

CABINET

8 JUNE 2021

REVENUE AND CAPITAL BUDGET OUTTURN 2020/21

Portfolio Holder: Councillor Alan Jarrett, Leader of the Council

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Summary

This report details the final revenue and capital outturn position for the financial year ended 31 March 2021. These figures will form part of the Council's Statement of Accounts, which will be considered by the Audit Committee in Autumn 2021.

The report also presents a summary of debts written off during the 2020/21 financial year (Section 7) 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 is responsible for ensuring that income and expenditure remain within the budget approved by Council.

2. Background

- 2.1. Budget managers have produced forecasts throughout 2020/21 taking account of the previous year's outturn, actual income and expenditure for 2020/21 and most importantly, their knowledge of commitments and income trends.
- 2.2. At its meeting on 20 February 2020, the Council set a total budget requirement of £323.365million for 2020/21. Following that date, in response to the Covid-19 pandemic more than £108million of additional grant funding, including the second, third and fourth tranches of non-ringfenced grant worth £16.441million, was added to the revenue budget, taking the final outturn budget requirement to a total of £429.840million. In addition, the second claim against the government's income compensation scheme was submitted during the year with a third completed in May; as such the estimate of £7.033million is included within the outturn position in respect of that scheme.

2.3. The final revenue outturn position is summarised in Table 1 below. The final capital outturn position is summarised in Section 8 and Table 3.

Table 1: 2020/21 Revenue Outturn Summary

Directorate	R3 Forecast Variance £000's	Budget 2020/21 £000's	Outturn £000's	Outturn Variance £000's
Children and Adult Services (including Public Health)	13,183	243,264	256,803	13,539
Regeneration, Culture and Environment	7,125	78,706	85,831	7,125
Business Support Department	1,196	8,573	8,754	182
Interest & Financing	390	(10,480)	(10,630)	(150)
Levies	104	1,518	1,532	14
Medway Norse Joint Venture	0	(385)	(385)	0
Covid-19 Grant Expenditure	(18,308)	108,645	78,823	(29,822)
Budget Requirement	3,690	429,840	420,728	(9,113)
<i>Funded by:</i>				
Council Tax	0	(131,010)	(131,010)	0
Retained Business Rates	0	(45,620)	(45,620)	0
Baseline Need Funding	0	(16,177)	(16,149)	29
New Homes Bonus	0	(1,221)	(1,221)	0
Dedicated Schools Grant	0	(93,426)	(93,426)	0
Other Schools Grants	(69)	(3,748)	(3,747)	0
Adult Social Care Grants	0	(12,584)	(12,585)	0
Public Health Grant	0	(17,408)	(17,408)	0
C-19 Grant Income	(7,033)	(108,645)	(103,478)	5,167
Total Available Funding	(7,102)	(429,840)	(424,646)	5,195
Net Forecast Variance	(3,412)	0	(3,918)	(3,918)

3. Children and Adults Services

3.1. The Directorate general fund outturn represents an overspend of £13.539million compared to budget, a modest movement compared to the position reported at Round 3. The main pressures driving the overspend remain consistent with that which has been reported throughout the 2020/21 detailed budget monitoring, in essence the impact of the pandemic on the delivery of statutory services, as summarised below.

3.2. In Adult Social Care, overspends on various placement budgets were due to:

- 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.

- 3.3. In Children's Services the overspend was primarily driven by placements and legal costs, mitigated by an underspend on staffing. During the year the number of looked after children rose to a record high leading to overspends across residential, external fostering and internal fostering and adoption placement budgets. The pressure on Legal costs was driven by an 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.
- 3.4. In Education, the pressure on general fund services was driven by overspends across the cost of floating support care packages, respite and direct payments within the 0-25 team, and on SEND transport. The pressure on DSG funded services was £5.126million, with a total of £6.916million transferred to the DSG Reserve. The deficit on that reserve is £16.261million, of which £1.790million will be repaid by schools from future years funding; therefore the cumulative deficit on the High Needs and Early Years blocks is £14.051million. This deficit will be managed through the Council's deficit recovery plan over the medium term.
- 3.5. The Public Health outturn is to budget, with a £584,000 underspend, this was transferred to the Public Health Reserve; some core services were paused while the team responded to the pandemic and the funds carried forward will be used to deliver catch up activities in those core service areas in 2021/22.

