

BUSINESS SUPPORT OVERVIEW AND SCRUTINY COMMITTEE

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REVENUE BUDGET MONITORING REPORT ROUND 2 2020/21

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Summary

This report presents the results of the second 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.

1. Budget and policy framework

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

2. Background

- 2.1. At its meeting on 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 £65.422million of additional grant funding (including the second, third and fourth tranches of non-ringfenced grant worth £16.441million), have been added to the revenue budget, taking the Round 2 budget requirement to a total of £383.426million. In addition, the first claim against the Government's new income compensation scheme has been submitted, and an estimate of £5.963million is included within this forecast in respect of that scheme.
- 2.2. This report presents the results of the second round of revenue budget monitoring, summarising reports that have been considered by directorate management teams based on returns submitted by individual budget managers. In preparing these forecasts, budget managers have taken account of last year's outturn, items of growth or savings agreed as part of the budget build, actual income and expenditure for the year to date, and most importantly, their knowledge of commitments and service requirements anticipated for the remainder of the financial year.

2.3. 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.

3. Summary Revenue Budget Position 2020/21

3.1. Table 1 overleaf shows that the forecast outturn for 2020/21 is a pressure of £2.486million.

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. There was no shortfall in 2019/20 on Council Tax or Business Rates and indeed the current budget is underpinned by collection fund surpluses from last year. 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	R1 Forecast Variance £000's	Budget 2020/21 £000's	R2 Forecast Variance £000's	R2 Proposed Action £000's	R2 Adjusted Variance £000's
Children and Adult Services	8,615	235,842	13,919	(1,682)	12,237
Regeneration, Culture and Environment	9,797	61,715	8,056	0	8,056
Business Support Department	(200)	22,690	(192)	0	(192)
Interest & Financing	268	13,431	425	0	425
Levies	62	1,518	71	0	71
Medway Norse Joint Venture	0	(385)	0	0	0
C-19 ring fenced grant expenditure	0	48,615	0	0	0
C-19 non-ringfenced Expenditure	4,379	0	3,349	0	3,349
Budget Requirement	22,920	383,426	25,627	(1,682)	23,945
<i>Funded by:</i>					
Council Tax	0	(131,010)	0	0	0
Retained Business Rates	0	(45,620)	0	0	0
Baseline Need Funding	0	(16,177)	0	0	0
New Homes Bonus	0	(1,221)	0	0	0
Dedicated Schools Grant	0	(90,128)	0	0	0
Other Schools Grants	(69)	(3,855)	(69)	0	(69)
Adult Social Care Grants	0	(12,584)	0	0	0
Public Health Grant	0	(17,408)	0	0	0
C-19: Non-ringfenced Grant	0	(16,441)	0	0	0
C-19: Business Grants	0	(39,712)	0	0	0
C-19: Council Tax Hardship Fund	0	(2,056)	0	0	0
C-19: Test, Track & Trace	0	(1,593)	0	0	0
C-19: Infection Control (Phase 1 and 2)	0	(4,287)	0	0	0
C-19: Emergency Active Travel Phase 1 (revenue)	0	(30)	0	0	0
C-19: Emergency Assistance for Food & Supplies	0	(337)	0	0	0
C-19: Income Compensation	(6,668)	0	(5,963)	0	(5,963)
C-19: Wellbeing for Education Return	0	(37)	0	0	0
C-19: Next Steps Accommodation Fund	0	(234)	0	0	0
C-19: Additional Dedicated Home to School and College Transport (Phase 1 and 2)	0	(300)	0	0	0
C-19: Compliance and Enforcement	0	(153)	0	0	0
C-19: Test and Trace Isolation Payment Scheme	0	(243)	0	0	0
Drawdown from Reserves C-19	(15,427)	0	(15,427)	0	(15,427)
Total Available Funding	(22,164)	(383,426)	(21,459)	0	(21,459)
Net Forecast Variance	756	0	4,168	(1,682)	2,486

4. Children & Adults (Appendix 1)

4.1. The Directorate is forecasting a pressure of £12.237million after management action, a worsening of £3.622million compared to Round 1.

