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REVENUE BUDGET MONITORING REPORT ROUND 1 2020/21

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Summary

This report presents the results of the first round of the Council's revenue budget monitoring process for 2020/21. Section 3 sets out the overall position, while Sections 4-7 and appendices 1-3 provide full details.

The report also presents a summary of debts written off during the 2017/18, 2018/19 and 2019/20 financial years (Section 8) in line with the constitutional requirement to submit a report to Cabinet on an annual basis setting out details of all debt written off.

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

1.2. At its meeting on 20 February 2020, the Council set a total budget requirement of £323.365million for 2020/21. In response to the Covid-19 pandemic, the Government has announced a wide range of financial support packages for individuals, businesses and public sector bodies leading the response, including emergency funding for councils. Since the budget for the 2020/21 year was approved, a total of £55.975million of additional grant funding, including the second and third tranches of non-ringfenced grant worth £10.155million, has been added to the revenue budget, taking the Round 1 budget requirement to a total of £379.533million. On 2 July the Communities Secretary announced a third tranche of emergency funding for local authorities, a scheme to compensate councils for lost income from sales, fees and charges and the Government's intention to allow councils to spread tax deficits over three years rather than the usual one. Medway's allocation of the third tranche of emergency funding has been confirmed as £2.506million and the Chief Executive used the urgency provisions as set out in paragraph 4.1 of the Employee Delegation Scheme to add this to the Council’s budget for 2020/21. Details of arrangements to determine and claim for eligible lost income have been published and income received will be added to the budget in due course; this report reflects these two additions in the forecast with an estimate of £6.668million included for the income loss scheme.

2.1. This report presents the results of the first round of revenue budget monitoring, summarising reports that have been considered by directorate management teams based on returns submitted by individual budget managers. In preparing these forecasts, budget managers have taken account of last year’s outturn, items of growth or savings agreed as part of the budget build, actual income and expenditure for the year to date, and most importantly, their knowledge of commitments and service requirements anticipated for the remainder of the financial year.

2.2. 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.

3. Summary Revenue Budget Position 2020/21

3.1. Table 1 overleaf shows that the forecast outturn for 2020/21 represents a pressure of £756,000.

3.2. The Council’s income from Council Tax and Business Rates is held in a ring-fenced collection fund account, from which authorities draw the budgeted level of income in each year irrespective of actual income collected. Any shortfall on income collected compared to that budgeted level results in a collection fund deficit which is recovered by reducing the amount of income the Council can budget for in the following year. As such, there is no income shortfall forecast on Council Tax or Business Rates for 2020/21. Our initial estimates suggest that the collection fund deficit for Medway Council will be as large as £18.2million. The Government have announced their intention to allow councils to recover any deficits over three years, rather than the usual one, however this would still represent a significant pressure on the revenue budget for 2021/22 and beyond.

Table 1: Summary

Directorate	Budget 2020/21	Q1 Forecast Variance	Q1 Proposed Action	Q1 Adjusted Variance
	£000's	£000's	£000's	£000's
Children and Adult Services (including Public Health)	241,397	8,615	0	8,615
Regeneration, Culture and Environment	61,715	9,797	0	9,797
Business Support Department	16,404	(200)	0	(200)
Interest & Financing	13,431	268	0	268
Levies	1,518	62	0	62
Medway Norse Joint Venture	(385)	0	0	0
C-19 ring fenced grant expenditure	45,453	0	0	0
Covid-19 non-ringfenced Expenditure	0	4,379	0	4,379
Budget Requirement	**379,533**	**22,920**	**0**	**22,920**
Funded by:				
Council Tax	(131,010)	0	0	0
Retained Business Rates	(45,620)	0	0	0
Baseline Need Funding	(16,177)	0	0	0
New Homes Bonus	(1,221)	0	0	0
Dedicated Schools Grant	(95,884)	0	0	0
Other Schools Grants	(3,653)	(69)	0	(69)
Adult Social Care Grants	(12,584)	0	0	0
Public Health Grant	(17,408)	0	0	0
C-19: Non-ringfenced Grant	(10,155)	0	0	0
C-19: Business Grants Schemes	(39,712)	0	0	0
C-19: Council Tax Hardship Fund	(2,056)	0	0	0
C-19: Test, Track & Trace Grant	(1,593)	0	0	0
C-19: Infection Control Grant	(2,092)	0	0	0
C-19: Emergency Active Travel Grant Phase 1 (revenue element)	(30)	0	0	0
C-19: Emergency Assistance Grant for Food & Supplies	(337)	0	0	0
C-19: Income Compensation (estimated)	0	(6,668)		(6,668)
Drawdown from Reserves C-19	0	(15,427)		(15,427)
Total Available Funding	**(379,533)**	**(22,164)**	**0**	**(22,164)**
Net Forecast Variance	**0**	**756**	**0**	**756**

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

4.1. The Directorate is forecasting a pressure of £8.615million, following the transfer of £4.941million into the DSG High Needs reserve.

