

## **BUSINESS SUPPORT OVERVIEW AND SCRUTINY COMMITTEE**

**28 NOVEMBER 2019**

### **REVENUE BUDGET MONITORING – ROUND 2 2019/20**

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#### **Summary**

This report presents the results of the second 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.

#### **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%. A reduction in the Pupil Premium Grant and a contribution from reserves to fund survey works to Deangate Ridge, result in a revised budget of £297.445 million. This report presents the results of the second 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.
- 2.2 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 £6.695 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	R1 Forecast Variance	Budget 2019/20	R2 Forecast Variance	R2 Proposed Action	R2 Adjusted Variance
	£000's	£000's	£000's	£000's	£000's
Children and Adult Services (including Public Health)	3,757	222,331	6,653	(723)	5,930
Regeneration, Culture, Environment and Transformation	2,288	58,265	1,861	(530)	1,331
Business Support Department	612	2,076	390	0	390
Interest & Financing	(680)	13,581	(962)	0	(962)
Levies	(18)	1,455	29	0	29
Medway Norse Joint Venture	(22)	(263)	(22)	0	(22)
<b>Budget Requirement</b>	<b>5,937</b>	<b>297,445</b>	<b>7,948</b>	<b>(1,253)</b>	<b>6,695</b>
<i>Funded by:</i>					
Dedicated Schools Grant	0	(86,312)	0	0	0
Other School Specific Grants	0	(3,776)	0	0	0
Revenue Support Grant	0	(6,053)	0	0	0
Business Rate Share	0	(53,966)	0	0	0
New Homes Bonus	0	(1,978)	0	0	0
Council Tax	0	(119,651)	0	0	0
Public Health Grant	0	(16,762)	0	0	0
Specific Grants	0	(8,797)	0	0	0
Use of Reserves	0	(150)	0	0	0
<b>Total Available Funding</b>	<b>0</b>	<b>(297,445)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Forecast Variance</b>	<b>5,937</b>	<b>0</b>	<b>7,948</b>	<b>(1,253)</b>	<b>6,695</b>

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

4.1 The Directorate is forecasting a general fund pressure of £5.930 million.

**Table 2: C&A Summary**

	R1 Forecast Variance	Budget 2019/20	R2 Forecast Variance	R2 Proposed Action	R2 Adjusted Variance
	£000's	£000's	£000's	£000's	£000's
Adult Social Care	353	68,559	419	(287)	132
Children's Services	2,750	66,790	4,347		4,347
Director	352	1,954	351		351
Directorate Management Team	178	(460)	1,106		1,106
Education	158	26,659	631	(436)	195
Partnership Commissioning	(35)	1,647	(43)		(43)
Public Health	0	13,237	0		0
Schools Retained Funding & Grants	1	43,944	(157)		(157)
Schools	(0)	0	(0)		(0)
<b>Children and Adult Services Total</b>	<b>3,757</b>	<b>222,331</b>	<b>6,653</b>	<b>(723)</b>	<b>5,930</b>

### 4.2 Adult Social Care

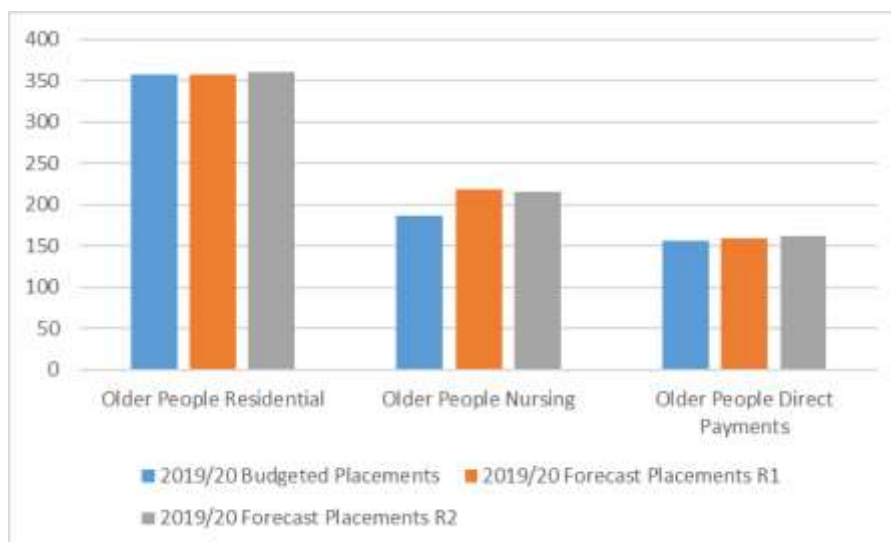
4.2.1 The division is currently forecasting a pressure of £132,000, a positive movement of £221,000 compared to Round 1.

