Medway Council

Serving You

BUSINESS SUPPORT
OVERVIEW AND SCRUTINY COMMITTEE

30 MARCH 2021

REVENUE BUDGET MONITORING REPORT
ROUND 3 2020/21

Report from: Phil Watts, Chief Finance Officer

Author: Katey Durkin, Head of Finance Strategy

Summary

This report presents the results of the third 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 is 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. Since the budget for the 2020/21 year was approved, in response to the Covid-19 pandemic a total of £77million 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 3 budget requirement to a total of £395.806million. In addition, the second claim against the government's new income compensation scheme has been submitted, and an estimate of £7.033million is included within this forecast in respect of that scheme.

2.2. This report presents the results of the third round of revenue budget monitoring, summarising reports that have been considered by directorate management teams based on returns submitted by individual budget managers. In preparing these forecasts, budget managers have taken account of last year's outturn, items of growth or savings agreed as part of the budget build, actual income and expenditure for the year to date, and most importantly, their knowledge of commitments and service requirements anticipated for the remainder of the financial year. 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 shows that the forecast outturn for 2020/21 represents a favourable variance of £3.412million.

Table 1: Summary

Directorate	R2 Forecast Variance £000's	Budget 2020/21 £000's	R3 Forecast Variance £000's	R3 Proposed Action £000's	R3 Adjusted Variance £000's
Children and Adult Services	12,237	235,506	13,183	0	13,183
Regeneration, Culture and Environment	8,057	61,695	7,125	0	7,125
Business Support Department	(193)	6,240	1,196	0	1,196
Interest & Financing	425	13,431	390	0	390
Levies	71	1,518	104	0	104
Medway Norse Joint Venture	0	(385)	0	0	0
C-19 Grant Expenditure	3,349	78,214	0	0	0
Budget Requirement	**23,945**	**396,218**	**21,998**	**0**	**21,998**
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		(90,128)	0	0	0
Other Schools Grants	(69)	(3,855)	(69)	0	(69)
Adult Social Care Grants		(12,584)	0	0	0
Public Health Grant		(17,408)	0	0	0
C-19: Grant Income		(78,214)	0	0	0
C-19: Income Compensation (estimated)	(5,963)	0	(7,033)	0	(7,033)
Drawdown from Reserves C-19	(15,427)	0	(18,308)	0	(18,308)
Total Available Funding	**(21,459)**	**(396,218)**	**(25,410)**	**0**	**(25,410)**
Net Forecast Variance	**2,486**	**0**	**(3,412)**	**0**	**(3,412)**

4. Children & Adults (Appendix 1)

4.1. The Directorate is forecasting a pressure of £13.183million, a worsening of £946,000 compared to the Round 2 position.

Table 2: C&A Summary

	R2 Forecast Variance £000's	Budget 2020/21 £000's	R3 Forecast Variance £000's	R3 Proposed Action £000's	R3 Adjusted Variance £000's
Adult Social Care	3,782	71,363	4,187	0	4,187
Children's Services	7,618	44,010	8,430	0	8,430
Director	(38)	3,571	(193)	0	(193)
Directorate Management Team	384	820	378	0	378
Education	547	57,163	438	0	438
Partnership Commissioning	(62)	1,684	(45)	0	(45)
Public Health	0	13,779	0	0	0
Schools Retained Funding & Grants	6	43,114	(11)	0	(11)
Schools	0	0	0	0	0
Children and Adult Services Total	**12,237**	**235,506**	**13,183**	**0**	**13,183**

4.2. Adult Social Care

4.2.1. The division is currently forecasting a pressure of £4.187million, a worsening of £405,000 compared to Round 2.

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 £714,000 compared to Round 2. As reported at Round 2, 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 £368,000 compared to Round 2, with a net increase of ten placements in supported living and five in residential/nursing, while the average weekly cost of placements was steady. An increase in the forecast level of Direct Payment reclaims has reduced the forecast overspend on Direct Payments.

4.2.4. The forecast spend on Mental Health has decreased by £75,000; while there have been additional residential placements due to hospital discharges, there has also been a reduction in the supported living forecast due to additional income for transforming care transitional costs which had not previously been forecast. The forecast for community based support has also reduced due to the continued level of vacancies.