Table 2: C&A Summary

	Budget 2020/21	Q1 Forecast Variance	Q1 Proposed Action	Q1 Adjusted Variance
	£000's	**£000's**	**£000's**	**£000's**
Adult Social Care	71,734	2,350	0	2,350
Children's Services	44,072	5,558	0	5,558
Director	3,572	10	0	10
Directorate Management Team	820	304	0	304
Education	61,621	394	0	394
Partnership Commissioning	1,684	(1)	0	(1)
Public Health	13,779	0	0	0
Schools Retained Funding & Grants	44,115	0	0	0
Schools	0	0	0	0
Children and Adult Services Total	**241,397**	**8,615**	**0**	**8,615**

4.2. Adult Social Care

4.2.1. The division is currently forecasting a pressure of £2.350million.

4.2.2. The three main service areas of older people services, disability Services and Mental Health services are collectively forecasting a total pressure of £3.086million. There are three main reasons behind the overspends on the various placement budgets:

- non delivery of savings targets due to Covid-19,
- impact of Covid-19 leading to additional services being put in place during the emergency period, and
- the cost of increased demographic growth above budgeted levels due to more complex nature of placements.

4.2.3. Due to the Covid-19 response, any work associated with planned savings has been put on hold. As a result, we are currently forecasting that the savings planned around further targeted reviews, the review of respite provision, increased shared lives provision and possible changes to delivery of Mental Health day resources will not be achieved. These collectively represent a total pressure of around £558,000.

4.2.4. The impact of Covid-19 has led to additional packages and an increase in unit costs alongside additional demographic growth which total a pressure of around £1.2million. While around £800,000 of this pressure appears to be around increased demographic growth in supported living services, for both those in Learning Disability and Mental Health services attributable to an increase in the weekly costs of new placements. The increase in weekly costs may in part be due to the impact of Covid-19 on the provider market. The remaining £400,000 is due to increased demand and weekly costs relating to packages of care for older people, again some of the increase in weekly costs may in part be due to the impact of Covid-19 on the provider market.

4.2.5. There are also some underlying issues around utilisation of block beds which due to the nature of us paying for block beds do not impact the forecast directly, however more effective management of those beds could lead to savings from reduced spot purchasing.

4.2.6. We have also amended the assumption around the level of Direct Payment reclaims based on the possible impact of Covid-19 meaning Direct Payment recipients have had to use potential surplus funds to purchase additional support during this period, for example this may be due to day services not operating or carers needing to self-isolate. This has caused a pressure of around £500,000.

4.2.7. As part of the response to Covid-19, the cost of discharges from hospital are being funded through a pooled budget with the Clinical Commissioning Group, however, there is uncertainty about how long these arrangements will continue. As such the forecast currently assumes that the Council will start to pick up certain costs from August 2020, representing a pressure of around £300,000.

4.2.8. There is a forecast shortfall on budgeted client income of around £500,000 across all client groups.

4.2.9. There is a forecast favourable variance of £323,000 in Business and Intelligence, largely due to the continued level of vacancies and difficulty recruiting to these vacancies at the current time due to Covid-19 alongside an underspend on payments for short breaks.

4.2.10. The overall staffing forecast across all areas of Adult Social Care represents a favourable variance of £423,000, due to continued level of vacancies, some of which are not being covered by agency staff.

4.3. Children's Services

4.3.1. The division is currently forecasting a pressure of £5.558million.

4.3.2. There are three main areas causing this pressure: placements, children and family support packages and legal costs, while one main area of underspend on staffing reduces the pressure.

4.3.3. A new staffing structure was implemented in February 2020 and built into the 2020/21 budget, which included a budget of £1.7million of full career progression payments. The forecast however anticipates an underspend on this budget of £863,000 as not all staff will qualify for the full payment in the first year. However, as at June 2020, there was a 38% vacancy rate across the division, with the majority of posts being covered by agency staffing. This has created a net pressure of £800,000 which offsets the underspend against the career progression budget. The recruitment of permanent staffing continues to be challenging and has slowed over the past few months due to Covid-19 restrictions, with 10 international social workers with start dates delayed by 9 months.

4.3.4. To help manage the emerging caseload pressures in the children's social work teams, a dedicated team consisting of a single team manager and small number of social workers have been engaged to bring caseloads back within manageable parameters. This arrangement would be fixed for up to 6 months with a company called Flex 360 costing circa £308,000. Its planned to fund this from the vacant family support worker posts and as such this will not change the forecast position.

4.3.5. The Leader and Portfolio Holder for Children's Services have endorsed a proposal to introduce an Improvement Fund for Children's Social Care, with one off funding of £819,300 for activities in 2020/21 including an improvement team and additional resources for practice improvement. The proposal also includes the addition of ongoing revenue costs of £127,400 into the base budget for 'business as usual' actives.

4.3.6. The addition of these items is a matter for Cabinet and Council approval as additions to the Council's capital programme, using the flexibility we have over the use of capital receipts for spend on transformation. The R1 forecast only assumes that all except one of the current improvement staffing would only be in post until the end of July, so these costs would represent an additional pressure on the budget.

4.3.7. The legal budget is forecasting to overspend by £298,000 mainly due to the delays caused by Covid-19 and the anticipated backlog and fast tracking required from September onwards.