4.2.2 Disability Services are forecasting an overspend of £52,000, which is an adverse movement of £287,000 from the position reported at Round 1. Although there has been an overall reduction in the number of placements forecast, there has been an increase in the number of more expensive residential placements which is driving up the forecast expenditure. In addition, there continues to be a forecast under-delivery on savings targets allocated to disability services.

4.2.3 Mental Health Services are forecasting an overspend of £201,000, which is an adverse movement of £74,000 from the position reported at Round 1. This is largely 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 to overspend by £481,000, which is an improvement of £42,000 from the position reported at Round 1. This is primarily driven by significantly higher than budgeted numbers of nursing placements as shown in Table 3 overleaf, though there has been a slight decrease since Round 1. Since Round 1 we have also assumed £287,000 management action relating to funding the cost of assessment beds from the Better Care Fund.

**Table 3: Number of Older Persons Placements**



4.2.5 There is a forecast underspend of £166,000 in Business and Intelligence; an improvement of £110,000 from the position reported at Round 1 largely due to delays to recruiting to vacant posts. The overall staffing forecast across all areas is an underspend of £138,000, an improvement of £81,000 compared to Round 1. In addition to management action to delay recruitment, additional underspends relating to payments to the voluntary and community sector (£58,000) and payments for non-contracted lift maintenance (£25,000) have also been identified, bringing the total additional management action identified since Round 1 to £275,000.

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

**Table 4 – savings reported to ASC Improvement Board**

Project	Total budgeted Savings 2019/20	2019/20 - Actual in-year savings
Shortfall from 2018/19	(424,000)	
- ASC Diagnostic Analysis - Rephasing	(764,600)	
- ASCIP stretch target	(248,000)	
Targeted Reviews	0	(702,074)
Respite Provision (Napier/Birling)	0	0
Extra Care Provision	0	(100,000)
Commissioning decisions	0	(200,000)
CSOT/147 Nelson Road	0	(46,400)
Shared Lives	(178,191)	(178,191)
Transformation Savings	(120,000)	(120,000)
<b>Total ASC Savings programme</b>	<b>(1,734,791)</b>	<b>(1,346,665)</b>
<b>Shortfall against total budgeted savings</b>		<b>388,126</b>
Additional Staffing Underspends	0	(81,076)
Equipment outside of MICES	0	(25,000)
VCS payments	0	(58,057)
Additional Business & Intelligence savings	0	(110,491)
<b>Additional in year management action to offset shortfall in budgeted savings</b>	<b>0</b>	<b>(274,624)</b>
<b>Total Shortfall after additional management action</b>	<b>0</b>	<b>113,502</b>