4.2.5. The forecast spend on older People has increased by £420,000. The Round 2 forecast for homecare assumed normal arrangements for invoicing would have resumed reducing expenditure, however this has not been achievable due to the ongoing impact of Covid19. This pressure is partly mitigated by reductions on Direct Payments of £56,000 due to the use of additional Better Care Funding, and on Daycare of £105,000 as invoices are now based on actual attendance rather than pre-Covid attendance. The forecast assumes we will be receiving funding from the CCG to cover the cost of all discharge related placements until 30 November 2021.

4.2.6. The favourable variance of £508,000 on Business and Intelligence is an improvement of £43,000 compared to R3; this is primarily 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 £373,000, an improvement of £66,000 compared to Round 2, due to the continued level of vacancies, some of which are not covered by agency staff.

4.2.8. Adult Social Care, Business Change and Finance are working 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,
- Continue to review 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,
- Review of assumption around levels of Direct Payments reclaims, and
- Review Home care invoicing and payment processes.

4.3. Children's Services

4.3.1. The division is currently forecasting a pressure of £8.430million, a worsening of £812,000 compared to Round 2.

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 had remained fairly steady at 425 each month for a number of years, however the number had risen throughout the first six months of 2020/21 to a record high of 467 at August. In October this number reduced to 459 indicating placement numbers may have stabilised.

4.3.4. The Round 3 forecast projects an overspend of £8.752, an increase of £335,000 compared to Round 2. The main pressures are:

- £5.848million on external residential placements supporting 39 Children and Young People over 1,811 weeks, an increase in cost of £63,000 compared to Round 2;

- £2.561million on external fostering placements supporting 147 Children and Young People over 7,736 weeks, an increase in cost of £81,000 compared to Round 2;
- £126,000 on in-house fostering, adoption and care leavers, a reduction in cost of £354,000 compared to Round 2;

These are partially mitigated by an underspend of £217,000 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 £1million.

4.3.5. The forecast spend on legal support is an overspend of £1.107million, a worsening of £555,000 compared to Round 2 due to increased demand for expert assessment and legal counsel together with the impact of Covid-19 on proceedings, including the expiration of assessments due to the postponement of court proceedings.

4.3.6. The forecast spend on staffing remains largely as reported at Round 2, 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 September 2020, there was a 33.8% 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. Management action of £300,000 included in the R3 forecast has not been fully achieved to date, with a pressure of £95,000 resulting from this. An additional pressure of £127,000 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 £312,000. This team is funded from the vacant family support worker posts and as such does not increase the pressure forecast.

4.3.8. On 8 October 2020, 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 £378,000, a slight improvement of £6,000 compared to Round 2. 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 December 2020, all Assistant Director posts in the Division were filled on a permanent basis.

4.5. Education

4.5.1. At Round 2, a total of £4.941million of forecast overspend on the SEND budget was transferred to the DSG reserve. The DSG overspend is forecast to reduce by £21,000 compared to Round 2, taking the cumulative deficit on that reserve to £14.222million. This deficit will be managed through the Council's deficit recovery plan over the medium term.

4.5.2. The forecast on General Fund services is an overspend of £438,000, an improvement of £153,000 compared to Round 2. The primary drivers are;

- a £266,000 pressure on the cost to provide floating support care packages to children and young people (CYP) within the 0-25 team, an improvement of £102,000 compared to Round 2;
- a £174,000 pressure on the cost to provide respite and direct payments to CYP within the 0-25 team, an improvement of £39,000 compared to Round 2;
- a SEND Transport overspend of £50,000, as per the Round 2 forecast;
- a favourable variance of £11,000 on the Medway Grid for Learning schools traded service, an improvement of £66,000 compared Round 2;
- a £120,000 underspend on staffing the 0-25 team as a result of the underspend against the full career progression salary budget, an improvement of £25,000 compared to Round 2.

4.6. Partnership Commissioning

4.6.1. The division is currently forecast to underspend by £45,000; while there continue to be delays in recruitment to vacant posts, this forecast is an increase in expenditure of £17,000 compared to Round 2.

