

CABINET

9 JUNE 2020

REVENUE AND CAPITAL BUDGET OUTTURN 2019/20

Portfolio Holder: Councillor Alan Jarrett, Leader

Report from: Phil Watts, Chief Finance Officer

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Summary

This report details the final revenue and capital outturn position for the financial year ended 31 March 2020. These figures will form part of the Council's Statement of Accounts, which due to the government extension granted in response to the disruption caused by Covid-19, will be considered by the Audit Committee in Autumn 2020.

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. Budget managers have produced forecasts throughout 2019/20 taking account of the previous year's outturn, actual income and expenditure for 2019/20 and most importantly, their knowledge of commitments and income trends.

2.2. In response to the second round of revenue forecasts presented to Cabinet in November 2019, which indicated a pressure of £6.695million, the Council formulated a significant package of management action and implemented a strict moratorium on non-essential spend. The third round of revenue forecasts reflected a significant improvement, indicating a pressure of £2.571million. Despite the disruption caused by Covid-19 late in the financial year, the continued work to manage expenditure, allied to the review of the Minimum Revenue Provision (MRP) and our share of the Government surplus on the business rates levy meant that the final outturn represented a net underspend on services of £2.8million, which will be transferred to the Council's usable general fund reserves. The final revenue outturn position is summarised in Table 1 overleaf. The final capital outturn position is summarised in Section 7 and Table 2.

Table 1: 2019/20 Revenue Outturn Summary

Directorate	Round 3 Forecast Variance	Budget 2019/20	Outturn	Outturn Variance
	£000's	£000's	£000's	£000's
Children and Adult Services (including Public Health)	4,675	224,909	231,042	6,133
Regeneration, Culture, Environment and Transformation	(671)	76,028	73,696	(2,332)
Business Support Department	(383)	9,535	8,540	(996)
Interest & Financing	(1,048)	(10,432)	(15,780)	(5,348)
Levies	20	1,455	1,483	28
Medway Norse Joint Venture	(22)	(263)	(399)	(136)
Budget Requirement	2,571	301,233	298,582	(2,651)
<i>Funded by:</i>				
Dedicated Schools Grant	0	(83,195)	(83,195)	0
Other School Specific Grants	0	(3,847)	(3,847)	0
Revenue Support Grant	0	(6,053)	(6,053)	0
Covid-19 Emergency Grant	0	(6,628)	(6,628)	0
Business Rate Share	0	(53,966)	(54,128)	(162)
New Homes Bonus	0	(1,978)	(1,978)	0
Council Tax	0	(119,651)	(119,651)	0
Public Health Grant	0	(16,762)	(16,762)	0
Specific Grants	0	(8,797)	(8,797)	0
Use of Reserves	0	(355)	2,458	2,813
Total Available Funding	0	(301,233)	(298,582)	2,651
Net Variance	2,571	0	0	0

3. Children and Adults Services

3.1. Adult Social Care

3.1.1. The outturn was a pressure of £158,000, a worsening of £756,000 compared to the Round 3 forecast. As reported through the monitoring reports in 2019/20 there has been a significant pressure on placement costs which have been largely offset by underspends in other key areas.

3.1.2. The overall pressure on service placements costs is a pressure of £1.168million, which is a worsening of £868,000 compared to the Round 3 forecast. There were significant overspends on Disability placements especially in relation to homecare, and direct payments along with homecare services for Older People. In Mental Health services the largest area of pressure related to Supported living placements. There was also some under delivery of budgeted savings targets.

3.1.3. There was a favourable variance of £544,000 in Business and Intelligence, an improvement of £77,000 compared to Round 3 largely due to the continued impact of the moratorium. The overall staffing forecast across all areas of Adult Social Care represents a favourable variance of £449,000, which is in line with the position reported at Round 3.

3.1.4. The Covid-19 pandemic is likely to increase the amount of client contributions toward ongoing care costs that will not be recoverable from those supported. As such a contribution to the Adult Social Care bad debt provision of £483,000 has been made from the Covid-19 Emergency Grant funding received in 2019/20, which would otherwise have been reflected here.