### 4.3 Children's Services

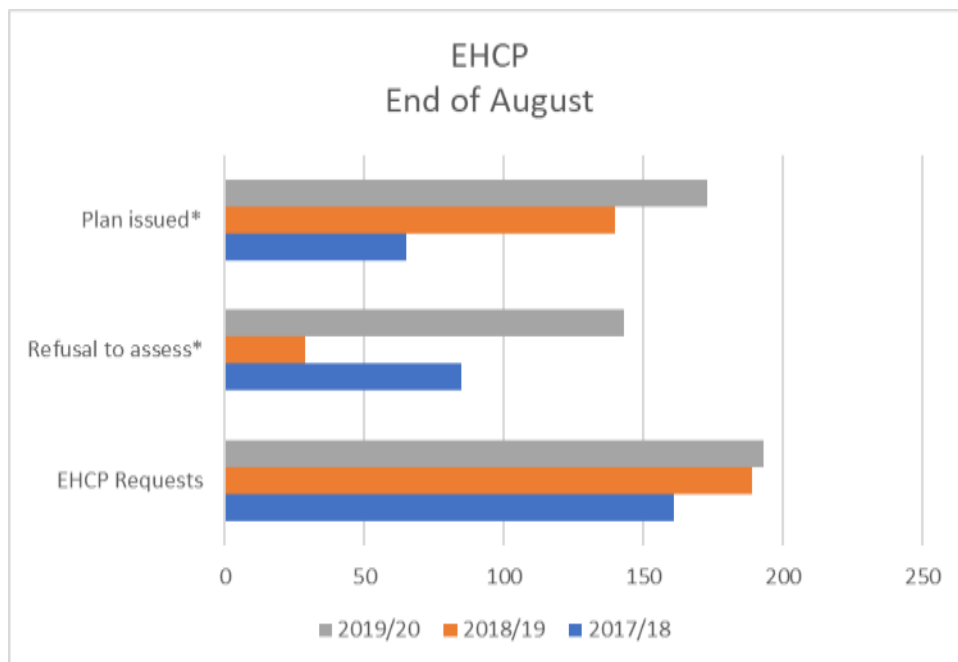
4.3.1 The Division is forecasting a pressure of £4.347 million, driven by three key areas:

4.3.2 Staffing – there is a £1.985 million pressure forecast on staffing, an adverse movement of £1.039 million compared to the position reported at Round 1. The service currently has 30 vacancies being covered by agency staff at rates of between 30% and 50% higher than the cost of permanent appointments. In addition, further to the 10FTE posts above the budgeted structure reported at Round 1, an additional 5.5FTE posts have been appointed to with a cost of £501,000. As the service is experiencing difficulty attracting agency staff, proposals to increase the rates paid to agency social workers by £2.50 per hour, estimated to cost £90,000 for the remainder of 2019/20 (£180,000 full year effect) have been implemented. In addition, it is necessary to review the treatment and number of cases held by our newly qualified social workers that will increase agency staffing costs by approximately £400,000, as we retain agency social worker posts for a longer period than originally forecast. The Medium Term Financial Strategy reported to Cabinet in September did not reflect these additional staffing costs.

4.3.3 Placements – there is a £1.647 million pressure forecast on placements (including Independent Fostering Agency, special guardianship, residential, internal and external placements); this is an adverse movement of £550,000 compared to the position reported at Round 1. The overall pressure is being driven by increases in the cost provider packages and demand for placements. The movement is attributable to several high cost placements agreed since Round 1 (including four with costs at between £6,000 and £10,500 per week) and the increasing length and complexity of some placements.

4.3.4 Special Educational Needs (SEN) – at round 1 there was a pressure of £4.521 million reported on SEN, which has been transferred to the Dedicated Schools Grant High Needs reserve. At Round 2, a further pressure of £2.414 million (including £385,000 of general fund expenditure relating to the 0-25 team) has been forecast on SEN, however this report reflects the transfer of the DSG element of the additional overspend (£2.029 million) into the reserve, taking the cumulative deficit to £10.273 million at the end of 2019/20. As required, the Council submitted a Deficit Recovery Plan to the Department of Education at the end of June, however this did not address the deficit in full and instead highlighted the difficulties in doing so. This pressure is driven 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 (however this figure is improving) and a lack of special school places in Medway resulting in increased demand for independent school and out of area places. Table 5 overleaf demonstrates that the number of EHCP requests continues to grow, and that the service are refusing a higher proportion of requests in the current year than in 2018/19. The service and finance teams have worked to introduce improvements including more frequent financial monitoring, a revised budget coding structure and a revised basis for estimating the tolerance for growth in the number of children supported; while this forecast represents significant growth it is considered an accurate estimate of costs for the remainder of this year, based on available data.