Table 2: C&A Summary

	R1 Forecast Variance £000's	Budget 2020/21 £000's	R2 Forecast Variance £000's	R2 Proposed Action £000's	R2 Adjusted Variance £000's
Adult Social Care	2,350	71,700	5,032	(1,250)	3,782
Children's Services	5,558	43,955	8,050	(432)	7,618
Director	10	3,626	(38)	0	(38)
Directorate Management Team	304	820	384	0	384
Education	394	57,163	547	0	547
Partnership Commissioning	(1)	1,684	(62)	0	(62)
Public Health	0	13,779	0	0	0
Schools Retained Funding & Grants	0	43,114	6	0	6
Children and Adult Services Total	8,615	235,842	13,919	(1,682)	12,237

4.2. Adult Social Care

4.2.1. The division is currently forecasting a pressure of £3.782million after management action, a worsening of £1.432million compared to Round 1. This is however largely mitigated by the reduction in the forecast Covid-19 related expenditure for Adult Social Care Supplier Relief Payments of £1.1million, as set out in section 8.1 of this report.

4.2.2. The overspend is primarily driven by the forecast against the three main service areas of older people services, disability Services and Mental Health services which has worsened by £2.485million compared to Round 1. As reported at Round 1, 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
- cost pressures, due to increased demographic growth above budgeted levels and the more complex nature of placements.

4.2.3. The forecast spend on Disability Services has increased by £1.078million compared to Round 1, with a net increase of eight placements in supported living along with an increase in the average weekly cost of placements. A number of these placements have moved from residential placements to more expensive placements in supported living. Additional costs arising from changes in care packages due to Covid-19, and a reduction in the forecast level of Direct Payment reclaims have increased the forecast overspend on Direct Payments.

- 4.2.4. The forecast spend on Mental Health has increased by £692,000, due to:
- an increase in residential placements due to four new discharges from hospital;
 - a net increase in Supported Living placements, as while three placements have ended, there have been two high cost transition placements, four new discharges from hospital and three new placements from the community; and
 - the combined effect of all of these new placements has increased the average unit cost of supported living from £576 to £772 per week.
- 4.2.5. The forecast spend on older People has increased by £715,000 due to a net increase of 15 residential and 30 nursing placements, the majority being discharges from hospital. While the CCG funding covered the cost of these placements until 31 August, the significantly higher weekly costs of these recent placements results in a pressure for the remainder of the year. The greatest increase in weekly costs has occurred in nursing placements where the average weekly placement for placements under discharge pathways is around £1,025 compared to the previous average weekly placement of around £619.
- 4.2.6. There is a favourable variance of £465,000 forecast on Business and Intelligence, largely due to the continued level of vacancies and an underspend on payments for short breaks.
- 4.2.7. The overall staffing forecast across all areas of Adult Social Care represents a favourable variance of £307,000, a worsening of £115,000 compared to Round 1, driven by the continued level of vacancies, some of which are not covered by agency staff.
- 4.2.8. Management action of £1.25million reduces the forecast, reflecting revised assumptions around recovering the additional costs relating to placements made under health pathways during Covid-19 from the CCG, on the proportion of care packages that will be self-funded and on the level of direct payment reclaims that will be actioned during the year.
- 4.2.9. Adult Social Care, Business Change and Finance have begun work on a review of processes across the service and the delivery of a financial recovery plan. This plan includes the following key areas of work identified:
- Continued review of utilisation of block beds;
 - Review of levels of projected client income;
 - Review of assumptions around CCG funding of discharge costs for discharges up to 31st August 2020;
 - Assessing the impact of the CCG meeting the initial 6 weeks (maximum) of placement costs for discharges from 1st September 2020;
 - Possible impact of reducing ongoing costs of placements made under discharge pathways at significantly higher weekly costs than expected weekly cost; and
 - Review of assumptions around levels of Direct Payments reclaimed.