3.2. Children's Services

3.2.1. The outturn was a pressure of £4.607million, a worsening of £769,000 compared to the Round 3 forecast. As reported through the monitoring reports in 2019/20, the pressure on the service was driven by three key areas:

3.2.2. Staffing – the outturn on staffing was a pressure of £1.822million, a worsening of £372,000 compared to the Round 3 forecast, representing early work to recruit to the new staffing structure agreed from April 2020 and the agreed 3% MCG agency fee.

3.2.3. Placements – the outturn on placement was a pressure of £1.763million, a worsening of £278,000 compared to the Round 3 forecast, representing increased backdated placement costs agreed and processed in March 2020.

3.2.4. Special Educational Needs (SEN) – the outturn on SEN was a pressure of £5.460million, an improvement of £391,000 compared to the Round 3 forecast, reflecting continued work on the recovery plan agreed with the Department for Education. This has reduced the projected deficit on the High Needs Block of the Dedicated Schools Grant reserve, which now sits at £9.184million.

3.3. Director's Office

3.3.1. The divisional outturn was a pressure of £620,000, a worsening of £110,000 compared to the Round 3 position. The pressure reflects the cost of agency staff covering vacant Independent Reviewing Officer (IRO) posts as well as the employment of additional staff above the budgeted establishment, while the movement is attributable to the service working to implement the new staffing structure and increased establishment for 2020/21 and the MCG 3% management fee from January 2020.

3.4. Directorate Management Team

3.4.1. The divisional outturn was a pressure of £1.264million, a worsening of £65,000 compared to the Round 3 forecast, principally due to costs

associated with recruitment to and cover for the vacancy Assistant Director posts.

3.5. Education

- 3.5.1. The divisional outturn was a pressure of £239,000, an improvement of £210,000 compared to the Round 3 forecast. The pressure is primarily driven by an overspend on provision for excluded pupils and a pressure on SEN Transport provision, while the improvement is attributable to continued moratorium activity.

3.6. Partnership Commissioning

- 3.6.1. The divisional outturn was a favourable variance of £136,000, an improvement of £16,000 compared to the Round 3 forecast due to continued moratorium activity.

3.7. Public Health

- 3.7.1. The divisional outturn was a favourable variance of £303,000 as reported at Round 3, due to the moratorium action including rationalisation of events and promotional activity.

3.8. Schools Retained Funding and Grants

- 3.8.1. The divisional outturn was a favourable variance of £317,000, broadly in line with the Round 3 forecast driven principally by an underspend on school redundancy contributions.

4. Regeneration, Culture, Environment and Transformation

4.1. Corn Exchange

- 4.1.1. The Corn Exchange outturn was a pressure of £128,000, a £10,000 improvement on the position reported at Round 3.

4.2. Deangate Golf

- 4.2.1. The divisional outturn was a pressure of £89,000, a worsening of £23,000 compared to the Round 3 forecast, reflecting the Business Rates liability falling to the Council for the site.

4.3. Director's Office

- 4.3.1. The divisional outturn was a favourable variance of £98,000, in line with the Round 3 forecast owing to the deferral of the Gaming festival and other moratorium activity.

4.4. Front Line Services

- 4.4.1. The divisional outturn was a favourable variance of £257,000, an improvement of £99,000 compared to the Round 3 forecast. The movement primarily relates to Regulatory Services where income was higher than anticipated and the continued moratorium activity yielded further savings, which offset some adverse movements in other parts of the division.

4.5. MCG Services

- 4.5.1. The divisional outturn was a pressure of £28,000, an improvement of £88,000 compared to the Round 3 forecast. The forecast estimated the impact on Medway Council of the loss of one of the members of the CCTV partnership from the agreement, however they have continued to use the infrastructure on a monthly rolling arrangement, reducing the pressure on Medway Council's income budget.

4.6. Physical and Cultural Regeneration

- 4.6.1. The divisional outturn was a favourable variance of £915,000, an improvement of £790,000 compared to the Round 3 position. The movement primarily relates to Strategic Housing (£820,000 improvement), where a continued reduction in demand in temporary accommodation placements is reflective of the extensive homeless prevention work carried out. In addition, owing to the likelihood that temporary accommodation costs resulting from the Covid-19 pandemic will not be recoverable from those supported, a contribution to the housing bad debt provision has been made from the Covid-19 Emergency Grant funding received in 2019/20 of £250,000, which otherwise would have come from the Strategic Housing Service budget. An additional improvement of £56,000 in the Regeneration service due to continued moratorium activity which generated higher savings than anticipated, with these favourable variances offsetting some adverse movements in other parts of the division.