**Table 5 – EHCP data up until the end of August 2019**



4.3.5 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.

4.3.6 There is a £270,000 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 In line with that reported at Round 1, there is a forecast pressure of £351,000 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 £1.106 million, an adverse movement of £928,000 compared to the position reported at Round 1; this movement is due to the Directorate transformation savings target not being delivered. In addition a vacant post continues to be covered by an interim until the end of the financial year.

#### 4.6 Education

4.6.1 The division is forecasting a pressure of £195,000; this is broadly in line with that reported at Round 1. This is primarily driven by an overspend on provision for excluded pupils as while Medway schools have only made six permanent exclusions in the current financial year, historic cost pressures mean the Council continues to pay for 31 pupils being educated in non-standard settings.

4.6.2 SEN Transport is forecasted to budget, an improvement of £436,000 compared to the Round 1 position. The SEN Transport framework was re-procured in June 19 which has seen a 50% increase in the number of providers being added to the framework, including several with lower unit costs than existing providers. The

individual routes for the new academic year are being re-procured, and while it is not possible to confirm until this work concludes at the end of October, it is anticipated that the exercise will result in the cost of the service being within the budget for 2019/20. There is one key risk that further costs will arise from the poor implementation/delivery by one specific supplier resulting in higher costs and additional routes. Contract review meetings are scheduled and a forecast increase of c£200,000 is projected; this is not reflected in the current forecast.

#### **4.7 Partnership Commissioning**

4.7.1 Partnership Commissioning is forecast to underspend by £43,000 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.

#### **4.9 Management Action**

4.9.1 As well as the Management Action of £436,000 that has already been identified to be delivered to achieve the position forecast at Round 2, there has been additional management action delivered in Adult Social Care of £275,000 to offset increased demographic pressures.

4.9.2 Additional management action will be required to bring the general fund budgets back to a breakeven position. The following additional actions are proposed:

- To transfer the overspend on the high needs block of £2.029m into the DSG reserve as explained in section 4.3.4 above;
- To review Better Care Fund spend to maximise available benefit for Adult Social Care spend;
- To undertake a review of the impact of the Moratorium to understand the potential impact of delays to recruitment;
- To implement the findings of the Placement review;
- To undertake a further review of Children's Social Care staffing; and
- To review the 'revolving door' requests around ECHPs.

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

5.1 The Directorate is forecasting a pressure of £1.331 million; excluding the Corn Exchange and Deangate this pressure would be £1.084 million.

*Table 6: RCET Summary*

	R1 Forecast Variance	Budget 2019/20	R2 Forecast Variance	R2 Proposed Action	R2 Adjusted Variance
	£000's	£000's	£000's	£000's	£000's
Corn Exchange	137	(6)	161		161
Deangate Golf	86	150	86		86
Director's Office	(38)	1,165	(30)		(30)
Front Line Services	1,169	38,534	777	(170)	607
MCG Services	0	(292)	0		0
Physical & Cultural Regeneration	866	13,078	784	(300)	484
Transformation	68	5,636	83	(60)	23
<b>Regeneration, Culture, Environment &amp; Transformation Total</b>	<b>2,288</b>	<b>58,265</b>	<b>1,861</b>	<b>(530)</b>	<b>1,331</b>

### 5.2 Front Line Services

5.2.1 The Division is forecasting a pressure of £607,000, an improvement of £562,000 compared to the Round 1 position.

5.2.2 Parking Services are forecasting a pressure of £1.141 million primarily due to a projected shortfall in income compared to budget on pay and display and penalty charge notices. The income budget also reflects the impact of two new on-street controlled parking zones, however these are unlikely to yield any additional income until next financial year. 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 £194,000 primarily due to staff vacancy savings and management action to control expenditure is also held here.

5.2.4 Regulatory Services are forecasting a pressure of £215,000, 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, with the pressure reduced through savings on salaries and through controlling expenditure.

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. Management Action to reduce spend by £100,000 is reflected here.