4. Regeneration, Culture and Environment

- 4.1. The Directorate outturn was a pressure of £7.125million compared to budget, consistent with the position reported at Round 3. As detailed throughout the 2020/21 detailed budget monitoring, the pressure is primarily driven by shortfalls on income from services impacted by the pandemic, as summarised below.
- 4.2. In Culture and Community, the closure of sports and heritage facilities for the periods April to July and from November severely reduced the level of income generated by these services. The Central and Brook Theatres remained closed throughout the year and limitations around weddings throughout the year severely reduced the level of income generated by these services. Savings were made through the cancellation of the festivals and events programme, on staffing, utilities and equipment purchases. The Council also submitted claims for eligible proportion of that net lost income through the government's Sales, Fees and Charges Income Compensation Scheme, with that income reflected as a favourable variance on the Council's funding.
- 4.3. In Front Line Services, the pandemic severely reduced the level of income from car parks as people followed the Government mandate to work from and stay at home wherever possible.

4.4. The outturn on the HRA is a surplus of £365,000 which is £141,000 higher than the budgeted surplus of £224,000. The surplus is mainly due to savings on responsive repairs and grounds maintenance due to the Covid-19 restrictions, and the delayed start to the project to deliver a new housing database.

5. Business Support

5.1. The Directorate outturn was a pressure of £182,000 compared to budget, an improvement of £1.014million compared to the position reported at Round 3. The outturn for most services in the Department was broadly in line with Round 3, with the movement driven by two key areas; Housing Benefit Subsidy and ICT.

5.2. While most new claimants for benefits are now made through Universal Credit, administered by the Department for Work and Pensions, local authorities continue to administer existing Housing Benefit claims that have not been transferred to the DWP, and new applications for pensioners, temporary accommodation and specified accommodation. The Government pays local authorities to administer Housing Benefit through a subsidy scheme, and while 100% subsidy is received for most ongoing benefit claims, the types of claim for which local authorities continue to administer new claims do not attract 100% subsidy. As such the subsidy budget is an estimate made a year in advance of the level and type of Housing Benefit claims the Council will pay. During the early rounds of budget monitoring, the Council anticipated higher levels of claims would be received from claimant types not covered by full subsidy driving a significant forecast overspent; the nature and volume of claims actually received by the year end meant that the level of subsidy received was much closer to the budgeted level.

5.3. The ICT service has been through a number of significant changes in recent years, with the centralisation of ICT software and a restructure along with changes in key staffing and senior management; this combined with the scale of ICT support required for the Council's pandemic response meant the services took a very prudent approach to budget forecasts during 2020/21 including forecast allowances for additional costs that did not materialise, and software upgrades that were later deferred until the 2021/22 financial year. As such while the service forecast a pressure during the year, the outturn is broadly in line with the budget.

5.4. The outturn on the Centralised Services within Business Support of Interest & Financing, Levies and the Medway Norse Joint Venture was broadly in line with the budget.

6. Covid-19 Expenditure

6.1. From the outset of the pandemic and throughout the response, the Government has made available significant packages of financial support for businesses (including care providers), individuals, and has provided direct funding to mitigate Covid-related pressures experienced by local authorities.

- 6.2. During the first national lockdown in the Spring of 2020, the Government announced a range of financial support for businesses and individuals impacted by the restrictions introduced to reduce the spread of Covid-19. The following initial schemes were implemented by Medway Council in the Spring of 2020:
- Expanded Business Rates Relief of 100% for retail, hospitality and leisure sites, through which we awarded £34.129million to 1,300 businesses.
 - Mandatory grants for small businesses through which we awarded £22.020million to 2,020 businesses.
 - Mandatory grants for retail, hospitality and leisure businesses through which we awarded £14.095million to 727 businesses.
 - Discretionary grants for small businesses through which we awarded £1.848million to 319 businesses.
- 6.3. In response to the second period of national restrictions in November 2020, the government introduced further support for businesses with grants delivered through the mandatory Local Restrictions Support Grant schemes (LRSG) and the discretionary Additional Restrictions Grant (ARG). Eligibility for the LRSG schemes is based on business rate liability with payments based on rateable value of the business premises, while the ARG scheme is much less prescriptive and could therefore be made available to businesses without a rateable business property.
- 6.4. During the 2020/21 financial year, the following support was delivered through the mandatory schemes:
- LRSG (Closed) Addendum – this scheme provided grants to businesses who were forced to close due to restrictions in force between 5 November and 2 December 2020. The Council distributed a total of £1.980million between 1,198 businesses through this scheme.
 - LRSG (Closed) Post 2 December 2020 – this scheme provided grants to businesses who were required to close due to restrictions in place after 2 December. The Council distributed a total of £418,585 between 369 businesses through this scheme.
 - LRSG (Closed) Addendum Tier 4 – this scheme provided grants to businesses who were forced to close due to the restrictions in place under Tier 4 from 19 December 2020 onwards. The Council distributed a total of £1.128million between 1,195 businesses through this scheme.
 - LRSG (Closed) Addendum Post 5 January 2021 – this scheme provided grants to businesses who were forced to close during the restrictions in place from 5 January 2021. The Council distributed a total of £2.967million between 1,198 businesses through this scheme.
 - Closed Business Lockdown Payment – the Council distributed a total of £5.897million between 1,198 businesses through this scheme.
 - LRSG (Sectors) – this scheme provides grants to businesses in sectors that have been forced to close since restrictions were initially implemented in Spring 2020. The Council paid £3,875 to two businesses identified as eligible in Medway.
 - Christmas Support Payment for wet-led pubs – the Council distributed a total of £69,000 between 69 businesses through this scheme.