4.3. **Children's Services**

- 4.3.1. The division is currently forecasting a pressure of £7.618million after management action, a worsening of £2.060million compared to Round 1.

- 4.3.2. There are two main areas causing this pressure: placements and legal costs, while one main area of underspend on staffing reduces the pressure.
- 4.3.3. Numbers of Looked After Children have remained fairly steady at around 425 each month for a number of years, however the number has risen throughout the first six months of 2020/21 to a record high of 467 at August; a 10% increase during the period.
- 4.3.4. The Round 2 forecast projects an overspend of £8.447million across all placements and support packages, with the main pressures being:
- £5.785million on external residential placements supporting 39 Children and Young People over 1,811 weeks, including a net increase of 6 placements compared to Round 1;
 - £2.480million on external fostering placements supporting 147 Children and Young People over 7,736 weeks;
 - £480,000 on in-house fostering, adoption and care leavers;
- These are partially mitigated by an underspend of £298,000 on secure external provision placements. The forecast also includes an allowance to cover the anticipated growth in numbers between now and the end of the financial year of £1.4million.
- 4.3.5. The forecast spend on legal support is an overspend of £552,000 a worsening of £254,000 compared to Round 1 due to the impact of Covid-19 on proceedings and the increase in demand experienced, with the number of cases in proceedings climbing throughout the financial year.
- 4.3.6. The forecast spend on staffing remains largely as reported at Round 1, with the implementation of the new staffing structure in February 2020 and built into the 2020/21 budget, which included budget of £1.7million of full career progression payments. As at August 2020, there was a 35.6% vacancy rate across the division, with the majority of posts being covered by agency staff. This has created a net pressure of £700,000 which has been offset by the underspend against the career progression budget. Recruitment activity continues with a number of new permanent staff joining in the coming months, which will reduce the pressure on agency staff. An additional pressure of £132,000 arises from the continued engagement of the improvement team agency staffing beyond the timescales initially forecast.
- 4.3.7. 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 is fixed for up to 6 months costing circa £308,000. This team is funded from the vacant family support worker posts and as such does not increase the pressure forecast.
- 4.3.8. Management action to increase permanent appointments and thereby reduce expenditure on agency and consultant staffing reduces the forecast by £432,000.
- 4.3.9. On 8 October Full Council approved one-off funding of £819,300 under the flexible use of capital receipts strategy, for activities in 2020/21 including an improvement team and additional resources for practice improvement.

4.4. Directorate Management Team

4.4.1. The division is currently forecasting a pressure of £384,000 on the Directorate Management Team staffing, a worsening of £80,000 compared to Round 1. Interim cover has been in place for all three Assistant Director posts in the service during the 2020/21 year resulting in a pressure both on direct staffing costs and on recruitment fees, including temporary to permanent fees. As at Round 2, two of the Assistant Director posts have been filled on a permanent basis.

4.5. Education

4.5.1. At Round 1, a total of £4.941million of forecast overspend on the SEND budget was transferred to the DSG reserve, taking the cumulative deficit on that reserve to £14.287million. After that action, the Round 2 forecast is a net pressure of £547,000.

4.5.2. The forecast on General Fund services is an overspend of £591,000, a worsening of £197,000 compared to Round 1. The primary drivers are;

- a £368,000 pressure on the cost to provide floating support care packages to children and young people (CYP) within the 0-25 team;
- a £213,000 pressure on the cost to provide respite and direct payments to CYP within the 0-25 team;
- a SEND Transport overspend of £50,000, a worsening of £50,000 compared to Round 1;
- a £55,000 pressure on the Medway Grid for Learning schools traded service, however the service continues to generate a profit; and
- a £95,000 underspend on staffing the 0-25 team as a result of the underspend against the full career progression salary budget.

4.5.3. Due primarily to adjustments in the DSG funding allocations, the forecast on DSG funded services is a net £44,000 improvement compared to Round 1. This will be transferred to the DSG Reserve, reducing the cumulative deficit on that reserve to £14.243million. This deficit will be managed through the Council's deficit recovery plan over the medium term.