5.2.7 Highways are forecasting a pressure of £114,000 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.

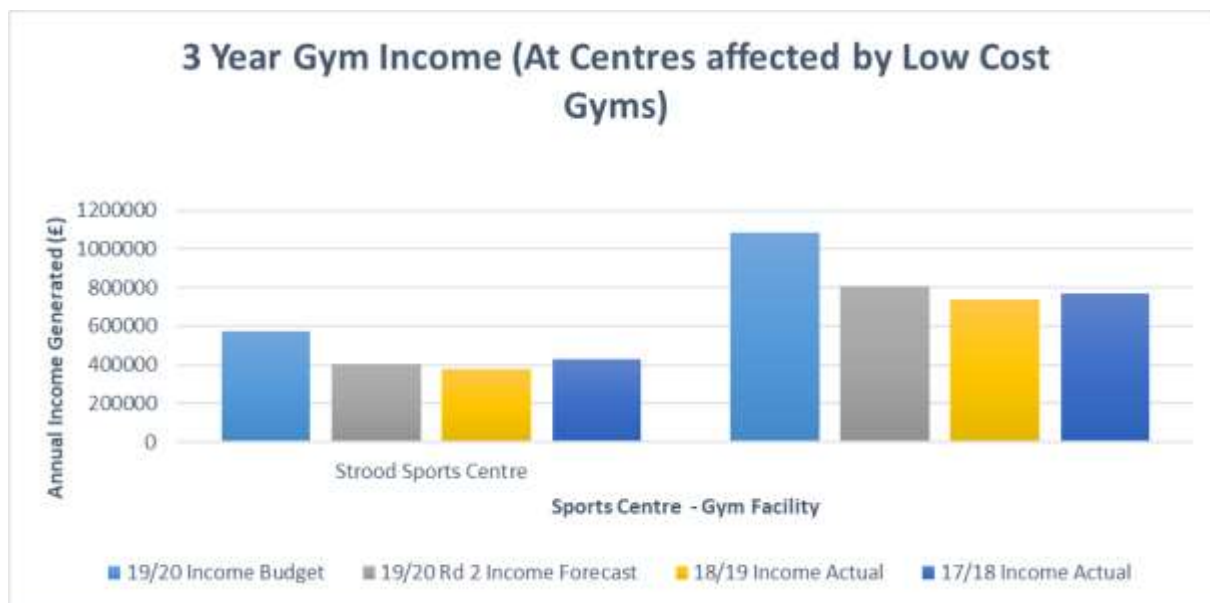
5.2.8 These pressures are partially mitigated because Environmental Services are forecasting a favourable variance of £637,000, predominantly due to net additional income of £600,000 from the Household Waste Recycling Centres following the agreement with Kent County Council to allow their residents to use Medway's facilities. However, the contractual inflationary uplift on the Medway Norse refuse collection contract represents a pressure of £158,000.

### 5.3 Physical & Cultural Regeneration

5.3.1 The Division is forecasting a pressure of £484,000, an improvement of £382,000 compared to the Round 1 position.

5.3.2 Sports, Leisure, Tourism and Heritage are forecasting a pressure of £488,000, an improvement of £23,000 compared to R1. The pressure is primarily due to the projected shortfall in income compared to budget for Leisure Centres as usage suffers from the proximity of low-cost gyms as shown on Table 7 below. A further pressure of £43,000 is forecast for Eastgate House as income from admissions and the shop is lower than budgeted, despite savings made on supplies and services.

**Table 7: Impact of low cost gyms on leisure income**



5.3.3 Festivals, Arts, Theatres and Events are forecasting a pressure of £387,000, primarily driven by the shortfall in income compared to budget in respect of the Castle Concerts. The income target associated with an undelivered festivals programme initiative and underfunding of the Rochester Art Gallery contribute to the overall pressure. Costs relating to HMS Medway Freedom of the Borough of £52,000 are reflected as a pressure here.

5.3.4 Physical and Cultural Regeneration Directorate Support is forecasting a favourable variance of £95,000 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; this will have no impact on the overall variance.

