

CABINET

4 FEBRUARY 2020

REVENUE BUDGET MONITORING – ROUND 3 2019/20

Portfolio Holder: Councillor Alan Jarrett, Leader
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Summary

This report presents the results of the third 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 This report has been circulated separately to the main agenda as it was necessary to undertake further consultation with the Leader and Portfolio Holders on the action proposed to mitigate the overspends reported. Therefore, the Cabinet is asked to accept this report as urgent to enable consideration of the matter at the earliest opportunity; the next scheduled Cabinet meeting is due to take place on 3 March 2020 and that would not give sufficient time for any remaining issues to be addressed.

2. Background

- 2.1 At its meeting on 21 February 2019, the Council set a budget requirement of £297.995million 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 £297.445million. This report presents the results of the third 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 Following discussion of the Round 2 monitoring report, on 21 August 2019 the Corporate Management Team agreed to implement a moratorium on all non-essential spend. This report reflects the impact of the moratorium across all services and also reflects the significant programme of management action agreed.

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 shows that following imposition of the moratorium and the management action agreed, the forecast outturn for 2019/20 represents a forecast pressure of £2.571million based on the delivery of management action of £1.567million.

Table 1: Monitoring Summary

Directorate	R2 Forecast Variance	Budget 2019/20	R3 Forecast Variance	R3 Proposed Action	R3 Adjusted Variance
	£000's	£000's	£000's	£000's	£000's
Children and Adult Services (including Public Health)	5,930	222,331	5,198	(523)	4,675
Regeneration, Culture, Environment and Transformation	1,330	59,320	373	(1,044)	(671)
Business Support Department	390	2,076	(383)	0	(383)
Interest & Financing	(962)	13,581	(1,048)	0	(1,048)
Levies	29	1,455	20	0	20
Medway Norse Joint Venture	(22)	(263)	(22)	0	(22)
Budget Requirement	6,694	298,500	4,138	(1,567)	2,571
<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	(1,205)	0	0	0
Total Available Funding	0	(298,500)	0	0	0
Net Forecast Variance	6,694	0	4,138	(1,567)	2,571

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

4.1 The Directorate is forecasting a general fund pressure of £4.675million after management action.

Table 2: C&A Summary

	R2 Forecast Variance	Budget 2019/20	R3 Forecast Variance	R3 Proposed Action	R3 Adjusted Variance
	£000's	£000's	£000's	£000's	£000's
Adult Social Care	132	68,559	(135)	(463)	(598)
Children's Services	4,347	66,790	3,868	(30)	3,838
Director	351	1,954	510		510
Directorate Management Team	1,106	(460)	1,229	(30)	1,199
Education	195	26,659	440		440
Partnership Commissioning	(43)	1,647	(110)		(110)
Public Health	0	13,237	(303)		(303)
Schools Retained Funding & Grants	(157)	43,944	(301)		(301)
Schools	(0)	0	(0)		(0)
Children and Adult Services Total	5,930	222,331	5,198	(523)	4,675

4.2 Adult Social Care

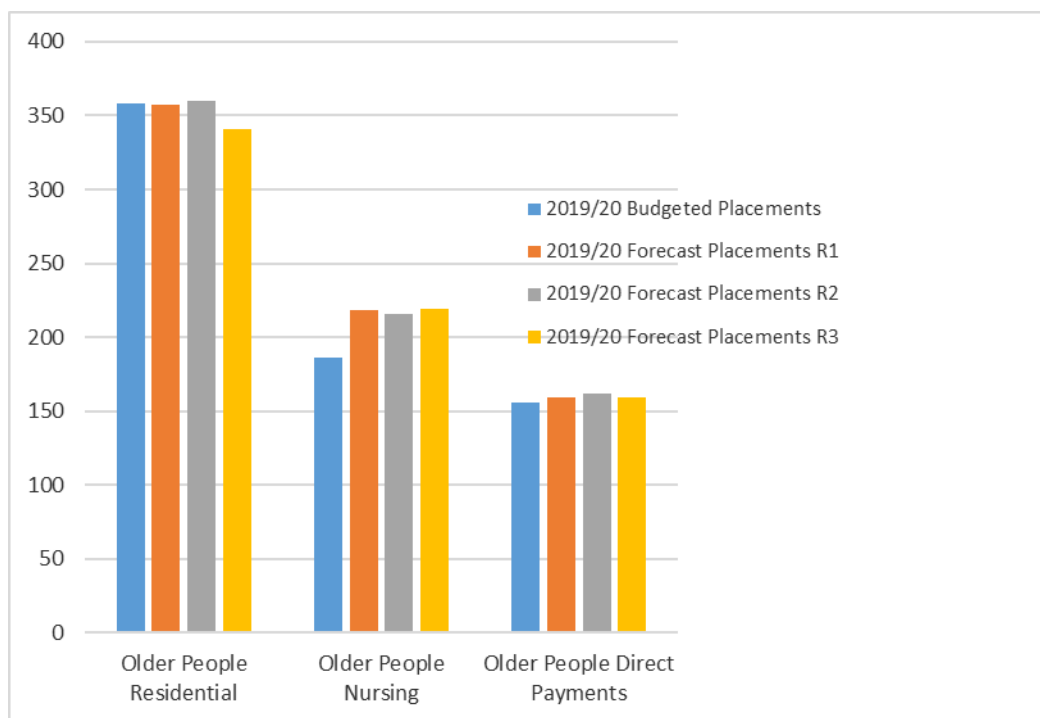
4.2.1 The Division is forecasting an underspend of £598,000 after management action, an improvement of £730,000 compared to Round 2.

4.2.2 Disability Services is currently forecasting a pressure of £250,000, a worsening of £198,000 compared to Round 2. Additional placement costs mainly in new supported living placements are the primary reason for the increase in the forecast, but there continues to be a forecast under delivery on savings targets allocated to disability services.

4.2.3 Mental Health Services is forecasting a pressure of £313,000, an increase of £113,000 compared to Round 2. While total placement numbers have remained largely stable, there has been an increase to the weekly costs of all care types, which continues to drive the forecast higher, in addition there continues to be a shortfall against savings targets attributed to Mental Health Services.