4.3.8. In recent years the number of Looked After Children (LAC) has remained relatively constant at around 425 per month, however in April and May a 5% increase in the LAC numbers has been experienced. In addition, the number of children leaving care has fallen with the resultant higher numbers of LAC creating a pressure across the placement forecasts. The R1 forecast projects a total overspend of £6.627million across all placements and support packages, with pressures of:

- £4.5million on external placements,
- £840,000 on care leavers,
- £155,000 on internal placements, and
- £1.132million on other packages of support (including family contact, Section 17 payments, no resource to public funds, housing and homelessness support, college costs, asylum support and client travel expenses)

The forecast also includes an allowance to cover the anticipated growth in numbers between now and the end of the financial year of £1.8million.

4.3.9. As at 19 June, the service was providing funding to support 261 external children's placements (i.e. Residential, Internal Fostering Agency); 218 fostering placements; 446 other fostering allowances (special guardianship, residence orders) and 30 care leavers. In the first two weeks of June, 6 children were placed into residential care with those placements adding a total of £1.2million to the placement forecast for 2020/21. There are 31 children in residential care (include tri-partite funded), eight of whom have weekly packages costing in excess of £5,000 per week and three of whom have packages in excess of £7,000 per week.

4.3.10. A total of 38 children included in the forecast are over the age of 18 and may become a care leaver or a leaving care child, or transfer to the support of Adult Social Care and as such these packages of support are being reviewed.

4.4. Directorate Management Team

4.4.1. The division is currently forecasting a pressure of £304,000. This relates to the overspend on the C&A Directorate Management Team staffing, with the continued engagement of two interim consultants covering vacant Assistant Director Posts in different periods, the temporary employment of two consultants not included in the staffing structure and the £60,000 advertisement cost for the permanent recruitment to the vacant posts.

4.5. Education

4.5.1. The division is currently forecasting a pressure of £394,000 on General Fund services.

4.5.2. The general fund overspend arises from two main areas: loss of income due to Covid-19 and additional costs for children's floating/direct support package costs.

4.5.3. When schools closed, the government froze the school non-attendance penalty notice charge and confirmed no pupils could be excluded during the months when most exclusions normally occur; this results in a pressure of £150,000.

4.5.4. There is a £317,000 pressure on the cost to provide floating support care packages to children and young people (CYP) within the 0-25 team. The budget for this support was transferred from Children's Services at the beginning of the year to realign with the new service structure and allowed for approximately 62 weeks of support based on £500 per week. The service is currently paying for three care packages, two of which are within or around the budgeted cost per week but one is outside at £6,375 per week creating the majority of the pressure.

4.5.5. There is a £198,000 pressure on the cost to provide respite and direct payments to CYP with in the 0-25 team as the forecast assumes 170 payments, compared to the budgeted level of 136.

4.5.6. SEND Transport is forecasting to budget, however a lack of clarity around government policy on transport requirements to prevent the spread of Covid-19 mean it is not clear what the service will have to provide in September. This could result in a significantly different outturn with either an underspend based on lower numbers of pupils being transported, or an overspend if restrictions on the number of children sharing transport are set out.

4.5.7. In addition to the General Fund pressures above, a further pressure of £4.941million on Dedicated Schools Grant (DSG) funded cost centres has been transferred to the High Needs DSG Reserve, taking the cumulative deficit on that reserve to **£14.287million.** Medway has seen significant increases in demand for Education, Health and Care Plans in recent years. This has combined with a lack of special school and resource unit places in Medway to resulted in increased demand for independent school places and out of area places. This deficit will be managed through the Council's deficit recovery plan over the medium to longer term.

4.6. Partnership Commissioning

4.6.1. The division is currently reporting no significant variances, with an overall forecast underspend of £1,000.

4.7. Public Health

4.7.1. The division is currently forecasting to budget. There is however a risk that there will be additional cost pressures around areas of Public Health expenditure as we undergo recovery from Covid-19.

4.7.2. The service is working with providers to understand possible areas of pressure and will where possible look to contain expenditure within budget, seeking recourse to use funding from Public Health reserves where appropriate.

4.8. Schools Retained Funding and Grants

4.8.1. The division is forecasting to budget overall, however the General Fund cost centres are forecasting to underspend by £245,000 on school redundancy contributions, whist the DSG cost centres are forecasting to overspend by the same amount on the school growth Published Admission Number (PAN) class size support funds. The Schools Forum has already agreed to repay for this overspend from its 2021/22 budget.

5. Regeneration, Culture & Environment

5.1. The Directorate is forecasting a pressure of £9.797million.

Table 3: RCE Summary

	Budget 2020/21	Q1 Forecast Variance	Q1 Proposed Action	Q1 Adjusted Variance
	£000's	£000's	£000's	£000's
Communications	20	103	0	103
Culture & Community	17,517	4,121	0	4,121
Deangate Golf	37	21	0	21
Director's Office	809	(15)	0	(15)
Front Line Services	42,803	5,474	0	5,474
MCG Services	42	43	0	43
Regeneration	486	50	0	50
Regeneration, Culture & Environment Total	**61,715**	**9,797**	**0**	**9,797**

5.2. Communications & Marketing

5.2.1. The Communications & Marketing division is forecasting a pressure of £103,000 primarily relating to underfunded salaries and unachievable income targets, which were only partially addressed in the 2020/21 budget build process and the latter of which has been exacerbated due to Covid-19.