- 5.3.5 Regeneration is forecasting a pressure of £66,000 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.
- 5.3.6 Strategic Housing is forecasting a favourable variance of £79,000, as the service are working with the Business Change team on a restructure and it is anticipated this will deliver significant savings. Management action to review contributions made to providers of supported accommodation is reflected here.
- 5.3.7 The Planning Service is forecasting a favourable variance of £157,000, primarily due to salary savings and higher than budgeted planning fee income. Management action to reflect action to control expenditure is reflected here.

## **5.4 Transformation**

- 5.4.1 The division is forecasting a pressure of £23,000, an improvement of £45,000 compared to the R1 position.
- 5.4.2 Marketing and Communications is forecasting a pressure of £206,000, primarily due to historic budget pressures arising from underfunded salaries and unachievable income targets. Costs relating to the Place Branding work of £30,000 are reflected as a pressure here.
- 5.4.3 Libraries, Community Hubs and Archives are forecasting a pressure of £39,000 as the rent-free period for the Strood Library and Community Hub ended 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.
- 5.4.4 These pressures are mitigated by forecast favourable variances in HR and Organisational Services of £90,000 due to salary savings and a reduction in the cost of providing the salary sacrifice scheme, in Customer and Business Support of £82,000 due to additional income and in Business Change of £50,000 due to measures to control expenditure. In addition ICT are forecasting an underspend of £15,000, reflecting the delivery of the divisional transformation savings target of £406,000 through a restructure and the removal of vacant posts.

## **5.5 Corn Exchange**

- 5.5.1 The Corn Exchange is forecasting a pressure of £161,000 which is an increase of £24,000 compared to Round 1. This primarily results from a shortfall in income compared to budget, and while refurbishment works and the employment of a business development manager are intended to increase income in the longer term, for this year the period of closure for the refurbishment to take place has reduced income projections from that forecast at Round 1.

## **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 £339,700 which is £123,500 above the approved budget surplus of £216,200.

## 6. Business Support (Appendix 3)

6.1 The Directorate is forecasting a pressure of £390,000, an improvement of £222,000 compared to the Round 1 position.

*Table 8: BSD Summary*

	R1 Forecast Variance	Budget 2019/20	R2 Forecast Variance	R2 Proposed Action	R2 Adjusted Variance
	£000's	£000's	£000's	£000's	£000's
Central Finance	179	1,212	(107)		(107)
Corporate Management	10	1,752	66		66
Democracy and Governance	10	2,131	9		9
Legal, Contracts and Property	414	(3,019)	422		422
<b>Business Support Total</b>	<b>612</b>	<b>2,076</b>	<b>390</b>	<b>0</b>	<b>390</b>

## 6.2 Finance Division

6.2.1 The Finance Division is forecasting an overall underspend of £107,000, an improvement of £286,000 compared to the position reported at Round 1.

6.2.2 Revenues and Benefits are forecasting an adverse variance of £47,000. 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. This registration is now not expected until 2020, resulting in an increase to the pressure reported at Round 1 to £823,000. However a further 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, mitigating the majority of this overspend.

6.2.3 There are also underspends forecast on staff salaries as vacancies are held in Finance Strategy (£100,000), Finance Operations (37,000) and Internal Audit and Counter Fraud (£17,000). Rural Liaison Grants are forecasted to budget.

## 6.3 Corporate Management

6.3.1 Corporate Management is forecasting a pressure of £66,000 resulting from legal costs relating to the Judicial Review of the Hyper Active Stroke Unit, a pressure on bank charges, increased external audit fee and a pressure on salaries budgets.

## 6.4 Democracy and Governance

6.4.1 Democracy and Governance are forecasting a pressure of £9,000 as staff vacancy savings of £29,000 in Democratic Services offset a pressure of £38,000 on Members and Elections. Despite action to draw down the balance of the Elections

reserve for local elections, and reflecting the anticipated Government grant for the European election, the cost of elections and the implementation of Individual Elector Registration (IER) exceeded the grants received.

## 6.5 Legal, Contracts and Property

6.5.1 Legal, Contracts and Property are forecasting a pressure of £422,000, broadly in line with the position reported at Round 1.