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 forecast to underspend by £11,000, an improvement of £17,000 compared to Round 3. The General Fund cost centres are forecasting to underspend by £288,000 on school redundancy contributions, whist the DSG cost centres are forecasting to overspend by £450,000 on the school growth PAN class size support funds, which the Schools Forum has agreed to repay from its 2021/22 budget. Additional unbudgeted ring fenced school improvement grant of £174,000 has been received.

5. Regeneration, Culture & Environment (Appendix 2)

5.1. The Directorate is forecasting a pressure of £7.125million, an improvement of £932,000 compared to Round 2.

Table 3: RCE Summary

	R2 Forecast Variance £000's	Budget 2020/21 £000's	R3 Forecast Variance £000's	R3 Proposed Action £000's	R3 Adjusted Variance £000's
Communications	53	20	10	0	10
Culture & Community	3,111	17,518	2,613	0	2,613
Deangate Golf	21	37	3	0	3
Director's Office	(33)	809	(60)	0	(60)
Front Line Services	4,833	42,773	4,501	0	4,501
MCG Services	44	42	44	0	44
Regeneration	28	486	14	0	14
Regeneration, Culture & Environment Total	**8,057**	**61,686**	**7,125**	**0**	**7,125**

5.2. Communications & Marketing

5.2.1. The Communications & Marketing division is forecasting a pressure of £10,000, an improvement of £43,000 compared to Round 2 which is due to vacant posts, supplies and services savings and the cancellation of the winter issue of Medway Matters.

5.3. Culture & Community

5.3.1. The division is currently forecasting a pressure of £2.613million, an improvement of £498,000 compared to Round 2.

5.3.2. The Cultural Services division, incorporating Arts, Theatres, Events and the Corn Exchange is forecasting a pressure of £313,000, an improvement of £18,000 compared to Round 2.

5.3.3. The Events & Festival Programme has been severely affected by the Covid-19 pandemic with all Festivals planned for 2020/21 now cancelled. After late cancelation fees to suppliers and performers, this resulted in savings of £313,000. A restructure of the service planned to address a historic budget pressure of £40,000 had been delayed due to Covid-19 but is now being implemented.

5.3.4. The Central & Brook Theatre are now forecast to remain closed to the public for the whole financial year with the exception of some allowable community use; resulting in a pressure of £467,000, a worsening of £11,000 compared to Round 2.

5.3.5. The Corn Exchange forecast is a pressure of £163,000, a worsening of £21,000 compared to Round 2 as Covid-19 restrictions limit income from weddings, generating a pressure of £144,000. Publicity and marketing costs for the relaunch following the capital refurbishment of the facility add £20,000 to the forecast.

5.3.6. The Culture & Community Directorate Support is forecasting a favourable variance of £21,000, an improvement of £5,000 compared to Round 2 due to salary savings generated from the recruitment lag in appointing to the Assistant Director post and a range of supplies and service savings.

5.3.7. Economic Development is reporting a pressure of £252,000, an improvement of £102,000 compared to Round 2 as income outperformed the previous forecast and savings have been made on supplies and services, including reductions on operations costs around Strood Market and the postponement of business development initiatives due to Covid-19.

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 underway to prepare the second claim for relevant expenditure that meets the grant criteria.

5.3.9. The premises for Libraries, Community Hubs and Archives are forecasting a favourable variance of £73,000, an improvement of £104,000 compared to Round 2. While the forecast loss of income has increased by £25,000 compared to Round 2, delays in recruiting to vacant posts and savings across supplies and services, including a review of the book fund, contribute to the favourable movement.

5.3.10. Planning Services are reporting a pressure of £17,000, an improvement of £137,000 compared to Round 2. 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, as at Round 2. The positive movement is primarily due to savings on staffing costs of £199,000 due to delays in recruiting to vacant posts, an improvement in income forecast by £64,000 and unbudgeted grant income of £90,000.

5.3.11. Sport, Leisure, Tourism & Heritage is forecasting a pressure of £2.499million, as per the Round 2 forecast. Sports & Heritage facilities were closed to the public for the period April to July and November onward with no Income generated. The cancellation of events during the year has saved £79,000, while savings on staffing of £195,000, utilities costs of £171,000, equipment purchases and consumables of £56,000 and the purchase of items for resale of £132,000 across the Service have also reduced the forecast pressures above.