- 6.5. Since the data to determine availability for these schemes is not held by central Government, the grant allocations provided to local authorities were based on estimates and in many cases, the grant received was in excess of the amount payable to eligible businesses in Medway. The grant conditions for these schemes include a reconciliation process during the 2021/22 financial year, through which any excess funding will be repayable to the Government and any underfunding payable to local authorities. Once this reconciliation is complete it is estimated that the Council will return c£11.979million of excess funding to the government, and this is reflected in the outturn as a pressure on the Council's Covid-19 Grant Income offset by an underspend on the Covid-19 Grant Expenditure, as creditors to the Government for this sum have been raised in the accounts.
- 6.6. The ARG grant funding received in 2020/21 totalling £8.046million was to fund support for businesses through to the end of the 2021/22 financial year, with the scheme in operation having been amended to reflect revisions made to the guidance from the Government over time. During the 2020/21 financial year a total of £437,238 was distributed to businesses, with the balance rolled forward and available to support businesses throughout 2021/22.
- 6.7. In respect of support for residents, the Council has delivered the following:
- Council Tax Hardship Fund, representing £2.056million of grant funding to reduce the liability for those in receipt of Local Support for Council Tax (LSCT) by a further £150.
 - Emergency Assistance grant – the Council received £336,715 and the decision was taken to use this funding by increasing the capacity of the existing Local Welfare Provision scheme delivered by Citizens Advice Medway, as part of the Medway voluntary sector consortium, 'Better Together'.
 - Test and Trace Isolation Payments Scheme with £453,500 paid through the mandatory scheme, and a further £390,000 paid through the discretionary scheme.
- 6.8. Adult Social Care Funding – Medway Council received a total of £5.300million in respect of Infection Control, Rapid testing and Workforce Capacity Grants of which £4.839million was passported to providers or used to deliver additional social work capacity. However, based on returns from providers about the use of the various grants we have either paid back or are expecting to pay back £461,000 to the issuing government departments in respect of these grants.
- 6.9. Public Health Funding – Medway Council received a total of £9.796million through a series of grants for the purpose of containing and managing the outbreak and providing support to vulnerable people needing to isolate:
- Test, Track and trace Fund £1.593million;
 - Contain Outbreak Management Fund £7.000million;
 - Supporting Clinically Extremely Vulnerable People £800,000;
 - Practical Support Funding £66,000;
 - Emergency Assistance Grant for Food & Supplies £337,000.