4.6. Partnership Commissioning

4.6.1. The division is currently forecast to underspend by £62,000, an improvement of £61,000 compared to Round 1 due to delays in recruitment to vacant posts.

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 due to 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 an overspend of £6,000, broadly in line with Round 1. The General Fund cost centres are forecasting to underspend by £293,000 on school redundancy contributions. The DSG cost centres are forecasting to overspend by £299,000 on the school growth PAN class size support funds, which the Schools Forum has agreed to repay from its 2021/22 budget.

5. Regeneration, Culture & Environment

5.1. The Directorate is forecasting a pressure of £8.056million, an improvement of £1.741million compared to Round 1.

Table 3: RCE Summary

	R1 Forecast Variance £000's	Budget 2020/21 £000's	R2 Forecast Variance £000's	R2 Proposed Action £000's	R2 Adjusted Variance £000's
Communications	103	20	53	0	53
Culture & Community	4,121	17,517	3,111	0	3,111
Deangate Golf	21	37	21	0	21
Director's Office	(15)	809	(33)	0	(33)
Front Line Services	5,474	42,803	4,833	0	4,833
MCG Services	43	42	44	0	44
Regeneration	50	486	28	0	28
Regeneration, Culture & Environment Total	9,797	61,715	8,056	0	8,056

5.2. Communications & Marketing

5.2.1. The Communications & Marketing division is forecasting a pressure of £53,000, an improvement of £50,000 compared to Round 1. The pressure primarily relates 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 £3.111million, an improvement of £1.010million compared to Round 1.

5.3.2. The Cultural Services division, incorporating Arts, Theatres, Events and the Corn Exchange is forecasting a pressure of £296,000, an improvement of £68,000 compared to Round 1.

5.3.3. The Events & Festival Programme has been severely affected by the Covid-19 pandemic with all Festivals planned for 2020/21 excluding the Dickens 150 Light Night now being cancelled. After late cancellation fees to suppliers and performers, this resulted in savings of £338,000. 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 yet 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 January 2021 with no pantomime income, a significant contributor to the budget. As such the forecast is a pressure of £456,000, a worsening of £133,000 compared to Round 1 which assumed they would reopen on 1 September.
- 5.3.5. The Corn Exchange forecast is a pressure of £142,000, an improvement of £29,000 compared to Round 1. An income pressure of £165,000 on bookings and bar sales due to Covid-19 limiting attendances to weddings to 15 is partially mitigated by savings of £23,000 on premises costs, supplies and staffing costs.
- 5.3.6. The Culture & Community Directorate Support is forecasting a favourable variance of £26,000 resulting from the period in which an Assistant Director post is vacant, along with supplies and service savings totalling £14,000.
- 5.3.7. Economic Development is reporting a pressure of £353,000, an improvement of £63,000 compared to Round 1. The pressure results from shortfalls in income across services closed during the Covid-19 response including Adult Education course fees and lettings, Market stall hire and the Innovation Centre. Provision of online courses in Adult Education required to fulfil the contract with Education and Skills Funding Agency resulting in a pressure of £52,000.
- 5.3.8. The authority has been allocated £246,000 Grant funding from the the Ministry of Housing, Communities and Local Government (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 underway to prepare a 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 £31,000, an improvement of £26,000 compared to Round 1. 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 £77,000, a slight worsening on the Round 1 position as customers have been slower than anticipated to return to using the libraries. In addition to the loss of Income, increasing Business Rates liabilities have resulted in a pressure of £35,000 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.
- 5.3.10. Planning Services are reporting a pressure of £137,000, an improvement of £190,000 compared to Round 1. 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 £260,000 this results in a pressure of £180,000; a reduction of £15,000 compared to Round 1. Further budget pressures have been reported against the public enquiries and consultants' budgets of £86,000, as one large public enquiry will require the service to engage counsel and various consultants. The Planning Performance Agreement 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 of 141,000 and increased income of £31,000.