4.2.4 Older Persons spend is forecasting a pressure of £223,000, a worsening of £30,000 compared to Round 2. The most significant variation continues to be in relation to nursing placements where there has been a large increase in placement numbers since the budget was built, shown in table 2 overleaf. Additional use of Better Care Fund has helped to offset residential placement costs.

Table 3: Number of Older Persons Placements



4.2.5 There is a forecast favourable variance of £466,000 in Business and Intelligence, an improvement of £300,000 compared to Round 2 largely due to the impact of the moratorium.

4.2.6 The overall staffing forecast across all areas of Adult Social Care represents a favourable variance of £450,000, an improvement of £265,000 compared to Round 2, reflecting the funding of Occupational Therapy posts through the Disabled Facilities Grant and the moratorium on non-essential spend. Favourable variances have also been forecast relating to payments to the voluntary and community sector of £36,000.

4.2.7 Progress against the budgeted savings targets are reported to Adult Social Care Improvement Board every two months. Table 4 below represents the current forecasted performance against the budgeted savings; the shortfall shown is all contained within the variances reported in paragraphs 4.1 – 4.2.7 of this report.

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		(768,667)
Respite Provision (Napier/Birling)		
Extra Care Provision		(100,000)
Commissioning decisions		(200,000)
CSOT/147 Nelson Road		(46,400)
Shared Lives	(178,191)	(178,191)
Transformation Savings	(120,000)	(120,000)
Total ASC Savings Programme	(1,734,791)	(1,413,258)
Shortfall against total budgeted savings		321,533

- 4.2.8 The forecast reflects the following management action within the Division:
- Stopping the use of external contractors undertaking assessments, forecast to save £50,000.
 - The use of additional sources of external funding to offset ongoing care costs relating to continued discharges from hospital and from an increase in complex clients requiring additional care, forecast to achieve £413,000.

4.3 Children's Services

- 4.3.1 The Division is forecasting a pressure of £3.838million after management action, driven by three key areas:
- 4.3.2 Staffing – there is a £1.450million pressure forecast on staffing, an improvement of £535,000 compared to the position reported at Round 2, however this is offset by adverse movements reported at paragraphs 4.4.1 and 4.5.1 below. Of the budgeted establishment of 234 posts, 53 are vacant and being covered by agency staff at rates of between 30% and 50% higher than the cost of permanent appointments. As reported at Round 2, the service continues to operate with 32 posts above the budgeted establishment, which are being covered by agency staff.
- 4.3.3 Placements – there is a £1.485million pressure forecast on placements, an improvement of £162,000 compared to the position reported at Round 1. The forecast direct costs of Independent Fostering Agency, special guardianship, residential, internal and external placements has reduced by £400,000 compared to Round 2 as review work has resulted in reduced costs for several high-cost residential and child and family placements. However there has been an increase in other client expense forecast (including therapy sessions and travel costs); while these costs often reflect preventative measures and cost avoidance, Finance and the Service are working to further analyse and review this expenditure.
- 4.3.4 Special Educational Needs (SEN) – at round 1 there was a pressure of £4.521million reported on SEN, which has been transferred to the Dedicated Schools Grant High Needs reserve. At Round 2, a further pressure of £2.414million (including £385,000 of general fund expenditure relating to the 0-25 team) was forecast on SEN and the DSG element of the additional overspend (£2.029million) was also transferred into the reserve, taking the cumulative deficit to a projected £10.273million at the end of 2019/20. The implementation of 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, along with a small reduction to some unit costs, have reduced the overspend by £669,000. On that basis the projected cumulative deficit on the DSG reserve will now be £9.604million by the end of 2019/20. 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.
- 4.3.5 Broadly as reported at Round 2, there is a £435,000 pressure forecast on preventative measures to avoid children being brought into care. £215,000 is being spent in relation to children with 'no recourse to public funds' against an approved budget of £25,000 and £167,000 on section 17 payments against a budget of £123,000.
- 4.3.6 There is also a £115,000 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.

4.3.7 Finally there is a pressure of £100,000 on legal expenses which relates to external counsel advice, and drug, paternity and alcohol testing and is consistent with the forecast at Round 2.

4.3.8 The forecast reflects the following management action within the Division:

- A review of SEN Direct payments to achieve a saving of £20,000.
- A reduction in of expenditure on interim management in the 0-25 Social work Team to achieve a saving of around £10,000.

4.4 **Director's Office**

4.4.1 There is a forecast pressure of £510,000 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. This is an unfavorable movement of £159,000 compared to Round 2, however it primarily relates to three social work staff who were incorrectly coded to Children's Social Care rather than QA and Safeguarding, and is therefore offset by the improvement reported at paragraph 4.3.2 above.

4.5 **Directorate Management Team**

4.5.1 There is a forecast pressure of £1.199million; an unfavourable movement of £93,000 compared to Round 2. This pressure comprises a proportion of the Directorate transformation savings target not being delivered, and the cost of changes to management team posts including use of agency staff to provide cover during the year. The forecast reflects management action to terminate the contract of one Interim senior management post within Children's Social Care, saving £30,000.

4.6 **Education**

4.6.1 The division is forecasting a pressure of £440,000, an unfavourable movement of £245,000 compared to the Round 2 forecast. The pressure 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 30 pupils being educated in non-standard settings. The number of pupils requiring Alternative Provision moving into the area has exceeded the tolerance built into the Round 2 forecast, resulting in the movement. SEN Transport is forecasting a pressure of £98,000, but was forecasted to budget at Round 2. The Round 2 forecast projected an overspend mitigated by management action of £436,000, of which £339,000 has been delivered. There remains a risk that issues with the implementation/delivery of one supplier may result in higher costs in the region of c£200,000 however this is not reflected in the current forecast.

4.7 **Partnership Commissioning**

4.7.1 Partnership Commissioning is forecast to underspend by £110,000, an improvement £67,000 compared to Round 2 due to the impact of the moratorium on non-statutory staffing and supplies and services costs.