5.3. Culture & Community

5.3.1. The division is currently forecasting a pressure of £4.121million.

5.3.2. The Cultural Services division, incorporating Arts, Theatres, Events and the Corn Exchange is forecasting a pressure of £363,482.

5.3.3. The Events & Festival Programme has been severely affected by the Covid-19 pandemic with all Festivals to be delivered up to the end of July being Cancelled and after Late Cancelation Fees were paid to suppliers and performers, this resulted in savings of £145,000. The forecast assumes the remaining festivals will go ahead, with decisions made nearer the time. A restructure of the service had been planned to address a historic budget pressure of £38,000 relating to the Festival Programme and Park & Ride service, however this has not been delivered due to Covid-19.

5.3.4. The Central & Brook Theatre are currently closed to the public, with the forecasts assuming they will reopen from 1 September with a 25% reduction in income in the remainder of the year, resulting in a pressure of £329,000. While some savings on premises, utilities and supplies and service costs have been forecast, these are offset by some historic budget pressures around Business Rates and casual staff salaries. We have however successfully transferred around 65% of customer bookings to the revised show dates in 2020/21, significantly above the industry national average.

5.3.5. The Corn Exchange is currently showing an Income pressure of £171,000 with the assumption that the facility will not generate any income from hall bookings or bar sales. This has been partly offset by savings of £36,000 on premises, supplies and services and casual salaries.

5.3.6. The Culture & Community Directorate Support is forecasting a favourable variance of £25,000 resulting from the period in which an Assistant Director post is vacant, along with supplies and service savings totalling £13,000.

5.3.7. Economic Development is reporting a pressure of £416,164, primarily driven by shortfalls in income across services closed during the Covid-19 response:

- Adult Ed – (Course Fee Income & Lettings) - £219,000,
- Markets – (Stall Hire) - £47,000, and
- Innovation Centre (Unit Rentals and Services & Café) - £117,000.

A decision was taken through the Covid governance structure to commission some online learning from the existing Medway Adult Education grant based on anticipated learner numbers at that time. However, as learner numbers have fallen, our grant income has reduced and this expenditure now represents a pressure of £68,000.

5.3.8. The authority has been allocated £246,000 Grant funding from MHCLG from the European Regional Development Fund (ERDF) to Reopen High Streets Safely which will be paid on the basis of an evidenced claim. Work is currently taking place to deliver this piece of work with Finance and Economic Development teams working closely to identify and prepare claim for relevant expenditure that meets the grant criteria.

5.3.9. The premises for Libraries, Community Hubs and Archives are forecasting a pressure of £57,000, as the loss of Income across the service on fines, sales, fees and charges, and lettings resulting from the closure of the facilities due to Covid-19 is estimated at £69,000. The forecast assumed the buildings would reopen to the public from July. In addition to the loss of Income, increasing Business Rates liabilities have resulted in a pressure of £31,000 across the service, and while the Strood Library rent renegotiations are underway, it is anticipated this could result in a further pressure of £16,000. Savings of £55,000 have been made across the service on establishment, premises and supplies and services costs.

5.3.10. Planning Services are reporting a pressure of £327,000. The Annual Local Plan expenditure is normally charged to the Local Plan Reserve which has been built up over the years mainly from revenue contributions from the Planning Policy budget. This reserve was fully used in 2019/20 so any expenditure will need to be met from the revenue budget of £80,000; as the forecast spend in 2021 is £275,000 this results in a pressure of £195,000. Further budget pressures have been reported against the public enquiries and consultants' budgets of £106,000, as one large public enquiry required the service to engage counsel and various consultants. The PPA income target is extremely challenging and the forecast assumes that the level of income achievable will be in line with last year's outturn, resulting in a pressure of £50,000. These pressures have been slightly offset by salary savings forecast in Planning Policy of £28,000.

5.3.11. Sport, Leisure, Tourism & Heritage is forecasting a pressure of £3.175million primarily due to income shortfalls as the facilities remained closed for the majority of the first quarter of the financial year. It is anticipated that social distancing requirements will reduce the income the facilities can achieve and that some customers may be reluctant to return, significantly impacting on income forecasts:

- Leisure Centres are forecasting an income pressure of £3.071million
- Heritage Sites are forecasting an income pressure of £259,000.

Savings on staffing of £56,000, utilities costs of £40,000 and the purchase of items for resale of £76,000 across the Service are included in the forecast pressures above.

5.3.12. Strategic Housing is forecasting a favourable variance of £182,000. Homelessness is forecasting a pressure of £162,000 driven by an anticipated higher level of temporary accommodation usage than budgeted, and a 2019/20 year end accrual that was not processed by the service or Finance in error. Housing Solutions and prevention are forecasting a favourable variance of £361,000 following receipt of the Homelessness Reduction Act New Burdens Government Grant of £442,000.