6.5.2 Valuation and Asset Management are forecasting a pressure of £224,000, 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. 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.

6.5.3 Legal, Land Charges and Licensing are forecasting a pressure of £312,000, an adverse movement of £90,000 compared to the position reported at Round 1. This primarily relates to staffing, as vacant posts are being covered by agency staff driving a pressure of £285,000. Lower than budgeted levels of Land Charge searches result in a pressure of £21,000. Licensing is forecasting an underspend of £27,000 arising from the new shared service with Gravesham.

6.5.4 Category Management is forecasting a favourable variance of £12,000, an improvement of £22,000 compared to the position reported at Round 1. A pressure of £75,000 is forecast as income including that from capital projects is likely to be lower than budgeted, but this is offset by staff savings.

6.5.5 Property and Capital Projects are forecasting a favourable variance of £123,000 as a range of income pressures including 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 £955,000.

*Table 9: Centralised Costs Summary*

	R1 Forecast Variance	Budget 2019/20	R2 Forecast Variance	R2 Proposed Action	R2 Adjusted Variance
	£000's	£000's	£000's	£000's	£000's
Interest and Financing	(680)	13,581	(962)		(962)
Levies	(18)	1,455	29		29
Medway Norse Rebate	(22)	(263)	(22)		(22)
<b>Centralised Budgets Total</b>	<b>(720)</b>	<b>14,773</b>	<b>(955)</b>	<b>0</b>	<b>(955)</b>

7.1.1 Interest and Financing is forecasting a favourable variance of £962,000 an improvement of £282,000 compared to the position reported at Round 1; 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. There is however a significant risk to the position forecast; on 9 October the Chief Finance Officer received a notification from the Treasury that they

had increased the rates for new borrowing from the Public Works Loan Board by 1.02% with immediate effect. Detailed calculations are being prepared, but it is estimated that the element of the 2019/20 capital programme funded from borrowing for which loans have not yet been taken out is estimated at around £50 million, and this increase could therefore result in c£250,000 increase in interest costs for the remainder of the current financial year. The pressure on the remainder of the approved capital programme, if funded as currently set out, could reach c£1 million pressure each year.

7.1.2 Levies are forecasting a pressure of £29,000, an adverse variance of £47,000 compared to the position reported at Round 1; £14,000 derives from the Coroners Service and £10,000 for Flood and Coastal protection.

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 second round of budget monitoring for 2019/20 forecasts an overspend position of £6.695 million after management action. This represents a worsening of £858,000 from the position reported against the general fund revenue budget during the previous round. Furthermore, the overspend against the SEND budget is also projected to increase to almost £7.0 million this year, which would take the cumulative deficit against the high needs block of the DSG to around £10.3 million.

8.2 The Council's statement of accounts for 2018/19 reported a General Fund balance of £5.0 million, to which could be added around £4.0 million of other non-earmarked revenue reserves, giving total general reserves of around £9.0 million. This is significantly below the level required to meet the unfunded expenditure represented by the forecast general fund overspend and the cumulative high needs deficit. The round 2 monitoring was considered by Corporate Management Team on 16 October and in addition to service managers being tasked with formulating a significant package of management action, all members of Corporate Management Team have resolved to exercise much tighter scrutiny and management over expenditure.

## **9. Financial, risk management and legal implications**

9.1 The financial implications are set out in the body of the report. There are no direct 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 overspend forecast and the actions identified by management and Members to mitigate these.

## **10. Recommendation**

10.1 Members are asked to note the results of the second round of revenue budget monitoring for 2019/20 and that Portfolio Holders will work with senior officers to identify a range of measures to reduce expenditure within their portfolio areas.

**Lead officer contact**

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**Appendices**

Appendix 1 – Children and Adults including Public Health

Appendix 2 – Regeneration, Culture, Environment and Transformation

Appendix 3 – Business Support

Appendix 4a – Interest and Financing

Appendix 4b – Levies

**Background papers**

Revenue budget approved by Council 21 February 2019:

<https://democracy.medway.gov.uk/mgAi.aspx?ID=20679#mgDocuments>