4.8 **Public Health**

4.8.1 Public Health are forecasting an underspend of £303,000 due to the impact of the moratorium on non-statutory staffing and supplies and services costs, including

rationalisation of events and promotional activity. 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 favourable variance of £671,000 after management action.

Table 5: RCET Summary

	R2 Forecast Variance	Budget 2019/20	R3 Forecast Variance	R3 Proposed Action	R3 Adjusted Variance
	£000's	£000's	£000's	£000's	£000's
Corn Exchange	161	(6)	138		138
Deangate Golf	86	150	66		66
Director's Office	(30)	1,370	(96)		(96)
Front Line Services	607	38,539	836	(994)	(158)
MCG Services	0	(292)	116		116
Physical & Cultural Regeneration	484	13,906	(75)	(50)	(125)
Transformation	23	5,654	(611)		(611)
Regeneration, Culture, Environment & Transformation Total	1,331	59,320	373	(1,044)	(671)

5.2 Corn Exchange

5.2.1 The Corn Exchange is forecasting a pressure of £138,000 primarily resulting from a shortfall in income compared to challenging targets. The Round 3 forecast is an improvement of £23,000 compared to Round 2 resulting from the implementation of the moratorium on supplies and services.

5.3 Deangate Golf

5.3.1 Deangate Golf Course is forecasting a pressure of £66,000, an improvement of £20,000 compared to Round 2. The pressure relates to the Business Rates charge for the site as the budget was removed following the closure of the course in April 2018, however since Medway Norse have taken occupation of the old Club House as office space since July they will be liable for costs from that date for that portion of the site.

5.4 Director's Office

5.4.1 The Director's Office is forecasting a favourable variance of £96,000, an improvement of £67,000 compared to Round 2 reflecting the impact of the moratorium on supplies and services, and the decision to defer the Gaming Festival.

5.5 Front Line Services

5.5.1 The Division is forecasting a favourable variance of £158,000, an improvement of £765,000 compared to the Round 2 position.

5.5.2 Front Line Services Support are forecasting a pressure of £239,000, an unfavourable movement of £433,000 compared to the Round 2 position. The Divisional Transformation Target of £406,000 is held in this Service and will as previously reported, this will be delivered through a restructure. Delays in the implementation however mean this will not

deliver savings until 2020/21, with savings from the application of the moratorium partly mitigating this in 2019/20.

- 5.5.3 Parking Services are forecasting a pressure of £1.228million, primarily due to a projected shortfall in income compared to budget on pay and display and penalty charge notices; this represents an unfavourable movement compared to Round 2 of £67,000. While forecast pressures on income from Penalty Charge Notices and Pay and Display income continue have worsened by £213,000, these are largely mitigated by savings on staffing, a reduction in security costs and further savings on Business Rates due to revaluations and car park closures.
- 5.5.4 Regulatory Services are forecasting a pressure of £266,000, an unfavourable movement of £51,000 compared to Round 2. While the projected shortfall in income compared to budget for the crematorium has worsened by £175,000, this is partly mitigated by moratorium savings on staffing, supplies and services and the generation of additional income in Registration Services.
- 5.5.5 Integrated Transport are forecasting a favourable variance of £111,000, an improvement of £184,000 compared to Round 2. The moratorium on staffing, supplies and services has saved £64,000 and the identification of expenditure appropriate to charge to capital schemes has removed £129,000 of revenue expenditure from the forecast.
- 5.5.6 Greenspaces are forecasting a favourable variance of £96,000, a small adverse movement of £9,000 compared to Round 2 as small additional pressure on utilities has been identified.
- 5.5.7 Highways are forecasting a pressure of £85,000, an improvement of £29,000 compared to the Round 2 position. The pressure that resulted from the increase in the unit price of electricity from October 2019 was estimated in the Round 2 forecast, and the actual charge is higher resulting in an additional pressure of £64,000. However this is mitigated by moratorium savings on staffing, re-profiling of the highways programme and use of commuted sums.
- 5.5.8 Environmental Services are forecasting a favourable variance of £777,000, an improvement of £140,000 compared to Round 2. While the cost of waste disposal has increased by £295,000, this is offset by reductions in the forecast cost of street sweeping and garden waste disposal totaling £388,000, along with moratorium savings on salaries to achieve this improvement.
- 5.5.9 The forecast reflects the following management action within the Division:
- Draw down from a range of earmarked reserves and use of one-off funding of £660,750.
 - Reduced use of consultancy support in Integrated Transport, forecast to save £15,400.
 - Reduction in street lighting column replacements, forecast to save £53,000.
 - Cancelling the final phase of the annual highway carriageway patching, forecast to save £225,000.
 - Income lost through the suspension of Parking Bays in Corporation Street Car Park during the Strood road works will be treated as a legitimate charge to the capital scheme, reducing revenue expenditure by £40,000.

5.6 MCG Services

- 5.6.1 MCG Services are forecasting a pressure of £116,000 compared to a breakeven position

reported at Round 2; this reflects the estimated impact on Medway Council of one of the members of the CCTV partnership withdrawing from the agreement.

5.7 Physical & Cultural Regeneration

- 5.7.1 The Division is forecasting a favourable variance of £125,000, an improvement of £609,000 compared to Round 2.
- 5.7.2 Sports, Leisure, Tourism and Heritage are forecasting a pressure of £406,000, an improvement of £82,000 compared to Round 2. 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, with the projected income revised down by £66,000. However this is mitigated by savings resulting from the moratorium on staffing, supplies and services as well as reductions/deferrals of some sports related projects and a refund of Business Rates following the sale of the Guildhall Conservancy building.
- 5.7.3 Festivals, Arts, Theatres and Events are forecasting a pressure of £507,000, driven by the shortfalls in income compared to budget in respect of the Castle Concerts an undelivered festivals programme initiative. In addition, costs relating to HMS Medway Freedom of the Borough of £52,000 are reflected as a pressure here. The impact of the moratorium was limited in this area as the majority of the events and activity had already been delivered when it was agreed.
- 5.7.4 Physical and Cultural Regeneration Directorate Support is forecasting a pressure of £20,000, an adverse movement of £83,000 compared to Round 2. This is primarily because this service held the Directorate provision in respect of increases in the National Living Wage of £70,000 in Round 2, but the provision has now been distributed across the Directorate to address salary pressures manifesting as a result of the increase.
- 5.7.5 Regeneration is forecasting a favourable variance of £99,000, an improvement of £165,000 compared to Round 2, as the moratorium on staffing, supplies and services was combined with a reassessment of income receivable through the Innovation properties. The forecast also reflects management action to draw down £50,000 from reserves to support this service.
- 5.7.6 Strategic Housing is forecasting a favourable variance of £592,000, an improvement of £291,000 compared to Round 2, with the movement primarily due to the implementation of the moratorium and as the cost of the Supported Living payments in relation to Council Tenants being charged to the Housing Revenue Account instead of the General Fund.
- 5.7.7 The Planning Service is forecasting a favourable variance of £318,000, an improvement of £101,000 compared to Round 2. Higher than budgeted income combined with the moratorium on staffing, supplies and services along with a further reduction in the previously reported Contribution to the Local Plan Reserve of £39,000 which reflect the revised forecast cost of delivering the Local Plan.