5.3.12. Strategic Housing is forecasting a favourable variance of £361,000, an improvement of £192,000 compared to Round 2. Homelessness is forecasting a favourable variance of £77,000, an improvement of £298,000 compared to Round 2 as work in the service to reduce Temporary Accommodation use through preventative work has been effective. Housing Solutions and prevention are forecasting a favourable variance of £370,000, an adverse movement of £49,000 due to the introduction of more prudent assumptions. Issues with meters and some water leaks have resulted in a new pressure of

£57,000 on the Cuxton Traveller site.

5.3.13. The Client side of the South Thames Gateway Partnership continues to forecast 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 £256,000 to meet any 2020/21 in year trading deficit. The forecast Income generation has been significantly impacted by Covid-19 restrictions with a net £112,000 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 £222,000 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 £3,000, an improvement of £18,000 compared to Round 2 as the cost of additional surveys required will be charged to any future capital scheme.

5.5. Director's Office

5.5.1. The division is currently forecasting a favourable variance of £60,000, an improvement of £26,000 compared to Round 2 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 £4.501million, an improvement of £332,000 compared to Round 2.

5.6.2. Front Line Services support is forecasting a favourable variance of £51,000, an improvement of £7,000 compared to Round 2 due to savings on salaries, supplies and services.

5.6.3. Environmental Services is forecasting a pressure of £251,000, an adverse movement of £50,000 compared to Round 2. The ongoing lockdown/ restrictions have resulted in volatility in waste disposal tonnages, with the forecast now assuming an increase of 6.53% compared to 2019/20, while the budget was built assuming an increase of only 1%. The downturn in car park usage has driven reductions in the cost of car park cleaning and other internal services, resulting in savings of £251,000. Additional income of £129,000 has been forecast across the Service on both standard and express bulky waste collection which has been offset by a small downturn in the anticipated income from the sale of caddy liners of £15,000.

5.6.4. Greenspaces are forecasting a pressure of £186,000, a worsening of £22,000 compared to Round 2, primarily due to the decision to grant an annual relief on rent and ground hire causing a pressure of £25,000, which has only been partly offset by supplies and services savings of £3,000.

5.6.5. Highways are forecasting a pressure of £385,000, an improvement of £92,000 compared to Round 2. An anticipated further 10% increase in the tariff for electricity in October is forecast 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 £248,000 from statutory undertaker works and Volker Highways. An income pressure of £40,000 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 £209,000 partially reduces these pressures, and funding £80,000 of highways works from capital accounts for the reduction in the forecast pressure since Round 2.

5.6.6. Integrated Transport are forecasting a pressure of £99,000, an improvement of £68,000 compared to Round 2. A shortfall on subsidized school bus income/bus departure fares and bus permit fares of £131,000 is forecast, an improvement of £13,000 compared to Round 2. The subsidized bus services operated by the Council are forecast to generate a pressure of £46,000, partially offset by a Covid-19 bus service support grant and a ringfenced supported bus service funding. 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 £3.837million, an improvement of £80,000 compared to Round 2, due to an increase in the anticipated savings on supplies & services and premises costs. Income from car parks has been significantly impacted due to Covid-19 as people continue to work from and stay at home. There have been savings on premises costs of £154,000 as only essential maintenance work has been carried out during the pandemic, and of £62,000 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 £49,000 and of £53,000 on staffing costs.

5.6.8. Regulatory Services are forecasting a favourable variance of £207,000, an improvement of £158,000 compared to Round 2. 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. A planned restructure to deliver transformation savings was delayed, however this has resulted in vacancy savings of £319,000. 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, as at Round 2. 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 £14,000, an improvement of £14,000 compared to Round 2, due to a revision in the grounds maintenance work to be undertaken in the remainder of the year.

5.9. Housing Revenue Account

5.9.1. The division is currently forecasting a surplus of £287,600 for 2020/21 which is £63,100 above the approved budget surplus of £224,500.