4.7. Transformation

- 4.7.1. The divisional outturn was a favourable variance of £1.307million, an improvement of £696,000 compared to the Round 3 forecast. There were favourable movements in all parts of the division, with the most significant improvements in ICT of £403,000 due to further savings on contracts and staffing, and Customer and Business Support of £127,000 due to the continued application of the moratorium and the realisation of some previously unforecast Income.

4.8. Housing Revenue Account

- 4.8.1. The Housing Revenue Account (HRA) outturn was a surplus of £658,000, an improvement of £349,000 compared to the Round 3 forecast. These movement primarily results from the delay in acquiring a new housing database, and reducing the repairs and maintenance to essential works only due to the Covid19 response.

5. Business Support

5.1. Finance Division

5.1.1. The divisional outturn was a pressure of £248,000, a worsening of £578,000 compared to the Round 3 forecast. The movement primarily relates to Revenues and Benefits, with less benefit subsidy claimed than forecast and a contribution to the bad debt provision for rent allowances accounting for a worsening of £509,000. Finance Operations achieved £68,000 less income than forecast at Round 3 as several Academy Schools ceased using the Payroll service.

5.2. Corporate Management

5.2.1. The divisional outturn was a favourable variance of £492,000. This relates to an improvement of £333,000. Unidentified income received between 2013 and 2017 and recovery of duplicate payments made has been reflected here, a reduction in the anticipated pension costs and a refund on overpaid prior year contributions of £96,000.

5.3. Democracy and Governance

5.3.1. The divisional outturn was a pressure of £114,000, broadly in line with the Round 3 forecast, driven by increased Members Allowances agreed, partly mitigated by moratorium and staffing budget savings.

5.4. Legal, Contracts and Property

5.4.1. The divisional outturn was a favourable variance of £866,000, an improvement of £873,000 compared to the Round 3 forecast, with the movement primarily attributable to the Pentagon Centre. In line with proper accounting practice, this position reflects the total sums raised in respect of rents for the year and previously un-forecast one-off payments from retention payments held back at purchase, but since confirmed as Medway Council funds. The Council's managing agents advise that it will however be necessary to make a bad debt provision for rental income, owing to losses anticipated through the Covid-19 pandemic. As such a contribution of £525,000 has been made from the Covid-19 Emergency Grant funding received in 2019/20, which would otherwise have been reflected here. In addition the budgeted contribution to the Building Repairs and Maintenance Fund had been forecast as a saving of £200,000 at Round 3, but has been made at £250,000 as originally planned.

6. Centralised Costs

6.1. Interest and Financing

6.1.1. The Interest and Financing outturn represents a favourable variance of £5.348million, an improvement of £4.3million compared to the Round 3 forecast.

6.1.2. During 2019/20 the Council's treasury advisors, Link Asset Management were commissioned to review the arrangements to make Minimum Revenue Provision (MRP) for borrowing. This review concluded that the Council had made an over-provision of MRP over a number of years, and as a result the amount budgeted to contribute to the MRP for 2019/20 could be offset against that previous over-provision. The contribution to MRP for 2019/20 was budgeted at £4.1million; as the accounting codes do not allow the MRP contribution to be zero, a contribution of £1 has been made for 2019/20 with the balance transferred to the Council's usable reserves.

6.1.3. In addition interest costs have been lower due the borrowing requirement being lower than anticipated.

6.2. Levies

6.2.1. The outturn was a pressure of £28,000, a slight worsening compared to the Round 3 forecasts reflecting Medway's share of the Coroner's Service additional pathology costs.

6.3. Medway Norse Rebate

6.3.1. The outturn was a favourable variance of £136,000, an improvement of £114,000 compared to the Round 3 forecast; in addition to the rebate reflecting £22,000 in respect of 2018/19 profits, a further £114,000 of additional profit share or 2019/20 was delivered.

6.4. Planned Use of Reserves

6.4.1. The 2019/20 closing budget agreed by Council included £150,000 for initial survey works to the Deangate Ridge site, and £205,000 funding for the Council's City of Culture bid.