5.8 Transformation

- 5.8.1 The division is forecasting a pressure of £628,000, an improvement of £622,000 compared to the Round 2 position.
- 5.8.2 Marketing and Communications is forecasting a pressure of £163,000, an improvement of £43,000 compared to Round 2. Historic budget pressures including underfunded salaries and unachievable income targets, additional marketing activity required in

excess of budget and costs relating to the Place Branding work of £30,000 are reflected here, however the moratorium on staffing, supplies and services partly mitigates these.

- 5.8.3 Libraries, Community Hubs and Archives are forecasting a favourable variance of £80,000, an improvement of £120,000 compared to Round 2. Pressures relating to the end of the rent-free period for the Strood Library and Community Hub and on Business Rates have been mitigated through significant moratorium activity, including deferring expenditure on the Book Fund, staffing and other supplies and services along with additional income not previously forecast.
- 5.8.4 The Community Interpreters are forecasting a pressure of £18,000 as increased costs have not been passed on to ensure the service remains competitive; this is an improvement of £6,000 compared to Round 2 due to moratorium savings.
- 5.8.5 Human Resources and Organisational Services is forecasting a favourable variance of £135,000, an improvement of £45,000 from the position reported at Round 2. In addition to previously reported underspends on staffing and from a reduction in the cost of providing the salary sacrifice scheme and additional income from the Reducing Parental Conflict Initiative, the moratorium has resulted in further savings on salaries and a reduction in spend from the centralised training budget.
- 5.8.6 Customer and Business Support are forecasting a favourable variance of £268,000, an improvement of £186,000 compared to Round 2, as an increase of £34,000 in the cost of agency staff has been mitigated by savings through the moratorium on permanent staffing of £145,000.
- 5.8.7 The Performance and Intelligence Hub is forecasting a favourable variance of £41,000, an improvement of £12,000 compared to Round 2, due to additional income from external customers not previously accounted for and savings from the moratorium.
- 5.8.8 The Head of Transformation (incorporating both Business Change and Digital Transformation) is forecasting a favourable variance of £206,000, an improvement of £143,000 compared to Round 2 due to the moratorium activity, including a reduction in the use of external consultants.

5.9 Housing Revenue Account

- 5.9.1 The Housing Revenue Account is forecasting a surplus of £309,500 which is £93,300 above the approved budget surplus of £216,200.

6. Business Support (Appendix 3)

- 6.1 The Directorate is forecasting a favourable variance of £383,000, an improvement of £773,000 compared to the Round 2 position.

Table 6: BSD Summary

	R2 Forecast Variance	Budget 2019/20	R3 Forecast Variance	R3 Proposed Action	R3 Adjusted Variance
	£000's	£000's	£000's	£000's	£000's
Central Finance	(107)	1,212	(330)		(330)
Corporate Management	66	1,752	(159)		(159)
Democracy and Governance	9	2,131	99		99
Legal, Contracts and Property	422	(3,019)	7		7
Business Support Total	390	2,076	(383)	0	(383)

6.2 Finance Division

- 6.2.1 The Finance Division is forecasting a favourable variance of £330,000, an improvement of £223,000 compared to the position reported at Round 2.
- 6.2.2 Revenues and Benefits is forecasting a favourable variance of £71,000, an improvement of £118,000 compared to Round 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. This registration is now not expected until 2020, resulting in an increase to the pressure reported at Round 2 to £1.097million. However this is mitigated by recovery of Housing Benefit Overpayment in excess of budget, recharging lost subsidy for homelessness to Housing, and staff vacancy savings. In addition, a £75,000 contribution from the Business Change programme has supported the delivery of the Corporate Debt Project.
- 6.2.3 Finance Operations is forecasting a favourable variance of £102,000, an improvement of £65,000 compared to Round 2 as the moratorium resulted in savings on ICT systems and staffing.
- 6.2.4 Finance Strategy is forecasting a favourable variance of £139,000, an improvement of £39,000 compared to Round 2 as, in addition to staffing savings from the implementation of the moratorium, unbudgeted external income has been received from other Medway Council entities and external bodies for finance support.
- 6.2.5 Internal Audit and Counter Fraud is forecasting a favourable variance of £18,000, in line with the Round 2 forecast.

6.3 Corporate Management

- 6.3.1 Corporate Management is forecasting a favourable variance of £159,000, an improvement of £225,000 compared to Round 2. Previously reported pressures on salaries and legal costs relating to the Judicial Review of the location of the Kent and Medway Hyper Acute Stroke Unit if £68,000 were primarily offset due to the recognition of £135,000 income relating to previous years, a reduction in the anticipated pension costs and a refund on overpaid prior year contributions of £96,000.

6.4 Democracy and Governance

- 6.4.1 Democracy and Governance are forecasting a pressure of £99,000, a worsening of £90,000 compared to Round 2. A pressure of £148,000 on Members and Elections, primarily driven by the increased Members Allowances agreed is partly mitigated as the moratorium has resulted in staffing savings across both Members and Elections and Democratic Services teams.