5.3.13. The client side of the South Thames Gateway Partnership is showing a favourable variance for Medway of £11,681 as partnership contributions have reduced but budgeted contributions remained the same. Any Partnership Trading Surplus is transferred to the STG Reserve to fund any future in year trading deficit, with any excess deficit being funded by the partners in line with the partnership authorities agreed percentage share, with Medway's share at 41%. The reserve currently has a balance of £336,054 to meet any 2020/21 in year trading deficit. The forecast income generation has been significantly impacted by Covid-19 restrictions with an estimated pressure of £566,000 after some savings have been applied. The guidance on the treatment of this pressure is unclear and currently it is anticipated that each partner will fund any resulting net pressure in line with their Partnership funding percentage share; this would result in an additional pressure for Medway not currently reflected in the forecast of around £94,000. We will investigate whether this income can be claimed through the newly announced income compensation scheme from the Government.

5.4. Deangate Golf

5.4.1. The division is currently forecasting a pressure of £21,000. Funding of £150,000 was approved at Full Council in July 2019 to facilitate some surveys and a high level capacity study to ascertain the level of sustainable development that is achievable on the site, however the number of surveys required was greater than anticipated.

5.5. Director's Office

5.5.1. The division is currently forecasting a favourable variance of £15,000 resulting from a range of savings across supplies, services and salaries.

5.6. Front Line Services

5.6.1. The division is currently forecasting a pressure of £5.474million.

5.6.2. Environmental Services is forecasting a pressure of £760,000, primarily driven by increased waste disposal costs due to higher than normal waste collections throughout the lockdown, with a pressures as follows:

- £644,000 on waste disposal,
- £169,000 on the Materials Recycling Facility,
- £354,000 on kitchen and garden waste disposal, and
- £121,000 on other waste disposal.

Additional increases in kennelling costs resulted in a pressure of £25,000 while salaries pressures across the service added £26,000 however these were offset by savings on supplies and services across the division.

5.6.3. Greenspaces are forecasting a pressure of £130,000, primarily due to a shortfall in income from sports grounds of £108,000 as the facilities and pitches usage is impacted by Covid-19. Allotment income is however forecasting a favourable variance of £16,000. Utilities costs across the service represent a pressure of £30,000, in line with the 2019/20 Outturn.

5.6.4. Highways are forecasting a pressure of £424,000. An anticipated further 10% increase in the tariff for electricity in October is forecast to result in a pressure of £161,000 on street lighting, though this cost is anticipated to reduce as the LED street lighting works are completed. A pressure of £120,000 is forecast on routine repairs and maintenance to the Medway Tunnel. The street works permitting scheme is forecasting a shortfall on income of £255,000 from statutory undertaker works and Volker Highways. Staffing savings of £110,000 partially reduce these pressures.

5.6.5. Integrated Transport are forecasting a pressure of £306,000, primarily resulting from a shortfall on subsidized school bus income/bus departure fares and bus permit fares of £180,000. However, there is only a minimal pressure recorded in respect of the subsidized bus services operated by the Council, as a Covid-19 bus service support grant and a ringfenced supported bus service funding has helped offset additional expenditure. Increased usage of the Medway Youth Concessionary bus pass scheme has resulted in a pressure of £70,000, with a further £47,000 of operational cost pressures across the service also forecast.

5.6.6. Parking Services is forecasting a pressure of £4.007million, as income from car parks has been significantly impacted due to Covid-19 as people continue to work from and stay at home. The forecast assumes a pressure on on-street parking of £1.256million and off-street of £2.916million, with administration of the service contributing £10,000. Savings on premises costs of £58,000 as only essential maintenance work has been carried out during the pandemic, and of £43,000 has been achieved on supplies and services savings due to the closure of the car parks. Other Parking Services (Admin & Enforcement) are forecasting savings on supplies and services of £35,000 and of £48,000 on staffing costs.

5.6.7. Regulatory Services are forecasting a favourable variance of £140,000. The service has seen income from Weddings significantly reduced where restrictions limiting guests has resulted in many cancellations, with a forecast shortfall of £208,000. Further additional unbudgeted supplies and services pressures totalling £60,000 in respect of the hire of the Guildhall Museum for weddings (£25,000) and the cost of the live streaming of funeral ceremonies in response to the attendance restrictions at the chapel during the Covid-19 pandemic are included in the forecast. There has however been an increased level of income generated from Cremation Fees of £90,000. A planned restructure to deliver transformation savings was delayed, however this has resulted in vacancy savings of £190,000. The planned transfer to the crematorium reserve has been deferred for this year, resulting in a saving of £138,000 in this year.

5.6.8. In response to the Covid-19 pandemic and increased demand for Crematorium services, it was agreed that a new half hour service be introduced in one chapel for a reduced fee, doubling capacity for services in that chapel. The Chief Finance Officer approved the introduction of a new fee for this shorter ceremony, of £482.50 under delegated authority as set out in the Council's Scheme of Employee Delegation within the Constitution, Chapter 3, Part 4, Paragraph 6.23.