6.4.2. On 19 March 2020 the government announced £1.6billion of additional funding for local government to help them respond to coronarvirus pressures. Medway Council's allocation of £6.629million was added to Council's 2019/20 revenue budget by the Chief Executive, using the urgency provisions in the Constitution. Expenditure totalling £1.356million in 2019/20 was funded from this grant, with the remaining £5.272million transferred to the Council's usable reserves.

6.4.3. This grant funding, in addition to the lower than budgeted MRP contribution, means that in addition to meeting the £1.294million overspend on services, a net contribution of £2.8million has been made to the Council's general reserves.

7. Capital

7.1. The capital programme year end position is shown in Table 2 overleaf. A carry forward budget of £8.351million is committed on existing schemes and will be added to the new schemes agreed by Council on 20 February 2020.

- 7.2. The variance on the RCET programme is primarily because the Local Growth Funded (LGF) Four Elms improvement scheme (£9million) was incorporated into the Housing Infrastructure Fund bid, and is therefore included into the £170million HIF programme. LGF funds are ring-fenced to specific programmes and as such this funding will be returned to the government. There is a net overspend of £673,000 across the remainder of the RCET programme, primarily driven from an overspend on the Strood Riverside scheme; the funding of this overspend will be reported to Cabinet in due course.
- 7.3. The variance on the Business Support programme is due to the completion of the Civic Centre Decant scheme with an underspend which will be transferred to the Council's reserves.

Table 2: 2019/20 Capital Outturn Summary

Directorate	Budget	2019/20 Outturn	2020/21 forecast	2021/22 forecast	2022/23 forecast	2023/24 forecast	2019/20 Outturn Variance
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Children and Adults	33,109	6,853	26,256	0	0	0	0
Regeneration, Culture, Environment and Transformation	247,623	29,705	44,786	56,881	71,839	36,084	(8,327)
Housing Revenue Accounts	15,670	5,602	6,069	3,000	1,000	0	0
Business Support	178,740	40,040	66,890	52,741	19,045	0	(24)
Members Priorities	366	3	363	0	0	0	0
Total	475,508	82,204	144,364	112,622	91,884	36,084	(8,351)

8. Risk management

- 8.1. There are no risk management implications to this report; the revenue and capital outturn position is reported to Cabinet for information only, with the final audited Statement of Accounts presented to Audit Committee in the autumn of 2020.

9. Consultation

- 9.1. The results of each round of the revenue and capital budget monitoring have been presented to Members of Cabinet and Overview and Scrutiny Committees throughout the 2019/20 year.

10. Climate change implications

- 10.1. There are no climate change or carbon emission implications arising from this report.

11. Financial implications

11.1. The financial implications are set out in the body of this report.

12. Legal implications

12.1. There are no legal implications arising from this report.

13. Recommendation

13.1. Cabinet is asked to note the 2019/20 revenue and capital outturn position.

14. Suggested reasons for decision

14.1. Cabinet is the body charged with the executive management of the Council's budget and it is therefore important for the final outturn to be reported to Cabinet.

Lead officer contact

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Appendices

None

Background papers

Revenue Budget Monitoring 2019/20 Round 1:

<https://democracy.medway.gov.uk/ielIssueDetails.aspx?IId=25857&PlanId=0&Opt=3#AI21216>

Capital Budget Monitoring 2019/20 Round 1:

<https://democracy.medway.gov.uk/ielIssueDetails.aspx?IId=25856&PlanId=0&Opt=3#AI21213>

Revenue Budget Monitoring 2019/20 Round 2:

<https://democracy.medway.gov.uk/ielIssueDetails.aspx?IId=26270&PlanId=0&Opt=3#AI21539>

Capital Budget Monitoring 2019/20 Round 2:

<https://democracy.medway.gov.uk/ielIssueDetails.aspx?IId=26265&PlanId=0&Opt=3#AI21534>

Revenue Budget Monitoring 2019/20 Round 3:

<https://democracy.medway.gov.uk/ielIssueDetails.aspx?IId=26953&PlanId=0&Opt=3#AI22176>

Capital Budget Monitoring 2019/20 Round 3:

<https://democracy.medway.gov.uk/ielIssueDetails.aspx?IId=26962&PlanId=0&Opt=3#AI22170>