6.5 Legal, Contracts and Property

- 6.5.1 Legal, Contracts and Property are forecasting a pressure of £7,000, an improvement of £415,000 compared to Round 2.
- 6.5.2 Category Management is forecasting a pressure of £39,000, a worsening of £51,000 compared to Round 2. Despite staffing savings of £80,000 and other moratorium activity to control expenditure, the forecast level of income from capital projects has worsened

since Round 2 resulting in this movement.

6.5.3 Legal, Land Charges and Licensing are forecasting a pressure of £131,000, an improvement of £181,000 since Round 2. The pressure primarily relates to staffing, as vacant posts are being covered by agency staff costing £173,000 more than budgeted, but lower than budgeted levels of Land Charge searches contribute a further £21,000. Licensing is forecasting an underspend of £61,000 arising from a restructure following the new shared service with Gravesham.

6.5.4 Valuation and Asset Management are forecasting a pressure of £163,000, an improvement of £61,000 compared to Round 2. While income pressures remain across the Council's commercial property portfolio, these are partly mitigated by a favourable variance resulting from moratorium activity reducing forecast expenditure on staffing, supplies and services.

6.5.5 Property and Capital Projects are forecasting a favourable variance of £347,000, an improvement of £224,000 compared to Round 2. While there continue to be a range of income pressures including Kingsley House and Community Centre lettings, these have been mitigated by reducing expenditure through the Building Repairs and Maintenance Fund to only emergency and health and safety work, and moratorium activity including staffing savings and a reduction in the use of consultants.

7. Centralised Costs

7.1 Collectively these are forecasting a favourable variance of £1.050 million.

Table 7: Centralised Costs Summary

	R2 Forecast Variance	Budget 2019/20	R3 Forecast Variance	R3 Proposed Action	R3 Adjusted Variance
	£000's	£000's	£000's	£000's	£000's
Interest and Financing	(962)	13,581	(1,048)		(1,048)
Levies	29	1,455	20		20
Medway Norse Rebate	(22)	(263)	(22)		(22)
Centralised Budgets Total	(955)	14,773	(1,050)	0	(1,050)

7.1.1 Interest and Financing is forecasting a favourable variance of £1.048million, an improvement of £86,000 compared to Round 2. The variance primarily relates to lower than budgeted interest costs on the Council's borrowing, reflecting that we will not need to take out the borrowing to finance the SEN school, and the one month delay in taking out the borrowing to purchase the Pentagon Centre. However Interest earned from investments is forecast to be lower than anticipated at Round 2, and some additional treasury advice and brokerage fees have been incurred to enable the Council to source loans from other Local Authorities since the Public Works Loan Board (PWLB) rates were increased.

7.1.2 The pressure forecast on Levies is £20,000, an improvement of £9,000 compared to Round 2 as levying bodies forecasts have reduced.

7.1.3 The Medway Norse rebate remains as per Round 2 at a favourable variance of £22,000.

8. Conclusions

8.1. The third round of budget monitoring for 2019/20 forecasts an overspend position of £2.571million, which represents a £4.123million improvement compared to the position

reported against the general fund revenue budget during the previous round. This reflects the implementation of a significant package of management action, tighter management and scrutiny over expenditure agreed in response to the Round 2 monitoring position reported. The overspend against the SEND budget has reduced by £699,000, so the projected cumulative deficit on the DSG reserve will now be £9.604million by the end of 2019/20.

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. Recommendations

10.1 Cabinet note the results of the third round of revenue budget monitoring for 2019/20 and instruct senior management to continue to exercise tight control range of measures to reduce expenditure within their portfolio areas.

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.

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>

Directorate - Revenue Budget Monitoring

Actuals to Period 12

Forecasts to Round 3 - 2019-2020

Appendix 1

	Expenditure			Income			Net			Forecast Over/(Under) £000's	Mgmt Action £000's	Revised Var £000's		
	Expenditure Budget £000's	Actual To Date £000's	Forecast Expenditure £000's	Forecast Variance £000's	Income Budget £000's	Actual To Date £000's	Forecast Income £000's	Forecast Variance £000's	Current Budget £000's				Actual to Date £000's	Forecast Outturn £000's
CHILDREN AND ADULTS														
AD ASC :														
AD ASC	16,513	9,971	17,475	961	(18,878)	(15,894)	(20,045)	(1,167)	(2,365)	(5,923)	(2,570)	(206)	(413)	(619)
BUSINESS & INTELLIGENCE	3,337	1,980	2,916	(421)	(220)	(195)	(265)	(46)	3,117	1,685	2,651	(466)	0	(466)
ASC OPERATIONS	77,845	62,407	80,398	2,553	(14,812)	(11,127)	(16,689)	(1,876)	63,032	51,279	63,709	677	0	677
SPECIALIST SERVICES	4,802	3,140	4,848	46	(27)	(29)	(213)	(186)	4,774	3,111	4,635	(140)	(50)	(190)
Total AD ASC	102,496	77,398	105,636	3,140	(33,937)	(27,246)	(37,212)	(3,275)	68,559	50,151	68,424	(135)	(463)	(598)
CHILDRENS SERVICES :														
CHILDRENS CARE MANAGEMENT	1,187	1,090	1,704	517	(56)	(276)	0	56	1,132	814	1,704	572	0	572
PSYCHOLOGY & SEN	26,516	22,315	32,634	6,117	(471)	(351)	(6,592)	(6,121)	26,046	21,964	26,042	(4)	(30)	(34)
HEAD OF PROVIDER SERVICES	15,198	11,019	15,386	188	(471)	(367)	(825)	(354)	14,727	10,652	14,562	(165)	0	(165)
EARLY HELP, YOUTH & INCLUSION	6,527	3,690	6,464	(63)	(2,369)	(889)	(2,546)	(177)	4,158	2,801	3,918	(240)	0	(240)
HEAD OF SAFEGUARDING	20,904	15,333	25,037	4,133	(176)	(329)	(605)	(429)	20,728	15,004	24,432	3,704	0	3,704
Total CHILDRENS SERVICES	70,333	53,447	81,225	10,892	(3,542)	(2,212)	(10,567)	(7,025)	66,790	51,235	70,658	3,868	(30)	3,838
DIRECTOR :														
HEAD OF SAFEGUARDING & QA	1,845	1,480	2,264	419	(182)	(58)	(90)	91	1,663	1,421	2,174	510	0	510
VIRTUAL HEAD	381	267	402	21	(91)	(33)	(112)	(21)	290	234	290	0	0	0
Total DIRECTOR	2,226	1,747	2,666	440	(273)	(92)	(203)	70	1,954	1,656	2,464	510	0	510
DIRECTORATE MANAGEMENT TEAM :														
DIRECTORATE MANAGEMENT TEAM	(460)	503	769	1,229	0	0	0	0	(460)	503	769	1,229	(30)	1,199
Total DIRECTORATE MANAGEMENT TEAM	(460)	503	769	1,229	0	0	0	0	(460)	503	769	1,229	(30)	1,199
EDUCATION :														
SCH ORGANISATION & STUDENT SER	18,437	15,751	18,569	132	(265)	(99)	(426)	(161)	18,171	15,652	18,143	(28)	0	(28)
SCHOOL IMPROVEMENT	401	299	400	(2)	(280)	(228)	(249)	31	122	71	151	29	0	29
SCHOOLS COMMISSIONING	734	27	45	(688)	(697)	(11)	(11)	686	36	16	34	(2)	0	(2)
SEN TRANSPORT	6,053	4,214	6,309	256	(277)	249	(435)	(158)	5,776	4,463	5,873	98	0	98
INCLUSIONS	2,989	2,140	3,376	387	(448)	(563)	(500)	(51)	2,541	1,578	2,876	335	0	335
SCHOOL ONLINE SERVICES	676	41	641	(36)	(663)	(496)	(619)	44	14	(455)	22	8	0	8
Total EDUCATION	29,289	22,472	29,339	49	(2,630)	(1,147)	(2,240)	390	26,659	21,325	27,099	440	0	440
PARTNERSHIP COMMISSIONING :														
ADULTS COMMISSIONING	722	436	768	46	(383)	0	(468)	(86)	339	436	300	(39)	0	(39)