- 5.3.11. Sport, Leisure, Tourism & Heritage is forecasting a pressure of £2.501million, an improvement of £675,000 compared to Round 1 as income is higher than anticipated. The pressure relates to income shortfalls as the facilities remained closed for the majority of the first quarter of the financial year, with Leisure Centres forecasting an income pressure of £2.736million and Heritage Sites forecasting an income pressure of £298,000. Savings on staffing of £194,000, utilities costs of £138,000 and the purchase of items for resale of £105,000 across the Service have reduced the forecast pressures above.
- 5.3.12. Strategic Housing is forecasting a favourable variance of £169,000, a worsening of £12,000 compared to Round 1. Homelessness is forecasting a pressure of £220,000 driven by 265 temporary accommodation units in use and a further 30 expected to be added in the remainder of the year. Work is underway in the service to reduce Temporary Accommodation use through preventative work and this may result in a reduction on this forecast. Housing Solutions and prevention are forecasting a favourable variance of £420,000, an improvement of £59,000 compared to Round 1 following receipt of £442,000 Homelessness Reduction Act new burdens funding and as forecast expenditure on preventative work has begun later than anticipated. There has been an increase in the Rent Recharge for the use of corporate properties of 23% which has resulted in a £26,000 pressure being reported.
- 5.3.13. The Client side of the South Thames Gateway (STG) Partnership is forecasting a favourable variance for Medway of £12,000 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 £255,000 to meet any 2020/21 in year trading deficit. The forecast Income generation has been significantly impacted by Covid-19 restrictions with a net £401,000 pressure after some savings on salary and supplies and services. This has been incorporated into the Council's claim for the income compensation scheme on behalf of the partnership and is anticipated to result in compensation of £346,000 enabling the pressure to be contained within the reserve this year.

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 £33,000, an improvement of £19,000 compared to Round 1 resulting from a range of savings across supplies, services and salaries.

5.6. Front Line Services

- 5.6.1. The division is forecasting a pressure of £4.833million, an improvement of £641,000 compared to Round 1.
- 5.6.2. Front Line Services support is forecasting a favourable variance of £45,000, an improvement of £32,000 compared to Round 1 due to savings on salaries, supplies and services.
- 5.6.3. Environmental Services is forecasting a pressure of £201,000, an improvement of £559,000 compared to Round 1. This favorable movement is almost entirely due to a re-evaluation of the costs of waste disposal with the benefit of more data to inform the forecasts. Additional increases in kennelling costs resulted in a pressure of £16,000, a reduction on income for litter/caddy bags results in a pressure of £34,000 while salaries pressures across the service added £51,000; however these were offset by savings on supplies and services across the division.
- 5.6.4. Greenspaces are forecasting a pressure of £164,000, a worsening of £34,000 compared to Round 1. The pressure relates to a shortfall in income from sports grounds of £127,000 as the facilities and pitches usage is impacted by Covid-19, while the movement is primarily due to an increase in the utility forecasts of £15,000 and a reduction in income from venue and facility hire of £19,000. Income from Allotments is forecasting a favourable variance of £16,000.
- 5.6.5. Highways are forecasting a pressure of £477,000, a worsening of £53,000 compared to Round 1 resulting from increases across all areas of the service. An anticipated further 10% increase in the tariff for electricity in October is forecasted to result in a pressure of £155,000 on street lighting, though this cost is anticipated to reduce as the LED street lighting works are completed. A pressure of £121,000 is forecast on routine repairs and maintenance to the Medway Tunnel. The street works permitting scheme is forecasting a shortfall on income of £246,000 from statutory undertaker works and Volker Highways. An income pressure of £47,000 is forecast in the Capital Projects Team due to vacancies and reduced use of consultants limiting the scope to recharge to capital schemes. Staffing savings of £190,000 partially reduce these pressures. The Highways forecast assumes a mild to moderate winter with no pressure on the winter safety maintenance budget.
- 5.6.6. Integrated Transport are forecasting a pressure of £167,000, an improvement of £139,000 compared to Round 1. A shortfall on subsidized school bus income/bus departure fares and bus permit fares of £144,000 is forecast, an improvement of £36,000 compared to Round 1. 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 £50,000.
- 5.6.7. Parking Services is forecasting a pressure of £3.917million, an improvement of £91,000 compared to Round 1. Income from car parks has been significantly impacted due to Covid-19 as people continue to work from and stay at home, however usage has been higher than anticipated at Round 1.