- 6.10. In line with the grant conditions, £4.570million of this funding has been transferred to reserves for use in 2021/22. In addition, the Council's symptom free testing programme was fully funded by the Department of Health and Social Care in 2020/21 and continues to be until the end of June 2021.
- 6.11. Medway Council also received the following grants for specific purposes:
- Winter Grant – the Council received an allocation of £909,000 to support vulnerable households and distributed £780,000. The excess allocation of £128,000 has been returned to the Government.
 - Holiday Activities & Food Programme – the Council received £112,000 to support disadvantaged children through the School holidays; this funding was transferred to reserves for use in 2021/22 alongside the 2021/22 allocation of £1.003million.
 - Active Travel Fund – the Council received £215,000 to support the installation of cycling and walking facilities. While £45,000 was spent on initiatives in 2020/21, the balance of £170,000 has been transferred to reserves for use in 2021/22.
 - Next Steps Accommodation Fund – the Council received £234,000 to provide interim accommodation and support for vulnerable people and this allocation was spent in year.
 - Wellbeing for Education Return Grant – the Council received £37,000 to support schools to improve wellbeing and mental health support and this allocation was spent in year.
 - Home to School and College Transport – the Council received £527,000 to support social distancing in transport for return to school and education settings. £422,000 was spent in year while £105,000 which has been transferred to reserves for use in 2021/22.
 - Reopening High Streets Safely – the Council was allocated £246,000 to support the introduction of safety measures in high streets. £160,000 was spent in year and the remaining allocation of £86,000 will be claimed in 2021/22.
 - Compliance & Enforcement Grant – the Council received £153,000 to support local authority compliance and enforcement activity and this allocation was spent in year.
- 6.12. In terms of direct financial support for local authorities, during 2020/21 the Council received three tranches of non-ringfenced emergency support funding totalling £16.441million. Throughout the year Members have been updated through the Revenue Budget Monitoring Reports on the level of expenditure that, following agreement through the Council's Response command and control governance process, would be charged to the Covid-19 grant received rather than increasing the Directorate budget pressures. The majority of this activity however also fell within the grant conditions for Public Health related grants provided to the Council, and as such, where possible this direct expenditure was charged to the Contain Outbreak Management Fund grant.
- 6.13. In recognition of the extent to which income from fees and charges underpins the budgets of local authorities, the government introduced a Sales, Fees and Charges Income Compensation Scheme in 2020/21 with authorities able to

claim for losses (net of any savings made in service delivery) against eligible services. Medway has submitted claims totalling £7.033million through this scheme; as this funding was not included in the budget, this reduces the pressure on the Covid-19 Grant Income in the Council's outturn. Together, the emergency support funding and income compensation funded the expenditure pressures and income shortfalls experienced across the Council's services in 2020/21 as set out in sections 3, 4 and 5 of this report, with £3.918million to be transferred to general reserves to fund our 2021/22 revenue budget requirement.

7. Debt written off in 2020/21

7.1. Chapter 3, Part 5, section 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.

7.2. The rules also require a report to be submitted to Cabinet on an annual basis setting out details of all debt written off, and as such the required information is presented below:

Table 2: Debt Written Off

Debt Category	2018 / 2019		2019 / 2020		2020 /2021	
	Raised	Written Off	Raised	Written Off	Raised	Written Off
	£000's	£000's	£000's	£000's	£000's	£000's
Council tax ¹	137,858	706	146,546	695	151,384	612
Business Rates ^{1 & 5}	95,462	2,183	96,738	679	58,904	745
Housing Benefit Overpayments ¹	5,643	501	3,500	310	2,057	197
Housing ¹	13,924	107	13,969	89	14,055	130
Temporary Accommodation ²	N/A	N/A	N/A	N/A	3,113	103
Penalty Charge Notices (PCN's) ³	4,837	734	4,276	436	3,264	266
Sundry Debt ⁴	45,791	0	45,406	8	59,976	0
Adult Social Care ⁴	14,078	34	15,096	0	15,234	0
Total	317,593	4,265	325,531	2,217	307,987	2,053

1) Amounts written off each year are cumulative, including amounts raised in previous years.

2) Temporary Accommodation moved from being raised as a Sundry Debt to Housing database - Academy from 20/2021.

3) PCNs are 'cancelled' rather than written off but included here for transparency.

4) Amounts written off relate only to debt raised in those years.

5) 2020/21 raised reduced due to Covid-19 government measures and difference funded through s31 grants.

8. Capital

- 8.1. The capital programme year end position is shown in Table 2 below. A carry forward budget of £401.6million is committed on existing schemes and will be added to the new schemes agreed by Council on 18 February 2021.

Table 3: Capital Outturn 2020/21

Directorate	Budget	2020/21 Outturn	2021/22 Forecast	2022/23 Forecast	2023/24 Forecast	2020/21 Outturn Variance
	£000s	£000s	£000s	£000s	£000s	£000s
Children and Adults (including Public Health)	29,476	6,795	14,500	6,455	0	(1,726)
Regeneration, Culture and Environment	241,753	20,343	71,716	84,357	65,338	0
Housing Revenue Account	25,056	7,607	16,037	0	0	(1,413)
Business Support Department	144,426	3,354	83,061	53,736	4,276	0
Members Priorities	363	0	323	40	0	0
Total	441,075	38,098	185,637	144,588	69,613	(3,139)