	Expenditure			Income			Net			Forecast Over/(Under) £000's	Mgmt Action £000's	Revised Var £000's		
	Expenditure Budget £000's	Actual To Date £000's	Forecast Expenditure £000's	Forecast Variance £000's	Income Budget £000's	Actual to Date £000's	Forecast Income £000's	Forecast Variance £000's	Current Budget £000's				Actual to Date £000's	Forecast Outturn £000's
	CHILDRENS COMMISSIONING	1,666	932	1,616	(50)	(358)	(120)	(379)	(21)				1,308	811
Total PARTNERSHIP COMMISSIONING	2,387	1,368	2,384	(4)	(740)	(120)	(847)	(107)	1,647	1,248	1,537	0	(110)	
PUBLIC HEALTH :														
PH MANAGEMENT	1,354	982	1,301	(54)	(243)	(193)	(381)	(139)	1,112	788	919	0	(192)	
PH COMMISSIONING	5,497	4,486	5,494	(3)	(34)	(69)	(130)	(95)	5,463	4,417	5,365	0	(98)	
BUSINESS DEVELOPMENT	218	62	191	(27)	(15)	(3)	(3)	12	203	59	188	0	(15)	
DAAT	2,012	1,686	1,992	(20)	(59)	(59)	(59)	0	1,953	1,627	1,933	0	(20)	
HEALTH IMPROVEMENT PROGRAMMES	3,372	2,188	3,348	(24)	(485)	(504)	(485)	0	2,887	1,685	2,863	0	(24)	
STOP SMOKING SERVICES	554	366	545	(9)	0	(10)	(10)	(10)	554	356	535	0	(19)	
SUPPORTING HEALTHY WEIGHT	1,066	695	1,131	65	0	0	0	0	1,066	695	1,131	0	65	
Total PUBLIC HEALTH	14,073	10,464	14,002	(71)	(836)	(838)	(1,067)	(231)	13,237	9,627	12,935	0	(303)	
SCH RETAINED FUNDING & GRANTS :														
FINANCE PROVISIONS	1,041	931	1,234	192	28	0	0	(28)	1,069	931	1,234	0	165	
HR PROVISIONS	978	695	729	(248)	(27)	(3)	(40)	(13)	951	692	689	0	(261)	
SCHOOL GRANTS	44,229	29,920	45,901	1,672	(2,305)	(3,546)	(4,181)	(1,876)	41,924	26,374	41,720	0	(204)	
Total SCH RETAINED FUNDING & GRANTS	46,247	31,546	47,863	1,616	(2,304)	(3,549)	(4,220)	(1,916)	43,944	27,996	43,643	0	(301)	
Total CHILDREN AND ADULTS	266,593	198,945	283,884	17,291	(44,263)	(35,204)	(56,356)	(12,093)	222,331	163,741	227,529	(523)	4,675	