The forecast assumes a pressure on on-street parking of £1.286million and off-street of £2.804million, with administration of the service contributing £10,000. Savings on premises costs of £47,000 as only essential maintenance work has been carried out during the pandemic, and of £45,000 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 £46,000 and of £38,000 on staffing costs.

5.6.8. Regulatory Services are forecasting a favourable variance of £48,000, a worsening of £92,000 compared to Round 1. While the service has seen income from Weddings significantly reduced due to Covid-19 restrictions, there has however been an increased level of income generated from Cremation Fees. The movement is predominately due to a re-evaluation of the anticipated income levels having had more data to inform the forecasts resulting in an increased pressure of £175,000, offset by an increase in establishment savings of £64,000. A planned restructure to deliver transformation savings was delayed, however this has resulted in vacancy savings of £273,000. The planned transfer to the crematorium reserve has been deferred for this year, resulting in a saving of £138,000 in this year.

5.7. **MCG Services**

5.7.1. The division is currently forecasting a pressure of £44,000, an increase of £1,000 compared to Round 1. 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 forecasting a pressure of £28,000, an improvement of £22,000 compared to Round 1. While a transformation savings target built into the base budget has not been delivered, 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 £439,300 for 2020/21 which is £214,800 above the approved budget surplus of £224,500.

6. Business Support

6.1. The Directorate is forecasting a favourable variance of £192,000, a worsening of £8,000 compared to Round 1.

Table 4: BSD Summary

	R1 Forecast Variance £000's	Budget 2020/21 £000's	R2 Forecast Variance £000's	R2 Proposed Action £000's	R2 Adjusted Variance £000's
Corporate Management	(43)	18,279	(135)	0	(135)
Democracy & Governance	(68)	2,280	(133)	0	(133)
Finance & Business Improvement	18	5,012	(91)	0	(91)
Human Resources	(24)	(3)	(63)	0	(63)
Legal, Contracts & Property	(84)	(2,878)	229	0	229
Business Support Total	(200)	22,690	(192)	0	(192)

6.2. Corporate Management

6.2.1. The division is forecasting a favourable variance of £135,000, an improvement of £92,000 compared to Round 1.

6.2.2. Pressures of £36,000 on legal fees arising from the ongoing Stroke services court case and of £40,000 on external audit fees are offset by an unbudgeted grant from MHCLG of £13,000 and £100,000 of income from a range of activities including past year credit notes, written back cheques and VAT adjustments on car mileage claims for previous years. Non-distributed cost savings of £99,000 arise from pension payments to KCC including a refund of £41,000 relating to prior years. A further saving arises from the reduced working hours of the Chief Executive from 1 October 2020.

6.2.3. 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.

6.3. Democracy & Governance

6.3.1. The division is forecasting a favourable variance of £133,000, an improvement of £65,000 compared to Round 1.

6.3.2. Democratic Services are forecasting a favourable variance of £46,000, an improvement of £14,000 compared to Round 1, primarily resulting from salary savings.

6.3.3. Members and Elections section are forecasting a favourable variance of £87,000, an improvement of £51,000 compared to Round 1. The movement is driven by salary savings with a £50,000 underspend on the Members and Mayoral Support Service and a £37,000 underspend on the Register of Electors.