- 8.2. The variance on the Children and Adults programme is primarily due to a projected underspend on the SEN school. The SEN Strategy programme is forecast to underspend by £1.718million. The £2.468million budget for the SEN School will now not be required as the Department for Education will deliver the school. There is a pressure of £750,000 on the High Needs Special Places Provision scheme, and Cabinet are asked to approve a virement of this sum from the SEN School scheme to fund this. There is also a small underspend on Basic Needs schemes creating further capacity in available school places. These schemes are mainly funded from Section 106 developer contributions in absence of Basic Needs Grant from government. The directorate reviews the need for additional school places annually and any unused monies will be available for other schools appropriate to a particular development for which a contribution has been agreed.
- 8.3. Whilst there is no projected variance on the Business Support programme it should be noted that the carry forward budget relating to Property and Capital projects of £138.419million was transferred into the Regeneration, Culture and Environment Directorate Regeneration programme following a Council restructure effective from the 2021/22 financial year.
- 8.4. The variance relating to the Housing Revenue Account relates to a planned underspend relating to the planned maintenance programme reported to both Cabinet and Council in February 2021. The budget carried forward for this purpose has been reduced accordingly.

- 8.5. The Round 3 Capital Budget Monitoring Report 2020/21 (agenda item number 7 refers) was presented to the Cabinet on 2 March 2021 through which the Cabinet agreed the following recommendation: *The Cabinet recommended to Council the virement of £499,000 from the Britton Farm Residential Scheme to the Medway Development Co Ltd holding scheme, to fund expenditure on future MDC schemes.* (Decision No. 36/2021 refers). The Council's Constitution states that virements between £150,000 and £1million can be approved by Cabinet and therefore the recommendation should have been for Cabinet to approve this virement rather than recommending it to Full Council for approval. As such, this report includes the corrected recommendation asking Cabinet to approve the virement.

9. Risk management

- 9.1. There are no risk management implications to this report; the revenue and capital outturn position is reported to Cabinet for information only, with the final audited Statement of Accounts presented to the Audit Committee in the Autumn of 2021.

10. Consultation

- 10.1. The results of each round of the revenue and capital budget monitoring have been presented to Members of Cabinet and Overview and Scrutiny Committees throughout the 2020/21 year.

11. Financial implications

- 11.1. The financial implications are set out in the body of this report, however the complexity created by the vast range of additional grants received by the Council throughout the year and the myriad conditions, ringfencing and claw-back arrangements attached to each, make the summary at Table 1 difficult to decipher.
- 11.2. In short, £8.043million of business support funding has been carried forward into earmarked reserves to fund grants to local businesses and individuals during 2021/22. A further £5.415million of other ringfenced grant funding has been carried forward to fund the ongoing costs of our response to and recovery from the pandemic. Finally, the net underspend of £3.918million will be transferred into general reserves, increasing them to £13.115million. However, Members are reminded that £3.155million of general reserves will be required to fund the shortfall in our 2021/22 revenue budget, as agreed by Council on 18 February 2021.

12. Legal implications

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

13. Recommendations

- 13.1. Cabinet is asked to note the 2020/21 revenue and capital outturn position.
- 13.2. Cabinet is asked to approve the virement of £750,000 from the SEN School scheme to fund the pressure on the High Needs Special Places Provision scheme as set out in section 8.2 of this report.
- 13.3. Cabinet is asked to approve the virement of £499,000 from the Britton Farm Residential Scheme to the Medway Development Co Ltd holding scheme, to fund expenditure on future MDC schemes, as set out in section 8.5 of this report and detailed in the Round 3 Capital Budget Monitoring Report presented to Cabinet on 2 March 2021.

14. Suggested reasons for decision

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

Lead officer contact

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Appendices

None

Background papers

Revenue Budget Monitoring 2020/21 Round 1:

<https://democracy.medway.gov.uk/mglIssueHistoryHome.aspx?IId=28338&Opt=0>

Capital Budget Monitoring 2020/21 Round 1:

<https://democracy.medway.gov.uk/mglIssueHistoryHome.aspx?IId=28336&Opt=0>

Revenue Budget Monitoring 2020/21 Round 2:

<https://democracy.medway.gov.uk/mglIssueHistoryHome.aspx?IId=28867>

Capital Budget Monitoring 2020/21 Round 2:

<https://democracy.medway.gov.uk/mglIssueHistoryHome.aspx?IId=28863>

Revenue Budget Monitoring 2020/21 Round 3:

<https://democracy.medway.gov.uk/mglIssueHistoryHome.aspx?IId=29749>

Capital Budget Monitoring 2020/21 Round 3:

<https://democracy.medway.gov.uk/mglIssueHistoryHome.aspx?IId=29744>