5.7. MCG Services

5.7.1. The division is currently forecasting a pressure of £43,000. The 2020/21 CCTV budget has been centralised this year into Medway Commercial Group Services as previous grant income used to fund the service is no longer available.

5.8. Regeneration

5.8.1. The division is currently forecasting a pressure of £50,000 arising from a 2019/20 transformation savings target built into the base budget; this has not been delivered to date however the service, Finance and Business Change are working closely to mitigate the impact of this in 2020/21.

5.9. Housing Revenue Account

5.9.1. The division is currently forecasting a surplus of £497,600 for 2020/21 which is £273,100 above the approved budget surplus of £224,500.

6. Business Support

6.1. The Directorate is forecasting a favourable variance of £200,000.

Table 4: BSD Summary

	Budget 2020/21	Q1 Forecast Variance	Q1 Proposed Action	Q1 Adjusted Variance
	£000's	£000's	£000's	£000's
Corporate Management	11,993	(43)	0	(43)
Democracy & Governance	2,280	(68)	0	(68)
Finance & Business Improvement	5,012	18	0	18
Human Resources	(3)	(24)	0	(24)
Legal, Contracts & Property	(2,878)	(84)	0	(84)
Business Support Total	**16,404**	**(200)**	**0**	**(200)**

6.2. Corporate Management

6.2.1. The division is currently forecasting a favourable variance of £43,000.

6.2.2. Within the direct Corporate Management Services, Treasury expenses (consisting of external bank charges) are predicted at the level experienced in 2019/20 which is £35,000 higher than budgeted for 2020/21. A pressure of £36,000 in Finance & Corporate Services is driven by an overspend on legal fees arising from the ongoing Stroke Services court case. These service pressures are offset by an unbudgeted grant from MHCLG of £13,000 and £100,000 savings from Pension payments to KCC from Medway and its predecessor authorities, of which £41,000 is a refund of overpayments for prior years.

6.2.3. Given the size of the forecast deficit, which is likely to persist for this year and the next, discussions have taken place with the Chief Executive to pursue a reduced working week. Taking flexible retirement, it is proposed that the Chief Executive will undertake a four day working week, commencing on 1 October 2020. This is considered manageable at the current time but will be reviewed in six months and, depending on that outcome, again in 12 months. It is important to state that no actuarial strain or additional costs will be incurred by the Council. In fact, if the proposal proceeds, it will provide much needed revenue savings of approximately £40,000 in a full year, including on-costs. If this arrangement commences on 1 October as planned, approximately £20,000 will therefore be saved this financial year. This proposal is supported by the Corporate Management Team.

6.3. Democracy & Governance

6.3.1. The division is forecasting a favourable variance of £68,000.

6.3.2. Democratic Services are forecasting a favourable variance of £32,000 primarily resulting from salary savings.

6.3.3. Members and Elections section are forecasting a favourable variance of £36,000, with a net £30,000 underspend on the Register of Electors arising from salary savings and an unbudgeted government grant, and a net underspend of £6,000 on the Members and Mayoral Support Service as salary savings offset the pressure on Members allowance, whereby the annual cost of living rise awarded was not included in the budget.

6.4. Finance & Business Improvement

6.4.1. The division is currently forecasting a pressure of £18,000.

6.4.2. Business Change and Rural Liaison grants are forecasting to budget.

6.4.3. Business Intelligence is forecasting a favourable variance of £77,000 with £49,000 salary savings and additional income of £35,400 from the HRA.

6.4.4. Customer and Business Support (CABS) is forecasting a net favourable variance of £97,000 as income in excess of budget of £114,000, a saving of £84,000 on salaries and of £22,000 from lower costs as staff work remotely through the pandemic. These are partially offset as a credit note for £58,000 being credited to 2019/20 in error, a transformation target of £50,000 which has not yet been delivered and a pressure on income from blue badges of £15,000.

6.4.5. Community Interpreters is forecasting a pressure of £85,000 arising from a shortfall in fee income of £172,000 as face to face appointments have not been possible and sessional staff costs are £12,000 higher than budget. These pressures are offset by savings in travel related cost of £52,000 and fees payable to external providers of £46,000.

6.4.6. ICT are forecasting a pressure of £157,000 which is primarily driven by the increased cost of the Microsoft Office 365 licence; the original contract price was £436,000 which was increased by the supplier at renewal to £1,166million. The service carried out a full review and were able to negotiate and procure at £558,000, reducing the pressure significantly.

6.4.7. Digital are forecasting a favourable variance of £46,000 primarily driven by salary savings arising from the lag in recruiting new staff.

6.4.8. Finance Operations are forecasting a pressure of £89,000, primarily driven by a net shortfall in income from schools of £134,000 as maintained schools transferring to academies have transferred out of the Council's traded services; this also drives a pressure of £19,000 on the Finance Systems Team. These pressures are partially offset by a favourable variance of £54,000 on the Control Team through salary savings, and a negotiated reduction in the cost of the cash collection contract due to the closure of sites throughout the pandemic.

6.4.9. Finance Strategy is forecasting a favourable variance of £140,000 driven by salary savings of £80,000 and unbudgeted income from external Service Level Agreements.