6.4. Finance & Business Improvement

- 6.4.1. The division is currently forecasting a favourable variance of £91,000, an improvement of £109,000.
- 6.4.2. Business Change is now forecast to underspend by £40,000 compared to a breakeven position at Round 1, as the consultants fees budget will now not be used with that activity funded from capital.
- 6.4.3. Business Intelligence is forecasting a favourable variance of £88,000; an improvement of £11,000 compared to Round 1, driven by salary savings of £54,000 and additional income of £35,400 from the HRA.
- 6.4.4. Community Interpreters is forecasting a pressure of £102,000, a worsening of £17,000 compared to Round 1. While income from face to face appointments, translators and internal use of the interpreting service has improved, these are more than offset by the reduction in income forecast from telephone interpreters. This pressure is partly mitigated by reductions in expenditure on travel related costs and fees payable to external providers.
- 6.4.5. Customer and Business Support (CABS) is forecasting a net favourable variance of £127,000, an improvement of £30,000 compared to Round 1. Salary savings of £151,000, income in excess of budget of £123,000 and reductions in costs due to remote working are partially offset by a credit note for £58,000 being credited to 2019/20 in error and a transformation target of £50,000 which has not yet been delivered.
- 6.4.6. Digital are forecasting a favourable variance of £54,000, an improvement of £8,000 compared to Round 1 primarily driven by salary savings arising from the lag in recruiting new staff.
- 6.4.7. Finance Operations are forecasting a favourable variance of £31,000, an improvement of £120,000 compared to Round 1. A net pressure on Operations Payroll of £118,000 arises from a shortfall in income from schools as maintained schools transferring to academies have transferred out of the Council's traded services. Salary savings drive an underspend of £114,000 on the Control Team and of £23,000 on the Systems Team.
- 6.4.8. Finance Strategy is forecasting a favourable variance of £179,000, an improvement of £39,000 compared to Round 1, driven by salary savings of £130,000 and unbudgeted income from external Service Level Agreements (SLAs).
- 6.4.9. ICT are forecasting a pressure of £477,000, a worsening of £144,000 compared to Round 1. The most significant movement is on computer hardware £140,000 as the service has continued to provide peripherals i.e. mice and cables free of charge to services as has been the case in previous years, however demand has increased significantly to provide kit for home workers due to Covid-19. Centralised ICT Systems is forecast to overspend by £49,000, a worsening of £58,000 as costs associated with an additional unbudgeted software system are reflected alongside inflationary increases in the cost of software that exceed the provision build into the budget. A combined underspend of £167,000 across the remainder of the service is primarily driven by salary savings.

- 6.4.10. Internal Audit and Counter-fraud is forecasting a favourable variance of £17,000 due to staff vacancies.
- 6.4.11. Revenues & Benefits are forecasting a favourable variance of £15,000, an improvement of £77,000 compared to Round 1. A net underspend of £234,000 on the Medway Revenues and Benefits Service (MRBS) is primarily driven by salary savings and a grant from the MHCLG of £170,000. Reduced collection of Housing Benefit Overpayment is however resulting in a pressure of £219,000 on Benefits Payments.
- 6.4.12. 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 MRBS 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.
- 6.4.13. Rural Liaison grants are forecast to budget.

6.5. Human Resources

- 6.5.1. Human Resources is forecasting a net favourable variance of £63,000, an improvement of £83,000 compared to Round 1. The movement primarily relates to increased salary savings, now forecast at £242,000 across the service. This has offset pressures on income from schools for HR services of £66,000, on course fees in Medway College Social Care of £21,000, on Workforce Development of £15,000 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 pressure of £229,000, a worsening of £313,000 compared to Round 1.
- 6.6.2. Category Management is forecasting a pressure of £33,000, an improvement of £45,000 compared to Round 1 as salary savings of £92,000 are offset. There is £100,000 of 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 £237,000, a worsening of £34,000 compared to Round 1. The elements of the service not shared with Gravesham Borough Council are forecasting a pressure of £281,000 as permanent vacancies are covered by locum staff at higher cost, and for more hours than engaged for, including being forecasted at 50 weeks per year while substantive staff work circa 44 weeks. The shared service is forecasting a favourable variance of £60,000 as higher than budgeted fees 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 £18,000 due to a shortfall in income as a result of Covid-19 impacting on the housing market.