6. Business Support (Appendix 3)

6.1. The Directorate is forecasting a pressure of £1.196million, a worsening of £1.389million compared to Round 2.

Table 4: BSD Summary

	R2 Forecast Variance £000's	Budget 2020/21 £000's	R3 Forecast Variance £000's	R3 Proposed Action £000's	R3 Adjusted Variance £000's
Corporate Management	(135)	1,838	(137)	0	(137)
Democracy & Governance	(133)	2,280	(143)	0	(143)
Finance & Business Improvement	(91)	5,012	911	0	911
Human Resources	(63)	(3)	(52)	0	(52)
Legal, Contracts & Property	229	(2,878)	617	0	617
Business Support Total	**(193)**	**6,249**	**1,196**	**0**	**1,196**

6.2. Corporate Management

6.2.1. The division is forecasting a favourable variance of £137,000, a slight improvement of £2,000 compared to Round 2.

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 £100,000 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 £143,000, an improvement of £10,000 compared to Round 2.

6.3.2. Democratic Services are forecasting a favourable variance of £51,000, an improvement of £5,000 compared to Round 2, primarily resulting from salary savings.

6.3.3. Members and Elections section are forecasting a favourable variance of £92,000, an improvement of £5,000 compared to Round 2. The movement is driven by salary savings with a £55,000 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 an unfavourable variance of £911,000, a worsening of £1.002million compared to Round 2.

6.4.2. Business Change is now forecast to underspend by £4,000, a worsening of £36,000 compared to Round 2, as £40,000 of the budgeted for consultants previously forecast as an underspend has instead been transferred to fund additional posts in the Digital Team.

6.4.3. Business Intelligence is forecasting a favourable variance of £83,000; an adverse movement of £5,000 compared to Round 2. Some ICT expenses required have partially reduced salary savings of £54,000 and additional income of £35,400 from the HRA.

6.4.4. Community Interpreters is forecasting a pressure of £127,000, a worsening of £25,000 compared to Round 2. 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 £54,000, a worsening of £73,000 compared to Round 2. While forecast salary savings have increased, additional income from the HRA forecast at Round 2 is no longer expected.

6.4.6. Digital are forecasting a favourable variance of £117,000, an improvement of £63,000 compared to Round 2 primarily driven by salary savings arising from the lag in recruiting new staff.

6.4.7. Finance Operations are forecasting a favourable variance of £106,000, an improvement of £75,000 compared to Round 2. A net pressure on Operations Payroll of £48,000 (an improvement of £70,000) results from an increase in income from schools and increased salary savings drive an underspend of £120,000 on the Control Team and of £23,000 on the Systems Team.

6.4.8. Finance Strategy is forecasting a favourable variance of £175,000, a slight worsening of £4,000 compared to Round 2, with the underspend driven by salary savings of and unbudgeted income from external SLAs.

6.4.9. ICT are forecasting a pressure of £477,000, an improvement of £213,000 compared to Round 1 due to the identification of a duplication in the forecast. Centralised ICT Systems is forecast to overspend by £137,000, a worsening of £88,000 compared to Round 2 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 £128,000 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 £16,000, in line with that reported at Round 2 and is driven by staff vacancies.

6.4.11. Revenues & Benefits are forecasting an adverse variance of £1,073million, a worsening of £1,088million compared to Round 2. The forecast now assumes no income will be received this financial year from awarded court costs, accounting for £700,000 of the movement; this has been incorporated into the Council's claim against the government's Sales, Fees and Charges Income Compensation scheme and £560,000 is included in the forecast income for that scheme elsewhere in this report. A reduction in the level of benefit subsidy income forecast adds £438,000 to the pressure on Benefit Payments reported at Round 2.

6.4.12. Rural Liaison grants continue to be forecast to budget.

6.5. Human Resources

6.5.1. Human Resources is forecasting a net favourable variance of £52,000, a worsening of £11,000 compared to Round 2. While salary savings have increased since Round 2, a further reduction in the forecast income from schools results in the adverse movement.

6.6. Legal, Contracts & Property

6.6.1. The division is currently forecasting a pressure of £617,000, an improvement of £87,000 compared to Round 2.

6.6.2. Category Management is forecasting a favourable variance of £38,000, an improvement of £71,000 compared to Round 2 as income from capital projects is higher than previously forecast.

6.6.3. Legal, Land Charges & Licensing is forecasting a pressure of £170,000, an improvement of £67,000 compared to Round 2. The elements of the service not shared with Gravesham Borough Council are forecasting a reduced pressure of £212,000 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 c44 weeks. The shared service is forecasting a favourable variance of £71,000 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 in line with the Round 2 position, 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, in line with the Round 2 position.