6.4.10. Internal Audit and Counter-fraud is forecasting a favourable variance of £16,000 due to staff vacancies.

6.4.11. Revenues & Benefits forecasts a pressure of £62,000. Benefit Payments are forecasting a pressure of £110,000 primarily due to reduced collection of Housing Benefit Overpayments due to Covid-19. This is partially mitigated by a net saving of £47,000 on the Medway Revenues & Benefits service as savings on salaries offset a shortfall in income from court costs awarded, as this activity was ceased in the response to Covid-19.

6.5. Human Resources

6.5.1. Human Resources is forecasting a net favourable variance of £24,000. There are salary savings of £111,000 across the service and additional ring fenced grant income of £16,000 from the Department for Education has been received. These have offset pressures on income from schools for HR services of £76,000, on course fees in Medway College Social Care of £18,000 and on the contracts for Jobs Go Public and the Counselling Support Line which of £18,000 and £11,000 respectively.

6.6. Legal, Contracts & Property

6.6.1. The division is currently forecasting a favourable variance of £84,000.

6.6.2. Category Management is forecasting a pressure of £79,000 as salary savings of £95,000 are offset £150,000 pressure on income from capital projects based on the latest position of known work, and £25,000 pressure on income from external sources as Covid-19 has stopped the likelihood of any external work this year.

6.6.3. Legal, Land Charges & Licensing is forecasting a pressure of £203,000. The elements of the service not shared with Gravesham Borough Council are forecasting a pressure of £216,000 as permanent vacancies are covered by locum staff at higher cost, and for more hours than engaged for, including being forecast at 50 weeks per year while substantive staff work c44 weeks. The shared service is forecasting a favourable variance of £27,000 as higher than budgeted feed for external work and savings on the use of Counsel offset a pressure on agency staff usage.

6.6.4. Land Charges are forecasting a pressure of £14,000 due to a shortfall in income as a result of Covid-19 impacting on the housing market.

6.6.5. In response to Government announcements on the introduction of a new pavement licensing regime to support the reopening of food and drink establishments following their closure throughout the Covid-19 pandemic, it was agreed that the fee charged for such licenses would be set at the maximum allowable according to legislation, to remain consistent with other Kent Local Authorities. The Chief Finance Officer approved the introduction of a new fee for a pavement license of £100 under delegated authority as set out in the Council's Scheme of Employee Delegation within the Constitution, Chapter 3, Part 4, Paragraph 6.23.

6.6.6. Medway Norse is forecasting a pressure of £6,000.

6.6.7. Property & Capital projects is forecasting a favourable variance of £633,000. The Property & Capital Projects Service is forecasting a favourable variance of £578,000 driven by salary savings of £205,000 and savings against fees for consultants covering vacant posts of £53,000. Additional unbudgeted income of £458,000 in respect of capital projects including Refit, the Depot project and the Building Repairs and Maintenance Fund. There is also a saving of £146,000 on the Carbon Reduction Commitment (CRC) levy; this scheme has now finished but a direct increase to energy costs will compensate however those costs have been forecast within other services. As such it is suggested this budget be vired to offset those pressures. These are partially offset by pressures of £273,000 against miscellaneous receipts from revenue projects, a £61,000 pressure on Kingsley House rent and business rates which has been historically unfunded and a pressure of £32,000 on Community Centres and the St George's Centre with shortfalls in income due to their closure as a result of Covid-19.

7. Centralised Costs

7.1. Collectively these are forecasting a pressure of £330,000.

Table 5: Centralised Costs Summary

	Budget 2020/21	Q1 Forecast Variance	Q1 Proposed Action	Q1 Adjusted Variance
	£000's	£000's	£000's	£000's
Interest and Financing	13,431	268	0	268
Levies	1,518	62	0	62
Medway Norse Rebate	(385)	0	0	0
Centralised Budgets Total	**14,564**	**330**	**0**	**330**

7.2. Interest & Financing is forecast to overspend by £268,000. Interest earned is forecast at £83,000 below budget due to the low returns on bank accounts and property funds. Interest paid is expected to be £196,000 higher than budgeted due to higher borrowing including loans taken at the start of the pandemic, however this pressure is reduced by a saving of £11,000 on broker fees anticipated.

7.3. Levies are forecasting a pressure of £62,000. Despite the addition of £59,000 to the budget for 2020/21, the Coroner's Levy from Kent County Council is anticipated to be a pressure of a further £26,000 this year. There is a further

£25,000 pressure on the Lower Internal Drainage Board levy as the levy has increased by £13,000 from 2019/20 and there is a shortfall of £12,000 to cover the special drainage levy for the North Kent Marshes of £49,000.

7.4. The Medway Norse rebate is forecast to budget.

8. Covid-19 Non-ringfenced grant expenditure

8.1. Following agreement through the governance process, a total of £4.379million has been charged directly to the non-ringfenced grant.

8.2. The below forecast expenditure has been in respect of Children & Adults Directorate services:

- £2.5milion forecast for Adult Social Care Provider Support payments,
- £220,000 for the Vulnerable People’s Food Project,
- £225,000 in relation to support provided to Voluntary and Community Sector providers,
- £146,000 in for additional staffing to deliver statutory responsibilities in Children’s Social Care, and care leaver and placement support costs,
- £70,000 in relation to additional costs for the Medway Test, and
- Some minor expenditure in relation to Children’s services and Personal Protective Equipment (PPE).

