audit and Counter Fraud are forecasting a favourable variance of £14,000 due to staffing vacancy savings.

6.2.5 Finance Operations and Rural Liaison Grants are both forecast to breakeven.

6.2.6 The Finance division is currently predicting a net overspend of just £179,000 in spite of the forecast pressure against enhanced housing benefit referred to at paragraph 6.2.2, however work is being undertaken to bring the division’s spend back within budget. This will be achieved through reductions in planned expenditure, including managing vacant posts, and by reducing the gap between benefit paid and subsidy received, as a result of the gradual transition of claimants onto Universal Credit and by continuing to improve the collection of debt across all service areas.

6.3 Corporate Management

6.3.1 Corporate Management is forecasting a modest overspend of £10,000 resulting from deferred pension contribution costs.

6.4 Democracy and Governance

6.4.1 Democracy and Governance are forecasting a pressure of £10,000.

6.4.2 Democratic Services are forecasting a favourable variance of £29,000 due to staff vacancy savings.

6.4.3 Members and Elections are forecasting a pressure of £39,000. Anticipated Government grant for the European election and a full draw down of the balance of the Elections Reserve for the Local elections still result in a pressure of £59,000. This, together with a pressure of £21,000 on Member allowances, is partially mitigated by £44,000 staff vacancy savings in Elections Services.

6.5 Legal, Contracts and Property

6.5.1 Legal, Contracts and Property are forecasting a pressure of £414,000.

6.5.2 Valuation and Asset Management are forecasting a pressure of £261,000, primarily driven by pressures on commercial property income. The income budget assumed the Pentagon would be purchased at the beginning of the financial year, but it was completed at the end of April; as such only 11 months of rent is due to the Council, resulting in a pressure of £190,000. A favourable variance on interest paid within Interest and Financing (at section 7.1 of this report) partially mitigates this. Higher than anticipated (but legitimate) deductions made by the new managing agents of Gillingham Business Park result in a pressure of £67,000. These are partly mitigated by a favourable variance of £23,000 on the Valuation and Asset Management Service delivery due to staff vacancy savings and higher than anticipated income levels. Management action to increase income is reflected here.

6.5.3 Legal, Land Charges and Licensing are forecasting a pressure of £222,000, primarily relating to staffing, as vacant posts are being covered by agency staff. Lower than budgeted levels of Land Charge searches result in a pressure of £21,000. Licensing is forecasting a pressure of £24,000 arising from the new shared service with Gravesham, this is partly because the Land Charges and Licensing Manager post was deleted as a prior year saving. However, the Legal Shared Service with Gravesham is forecasting a favourable variance of £38,000 as the net cost of the service is lower than budgeted. Management action to reduce expenditure is reflected here.

6.5.4 Category Management is forecasting a pressure of £10,000 as shortfalls against income targets are being offset by staff vacancy savings.

6.5.5 Property and Capital Projects are forecasting a pressure of £6,000 as a range of pressures on Kingsley House and Community Centre lettings are offset by vacancy savings and there has also been a reduction in the use of consultants, as work is being delivered by the in-house team.

7. Centralised Costs

7.1 Collectively these are forecasting a favourable variance of £720,000.

Table 13: Centralised Costs Summary

	Budget 2019/20	Q1 forecast variance	Q1 proposed action	Q1 adjusted variance
	£000's	£000's	£000's	£000's
Interest and Financing	13,756	(680)		(680)
Levies	1,455	(18)		(18)
Medway Norse Rebate	(263)	(22)		(22)
Centralised Budgets Total	**10,368**	**(720)**	**0**	**(720)**

7.1.1 Interest and Financing is forecasting a favourable variance of £680,000; this forecast assumes we will not need to take out the borrowing to finance the SEN school, and reflects the one month delay in taking out the borrowing to purchase the Pentagon Centre.

7.1.2 Levies are forecasting a favourable variance of £18,000 as pressures on the Coroner's Service and Environment Agency are offset by a favourable variance on the Internal Drainage Board Levy.

7.1.3 Medway Norse have reported higher than expected profits and the rebate to the

Council represents a favourable variance of £22,000.

8. Conclusions

8.1 The first round of budget monitoring for 2019/20 forecasts an overspend position of £6.262 million after management action. It will now be necessary to formulate further management actions to bring expenditure to within budgeted levels.

9. Financial, risk management and legal implications

9.1 The financial implications are set out in the body of the report. There are no legal implications within this report. The Council’s revenue monitoring process is designed to help mitigate the risk of overspending against the agreed budget at year-end; this report sets out the areas of potential overspend forecast and the actions identified by management and Members to mitigate these.

10. Recommendations

10.1 The Cabinet is asked to note the results of the first round of revenue budget monitoring for 2019/20.

10.2 The Cabinet is asked to note the proposed variation and addition to the charges for Private Sector Housing enforcement set out at paragraph 5.3.7 of this report.

10.3 The Cabinet is asked to approve the write-off of the three irrecoverable sums against the corporate bad debt provision of £145,729.98; £115,223.47 and £106,932.13, as detailed in sections 4.2.7, 5.3.6 and 5.3.9 of this report.

11. Suggested reasons for decisions

11.1 Cabinet has the responsibility to ensure effective budgetary control to contain expenditure within the approved limits set by Council.

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Appendices
Appendix 1 – Children & Adults including Public Health
Appendix 2 – Regeneration, Culture, Environment and Transformation
Appendix 3 – Business Support
Appendix 4a – Interest & Financing
Appendix 4b – Levies

Background papers
Revenue budget approved by Council 21 February 2019:
https://democracy.medway.gov.uk/mgAi.aspx?ID=20679#mgDocuments