Directorate - Revenue Budget Monitoring

Actuals to Period 12

Forecasts to Round 3 - 2019-2020

Appendix 2

	Expenditure			Income			Net			Forecast Over/(Under) £000's	Mgmt Action £000's	Revised Var £000's		
	Expenditure Budget £000's	Actual To Date £000's	Forecast Expenditure £000's	Forecast Variance £000's	Income Budget £000's	Actual to Date £000's	Forecast Income £000's	Forecast Variance £000's	Current Budget £000's				Actual to Date £000's	Forecast Outturn £000's
REGEN, CULT, ENVIRON & TRANS														
CORN EXCHANGE :														
CORN EXCHANGE	315	156	258	(57)	(321)	(132)	(126)	195	(6)	24	131	138		
Total CORN EXCHANGE	315	156	258	(57)	(321)	(132)	(126)	195	(6)	24	131	138		
DEANGATE GOLF :														
DEANGATE GOLF	150	77	216	66	0	(1)	0	0	150	77	216	66		
Total DEANGATE GOLF	150	77	216	66	0	(1)	0	0	150	77	216	66		
DIRECTOR'S OFFICE :														
DIRECTOR'S OFFICE	1,391	305	1,293	(98)	(21)	(1)	(19)	2	1,370	304	1,274	(96)		
Total DIRECTOR'S OFFICE	1,391	305	1,293	(98)	(21)	(1)	(19)	2	1,370	304	1,274	(96)		
FRONT LINE SERVICES :														
FRONT LINE SERVICES SUPPORT	765	838	1,082	316	(159)	(2)	(237)	(77)	606	836	845	239		
HIGHWAYS	7,261	4,493	7,867	606	(1,194)	(842)	(1,715)	(521)	6,067	3,651	6,152	85		
PARKING SERVICES	4,013	2,578	4,023	10	(9,524)	(5,152)	(8,305)	1,219	(5,511)	(2,574)	(4,282)	1,229		
ENVIRONMENTAL SERVICES	28,598	18,093	28,462	(135)	(2,009)	(969)	(2,650)	(641)	26,589	17,123	25,812	(776)		
INTEGRATED TRANSPORT	9,220	5,591	8,896	(324)	(2,756)	(1,712)	(2,543)	214	6,464	3,879	6,353	(111)		
REGULATORY SERVICES	3,798	2,250	3,452	(346)	(3,253)	(1,822)	(2,641)	612	545	427	811	266		
GREENSPACES	4,085	3,003	4,041	(44)	(305)	(151)	(357)	(62)	3,780	2,852	3,684	(96)		
Total FRONT LINE SERVICES	57,740	36,846	57,822	82	(19,201)	(10,651)	(18,447)	754	38,539	26,194	39,375	836		
MCG SERVICES :														
MCG SERVICES	878	797	878	0	(1,170)	(483)	(1,054)	116	(292)	314	(176)	116		
Total MCG SERVICES	878	797	878	0	(1,170)	(483)	(1,054)	116	(292)	314	(176)	116		
PHYSICAL & CULTURAL REGEN :														
LEISURE & CULTURE MANAGEMENT	37	23	40	3	(32)	(27)	(22)	10	5	(3)	18	13		
SPORT,LEISURE,TOURISM,HERITAGE	7,838	4,695	7,880	42	(4,728)	(3,257)	(4,364)	364	3,110	1,439	3,516	406		
FESTIVAL,ARTS,THEATRES,EVENTS	3,158	3,377	3,384	226	(1,721)	(2,574)	(1,440)	281	1,437	804	1,944	507		
PHYSICAL&CULTURAL REG SUPPORT	162	121	162	0	(108)	0	(88)	20	54	121	74	20		
PLANNING	2,883	2,172	3,409	526	(1,713)	(1,856)	(2,557)	(844)	1,170	316	852	(318)		
REGENERATION DELIVERY	3,372	2,160	4,352	980	(1,426)	(2,122)	(2,529)	(1,103)	1,946	38	1,822	(123)		
SOUTH THAMES GATEWAY PARTNERSH	135	123	123	(12)	0	0	0	0	135	123	123	(12)		
STRATEGIC HOUSING	9,451	6,204	10,449	998	(3,316)	(4,749)	(4,906)	(1,590)	6,135	1,455	5,543	(592)		
PHYSICAL REGENERATION	240	258	295	55	(326)	(243)	(357)	(31)	(86)	15	(62)	24		

	Expenditure			Income			Net			Forecast Over/(Under) £000's	Mgmt Action £000's	Revised Var £000's	
	Expenditure Budget £000's	Actual To Date £000's	Forecast Expenditure £000's	Income Budget £000's	Actual to Date £000's	Forecast Income £000's	Forecast Variance £000's	Current Budget £000's	Actual to Date £000's				Forecast Outturn £000's
			Forecast Variance £000's										
Total PHYSICAL & CULTURAL REGEN	27,277	19,135	30,094	2,818	(13,371)	(14,827)	(16,264)	13,906	4,307	13,831	(75)	(125)	
TRANSFORMATION :													
COMMUNICATIONS	953	872	1,215	262	(952)	(246)	(1,035)	1	626	181	180	180	
HEAD OF TRANSFORMATION	1,495	918	1,343	(152)	0	0	(54)	1,495	918	1,289	(206)	(206)	
ICT DEVELOPMENT	6,430	4,201	6,260	(170)	(6,187)	(100)	(6,065)	243	4,101	195	(48)	(48)	
HR & ORGANISATION SERVICE	1,841	1,264	1,817	(23)	(1,847)	(764)	(1,959)	(7)	501	(142)	(135)	(135)	
RCC PERFORMANCE AND INTELL HUB	483	262	433	(49)	(397)	(2)	(389)	85	259	44	(41)	(41)	
CORP PERFORMANCE & INTELLIGENCE	0	0	0	0	0	0	0	0	0	0	0	0	
ADMINISTRATION	0	0	0	0	0	(7)	0	0	(7)	0	0	0	
LIBRARIES & COMMUNITY HUBS	4,116	2,400	4,042	(74)	(272)	(61)	(278)	3,844	2,339	3,764	(80)	(80)	
ADULT EDUCATION	1,733	1,227	1,671	(62)	(2,173)	(1,881)	(2,110)	(441)	(653)	(439)	2	2	
CUSTOMER CONTACT	2,942	1,858	2,825	(117)	(2,921)	46	(3,073)	20	1,904	(247)	(268)	(268)	
COMMUNITY INTERPRETERS	510	529	845	335	(624)	(495)	(941)	(113)	34	(96)	18	18	
BUSINESS CHANGE - PEOPLE	526	345	513	(13)	0	(19)	(19)	526	326	495	(31)	(31)	
Total TRANSFORMATION	21,027	13,875	20,964	(63)	(15,374)	(3,528)	(15,921)	5,654	10,348	5,043	(611)	(611)	
Total REGEN, CULT, ENVIRON & TRANS	108,778	71,190	111,526	2,748	(49,458)	(29,622)	(51,832)	59,320	41,568	59,694	(1,044)	(671)	