6.7. Medway Norse

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

6.8. Property & Capital Projects

6.8.1. Property & Capital projects is forecasting a favourable variance of £474,000, a worsening of £159,000 compared to Round 1.

6.8.2. The Property & Capital Projects Service is forecasting a favourable variance of £415,000 driven by salary savings of £225,000 and savings against fees for consultants covering vacant posts of £45,000. There is additional unbudgeted income of £333,000 in respect of capital projects including Refit, the Depot project and the Building Repairs and Maintenance Fund. These are partially offset by pressures of £278,000 against miscellaneous receipts from revenue projects, a £71,000 pressure on Kingsley House rent and business rates which has been historically unfunded and a pressure of £31,000 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 £495,000, a worsening of £165,000 compared to Round 1.

Table 5: Centralised Costs Summary

	R1 Forecast Variance	Budget 2020/21	R2 Forecast Variance	R2 Proposed Action	R2 Adjusted Variance
	£000's	£000's	£000's	£000's	£000's
Interest and Financing	268	13,431	425	0	425
Levies	62	1,518	71	0	71
Medway Norse Rebate	0	(385)	0	0	0
Centralised Budgets Total	330	14,564	495	0	495

7.2. Interest & Financing is forecasting a pressure of £425,000, a worsening of £157,000 compared to Round 1. Interest earned is now estimated to be £122,000 lower than at quarter 1 as investment returns continue to fall. At the same time additional broker fees of £35,000 have been incurred as maturing loans have been refinanced by new short term borrowing.

7.3. Levies are forecasting a pressure of £71,000, a worsening of £9,000 compared to Round 1. 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 £34,000 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 £3.349million has been charged directly to the non-ringfenced budget. This is £1.003million lower than forecast at Round 1, primarily due to the reduction in the anticipated spend through the Adult Social Care Provider Relief Scheme, offsetting increased cost of placements in Adult Social Care as set out in section 4.2.1 of this report.

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

- £1,100,000 for ASC Provider Relief Payments;
- £220,000 for the Vulnerable Peoples Food Project;
- £225,000 in relation to support provided to VCS providers;
- £146,000 in relation to Children Services;
- £70,000 in relation to additional costs for the Medway Test; and
- £67,000 in relation to PPE.

8.3. The below forecast expenditure has been in respect of Regeneration, Culture and Environment Directorate services:

- £291,000 for ICT equipment to facilitate home working;
- £337,000 for temporary accommodation including hotels for the 'everyone in' rough sleeping initiative;
- £27,000 for signage, printing costs, fixtures and fittings to make premises covid-safe; and
- £95,000 staffing costs.

8.4. The below forecast expenditure has been in respect of Business Support Department services:

- £252,000 for signage, equipment and a new cleaning regime for all buildings open to staff and the public;
- £87,000 for ICT equipment to facilitate home working;
- £86,000 for Childcare Lawyer Locums to deal with additional Children's Social Care caseloads;
- £196,000 for resilience support work for Medway Revenues and Benefits to deal with significantly increased caseloads;
- £27,000 for a security guard at Gun Wharf;
- £37,000 for filming/streaming Council meetings; and
- £40,000 contribution to a project with Kent Connects to deliver a data lake.

9. Conclusions

9.1. The second round of budget monitoring for 2020/21 forecasts an overspend of £2.486million after management action. This represents a worsening of £1.730million on the position reported in the previous round.

10. 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 workstreams 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

11. Financial implications

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

12. Legal implications

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

13. Recommendation

13.1. The Committee is asked to note the results of the second round of revenue budget monitoring for 2020/21.

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Appendices

Appendix 1 – Children & Adults including Public Health

Appendix 2 – Regeneration, Culture & Environment

Appendix 3 – Business Support

Background papers

None.