6.8. Property & Capital Projects

6.8.1. Property & Capital projects is forecasting a favourable variance of £206,000, a worsening of £268,000 compared to Round 2.

6.8.2. The movement is primarily attributable to the Property & Capital Projects Service, which is forecasting a favourable variance of £143,000, a worsening of £272,000 compared to Round 2. Income from the HRA is reduced by £88,000 based on the latest estimate of the delivery of the HRA programme, and savings anticipated on consultants' fees have not been deliverable as major programmes of work have continued despite the pandemic. In addition there is an £81,000 pressure on Kingsley House rent and business rates which has been historically unfunded and a pressure of £29,000 on Community Centres and the St George's Centre with shortfalls in income due to their closure as a result of Covid-19.

6.8.3. Valuation and Asset Management is forecasting a pressure of £685,000, an improvement of £217,000 compared to Round 2. The forecast income pressure on the Pentagon has reduced by £214,000 compared to Round 2, to £737,000. The Commercial Property forecast has improved by £30,000 primarily due to unbudgeted income in respect of the Sunlight Centre, offsetting a pressure of £16,000 on investment properties.

7. Centralised Costs

7.1. Collectively these are forecasting a pressure of £494,000, in line with that reported at Round 2.

Table 5: Centralised Costs Summary

	R2 Forecast Variance £000's	Budget 2020/21 £000's	R3 Forecast Variance £000's	R3 Proposed Action £000's	R3 Adjusted Variance £000's
	£000's	£000's	£000's	£000's	£000's
Interest and Financing	425	13,431	390	0	390
Levies	71	1,518	104	0	104
Medway Norse Rebate	0	(385)	0	0	0
Centralised Budgets Total	**495**	**14,564**	**494**	**0**	**494**

7.2. Interest & Financing is forecasting a pressure of £390,000, an improvement of £35,000 compared to Round 2. Interest earned is forecast at £36,000 higher than at Round 2 mainly due to a less pessimistic prediction of property fund income and alignment of HRA related financing with predictions reported by that service. An increase of £17,000 in forecast interest paid is offset by a £16,000 reduction in the forecast of treasury advice and brokerage.

7.3. Levies are forecasting a pressure of £104,000, a worsening of £33,000 compared to Round 2 due to additional charges relating to the Coroners

Service of £67,000 and £25,000 on the Lower Thames Internal Drainage Board.

7.4. The Medway Norse rebate forecast is a pressure of £8,000.

8. Covid-19 Non-ringfenced grant expenditure

8.1. Following agreement through the governance process, a total of £3.404million has been charged directly to the non-ringfenced budget, £55,000 more than forecast at Round 2.

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

- £1,100,000 for ASC Provider Relief Payments;
- £142,000 for the Vulnerable Peoples Food Project;
- £225,000 in relation to support provided to VCS providers;
- £146,000 in relation to Children Services;
- £100,000 in relation to PPE,
- £70,000 in relation to additional costs for the Medway Test; and
- £70,000 in relation to Early Years payments.

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

- £385,000 for temporary accommodation including hotels for the ‘everyone in’ rough sleeping initiative;
- £153,000 of Compliance & Enforcement grant funded activity;
- £176,000 for signage, printing costs, equipment and a new cleaning regime for all buildings open to staff and the public;
- £111,000 of staffing costs;
- £6,000 for CCTV hire vehicle for parking enforcement; and
- £8,000 ICT equipment.

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

- £45,000 for signage, equipment and a new cleaning regime for all buildings open to staff and the public;
- £408,000 for ICT equipment to facilitate home working;
- £89,000 on computer software;
- £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;
- £72,000 on agency staff;
- £36,000 for a security guard at Gun Wharf;
- £48,000 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 third round of budget monitoring for 2020/21 forecasts an underspend of £3.412million.

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. That the Committee notes the results of the third round of revenue budget monitoring for 2020/21.

Lead officer contact

Katey Durkin, Head of Finance Strategy, Gun Wharf, 01634 33 23 55,
katey.durkin@medway.gov.uk

Appendices

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

Background papers

None.