	Expenditure			Income			Net			Forecast Over/(Under) £000's	Mgmt Action £000's	Revised Var £000's
	Expenditure Budget £000's	Actual To Date £000's	Forecast Expenditure £000's	Forecast Variance £000's	Income Budget £000's	Actual to Date £000's	Forecast Income £000's	Forecast Variance £000's	Current Budget £000's			
BUSINESS SUPPORT DEPT												
CENTRAL FINANCE :												
INTERNAL AUDIT & COUNTER FRAUD	647	413	618	(28)	(637)	(178)	(627)	10	10	234	(9)	(18)
RURAL LIAISON GRANTS	73	73	73	0	0	0	0	0	73	73	73	0
FINANCE STRATEGY	1,386	805	1,332	(53)	(1,345)	(107)	(1,431)	(86)	41	698	(99)	(139)
REVENUES & BENEFITS	85,407	53,901	79,872	(5,536)	(84,486)	(66,823)	(79,022)	5,464	921	(12,922)	850	(71)
FINANCE OPERATIONS	1,702	958	1,561	(141)	(1,534)	(209)	(1,494)	39	169	749	67	(102)
Total CENTRAL FINANCE	89,214	56,149	83,456	(5,758)	(88,002)	(67,318)	(82,574)	5,428	1,212	(11,168)	882	(330)
CORPORATE MANAGEMENT :												
CORPORATE MANAGEMENT	2,598	3,131	3,930	1,332	(846)	(1,551)	(2,337)	(1,491)	1,752	1,581	1,593	(159)
Total CORPORATE MANAGEMENT	2,598	3,131	3,930	1,332	(846)	(1,551)	(2,337)	(1,491)	1,752	1,581	1,593	(159)
DEMOCRACY & GOVERNANCE :												
DEMOCRATIC SERVICES MANAGER	701	412	652	(49)	(45)	(44)	(44)	0	657	368	608	(49)
MEMBERS & ELECTIONS	1,533	1,973	2,928	1,395	(59)	(817)	(1,307)	(1,248)	1,474	1,156	1,621	148
Total DEMOCRACY & GOVERNANCE	2,234	2,385	3,580	1,346	(103)	(861)	(1,351)	(1,247)	2,131	1,524	2,230	99
LEGAL CONTRACTS & PROPERTY :												
CATEGORY MANAGEMENT	544	231	443	(101)	(544)	(27)	(404)	140	0	204	39	39
LEGAL, LAND CHRGES & LICENSING	2,882	1,938	3,134	252	(2,980)	(839)	(3,101)	(121)	(97)	1,099	34	131
MEDWAY NORSE	5,714	4,399	5,735	21	(5,714)	(8)	(5,714)	0	0	4,390	21	21
PROPERTY & CAPITAL PROJECTS	4,731	1,964	4,876	145	(3,844)	(545)	(4,336)	(492)	887	1,419	540	(347)
VALUATION & ASSET MANAGEMENT	843	1,031	1,713	870	(4,652)	(4,621)	(5,359)	(707)	(3,809)	(3,590)	(3,646)	163
Total LEGAL CONTRACTS & PROPERTY	14,715	9,562	15,902	1,187	(17,734)	(6,040)	(18,913)	(1,179)	(3,019)	3,523	(3,012)	7
Total BUSINESS SUPPORT DEPT	108,761	71,228	106,868	(1,893)	(106,685)	(75,769)	(105,175)	1,510	2,076	(4,541)	1,693	(383)

Directorate - Centralised Monitoring

Actuals to Period 12

Forecasts to Round 3 - 2019-2020

Appendix 4a

	Expenditure			Income			Net			Forecast Over/(Under) £000's	Mgmt Action £000's	Revised Var £000's		
	Expenditure Budget £000's	Actual To Date £000's	Forecast Expenditure £000's	Forecast Variance £000's	Income Budget £000's	Actual to Date £000's	Forecast Income £000's	Forecast Variance £000's	Current Budget £000's				Actual to Date £000's	Forecast Outturn £000's
INTEREST & FINANCING														
4R136 INTEREST EARNED	78	14	78	0	(3,542)	(717)	(3,340)	203	(3,464)	(702)	0	203		
4R137 INTEREST PAID	11,588	5,383	10,481	(1,107)	23	0	23	0	11,611	5,383	0	(1,107)		
4R138 KCC PRINCIPLE	1,361	1,021	1,361	0	0	0	0	0	1,361	1,021	0	0		
4R140 MRP	4,107	0	4,107	0	0	0	0	0	4,107	0	0	0		
4R141 INVEST TO SAVE	0	0	0	0	0	0	0	0	0	0	0	0		
4R143 TREASURY ADVICE	71	61	102	31	0	0	0	0	71	61	0	31		
4R144 BREXIT GRANT	0	5	0	0	(105)	(280)	(280)	(175)	(105)	(275)	0	(175)		
4R562 HOUSING ACT ADVANCES	0	0	0	0	0	0	0	0	0	0	0	0		
Total INTEREST & FINANCING	17,205	6,484	16,129	(1,076)	(3,624)	(997)	(3,597)	28	13,581	5,487	12,533	(1,048)		

Directorate - Centralised Monitoring

Actuals to Period 12

Forecasts to Round 3 - 2019-2020

Appendix 4b

	Expenditure			Income			Net			Forecast Over/(Under) £000's	Mgmt Action £000's	Revised Var £000's		
	Expenditure Budget £000's	Actual To Date £000's	Forecast Expenditure £000's	Forecast Variance £000's	Income Budget £000's	Actual to Date £000's	Forecast Income £000's	Forecast Variance £000's	Current Budget £000's				Actual to Date £000's	Forecast Outturn £000's
LEVIES														
4E045 CORONERS COURT	958	485	963	5	0	0	0	0	958	485	0	5		
4T272 KENT & ESSEX FISHERIES COMMIT	67	67	67	0	(32)	(32)	0	0	35	35	0	0		
4T900 ENVIRONMENT AGENCY LEVY	60	65	65	5	0	0	0	0	60	65	0	5		
4T936 INTERNAL DRAINAGE BOARD LEVY	403	411	413	10	0	0	0	0	403	411	0	10		
Total LEVIES	1,488	1,029	1,508	20	(33)	(33)	0	(33)	1,455	997	1,475	20		
												0	20	