8.3. The following forecast has been charged in respect of the Regeneration, Culture and Environment Directorate services:

- £402,000 forecast for Rough Sleeping Initiative Placements in King Charles Hotel and Other Council Temporary Accommodation,
- £291,000 forecast for ICT equipment to facilitate home working,
- £30,000 forecast staffing costs including funding salaries relating to income generating officers redeployed to other roles, and
- £27,000 forecast for signage, printed materials, fixtures and fittings.

8.4. The following forecast has been charged in respect of Business Support Department services:

- £243,000 forecast for resilience support for Medway Revenues and Benefits from Northgate to assist with the significantly increased caseloads arising from Covid-19,
- £162,000 forecast on health and safety equipment and a new cleaning regime to allow Council buildings to reopen to staff and the public,
- £43,000 forecast for a locum Childcare Lawyer to assist with the increase in caseload arising during Covid-19. Since the forecast was produced, agreement has been given to fund a second post so this cost will be higher.

8.5. In addition, both the mandatory and discretionary Business Grants Schemes are administered through this budget line, with the balance not yet paid to businesses forecast as a transfer to reserve as if this funding cannot be used in government directed business support schemes, it must be returned to the MHCLG.

9. Debt written off in 2019/20

9.1. Chapter 3, Part 5.4 of the Council's Constitution sets out the Financial limits in place with respect to writing off irrecoverable debts, with Directors having authority to write off debts relating to the services which are their responsibility of up to £5,000. The Chief Finance Officer has authority to write off debts as follows:

- Council Tax – within the approved provision held within the accounts,
- Business Rates – within the approved provision held within the accounts,
- Other debts of the Council – up to £25,000 in consultation with the director responsible for services to which the debt relates.

The Rules also require a report to be submitted to Cabinet on an annual basis setting out details of all debt written off. It was intended that this will form part of the annual Revenue and Capital Outturn report submitted to Cabinet in June of each year, however due to an oversight this was not included in the report on 2019/20. As such the required information is presented below:

Table 6: Debt Written off 2017/18 to 2019/20

Debt Category	2017/18		2018/19		2019/20	
	Raised	**Written off**	**Raised**	**Written off**	**Raised**	**Written off**
	£000's	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
Council Tax[1]	128,632	408	137,858	706	146,546	695
Business Rates[1]	92,245	623	95,462	2,183	96,738	679
Housing Benefit Overpayments[1]	4,555	469	5,643	501	3,500	310
Housing[1]	14,479	13	13,924	107	13,969	89
Penalty Charge Notices (PCNs)[2]	4,553	818	4,837	734	4,276	436
Sundry Debt[3]	17,327	23	45,791		45,406	8
Adult Social Care[3]	13,402	174	14,078	34	15,096	
Total	**261,791**	**2,354**	**303,515**	**4,231**	**310,435**	**2,217**

1) Amounts written off in each year are cumulative, including amounts raised in previous years.
2) PCNs are 'cancelled' rather than written off but included here for transparency.
3) Amounts written off in each year solely relate to debt raised in those years.

10. Conclusions

10.1. The first round of budget monitoring for 2020/21 forecasts an overspend on services of £22.920million, however the non-ringfenced Covid-19 Grant forecast to be available to fund this pressure in 2020/21 amounts to £22.095million. A total of £4.941million of the overspend against the SEND budget has been transferred to the DSG reserve taking the cumulative deficit on that reserve to £14.287million. This results in a net pressure of £756,000.

11. Risk Management

Risk	Description	Action to avoid or mitigate risk	Risk rating
The Council overspends against the agreed budget.	Overspends on budget would need to be met from the Council's limited reserves.	The revenue monitoring process is designed to identify and facilitate management action to mitigate the risk of overspending against the agreed budget.	AI
That the ongoing impact of the pandemic will impact on future budgets	Many of the pressures, particularly those around adult social care and children's services, but also some of the reductions in income, will be recurrent and impact beyond the current year.	The Council's work on 'Recovery' includes worskstreams to understand the longer term impacts of the pandemic on the economy and consequently the Council's budgets, with a view to reflecting these pressures and the strategy for addressing them in the Council Plan.	AI

12. Financial implications

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

13. Legal implications

13.1. There are no direct legal implications to this report.

14. Recommendations

14.1. The Cabinet is asked to note the results of the first round of revenue budget monitoring for 2020/21 and instruct senior management to continue to exercise tight control to reduce expenditure within their areas and to identify a range of management actions in order to reduce expenditure and increase income.

14.2. The Cabinet is asked to note the proposal for the Chief Executive to pursue a reduced working week and flexible retirement, as set out in paragraph 6.2.3.

15. Suggested reasons for decisions

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

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Appendices

Appendix 1 – Children & Adults including Public Health
Appendix 2 – Regeneration, Culture & Environment
Appendix 3 – Business Support

Background papers

None.