

## **CABINET**

**24 AUGUST 2021**

### **REVENUE BUDGET MONITORING 2021/2022 - ROUND 1**

Portfolio Holder: Councillor Alan Jarrett, Leader of the Council

Report from: Phil Watts, Chief Finance Officer

Author: Katey Durkin, Head of Finance Strategy

#### **Summary**

This report presents the result of the first round of the Council's revenue budget monitoring process for 2021/22. The Council's summary position is presented at Table 1, with sections 4-7 providing the detail for each service area.

#### **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 18 February 2021, the Council set a total budget requirement of £351.862million for 2021/22. Since the budget was approved, additional grant funding related to the ongoing Covid-19 pandemic has been received, primarily to deliver the Restart Grants scheme to support Medway's businesses. These additions take the Round 1 budget requirement to a total of £361.995million.

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

### 3. Summary Revenue Budget Position 2021/22

3.1. The forecast outturn for 2021/22 represents a pressure of £8.457million.

	<b>Budget 2021/22 £000's</b>	<b>R1 Forecast Outturn £000's</b>	<b>R1 Forecast Over/(Under) £000's</b>
<i>Budget requirement:</i>			
Children and Adult Services	251,982	260,855	8,873
Regeneration, Culture and Environment	71,168	67,069	(4,099)
Business Support Department	9,632	9,267	(366)
Business Support Centralised Services:			
Interest & Financing	12,676	12,676	0
Levies	1,577	1,625	48
Medway Norse Joint Venture	(460)	(460)	0
C-19 Grant Expenditure	15,420	15,420	0
<b>Budget Requirement</b>	<b>361,995</b>	<b>366,452</b>	<b>4,457</b>
<i>Funded by:</i>			
Council Tax	(137,333)	(137,333)	0
Retained Business Rates & Baseline Need Funding	(59,900)	(59,900)	0
New Homes Bonus	(986)	(986)	0
Dedicated Schools Grant	(95,753)	(95,753)	0
Other Schools Grants	(3,653)	(3,653)	0
Adult Social Care Grants	(13,191)	(13,191)	0
Public Health Grant	(17,581)	(17,581)	0
Budgeted Use of Reserves	(4,005)	(4,005)	0
C-19 Ringfenced Grant Income	(15,420)	(15,420)	0
C-19 Non-ringfenced Grant Income	(14,173)	(10,173)	4,000
<b>Total Available Funding</b>	<b>(361,995)</b>	<b>(357,995)</b>	<b>0</b>
<b>Net Forecast Variance</b>	<b>0</b>	<b>8,457</b>	<b>8,457</b>

## 4. Children and Adults

- 4.1. The Directorate forecast is a pressure of £8.873million, with details of the forecasts in each service area within the Directorate set out in the tables below.

Adult Social Care	Budget 2021/22 £000's	R1 Forecast Outturn £000's	R1 Forecast Over/(Under) £000's
Assistant Director Adult Social Care	(2,337)	(2,307)	30
Locality Services	72,684	73,687	1,003
Business Operations & Provider Services	3,919	3,851	(68)
Specialist Services/Principal Social Worker	1,875	1,956	82
<b>Total</b>	<b>76,141</b>	<b>77,187</b>	<b>1,046</b>

Adult Social Care is forecast to overspend by £1.046million, primarily arising in Locality Services:

	Budget 2021/22 £000's	R1 Forecast Outturn £000's	R1 Forecast Over/(Under) £000's
Disability Services	43,327	43,950	623
Mental Health Services	6,721	7,167	446
Older People Services	16,363	16,389	26
Staffing – Locality Services	6,273	6,181	(92)
<b>Total</b>	<b>72,684</b>	<b>73,687</b>	<b>1,003</b>

In both Disability Services and Mental Health Services, the pressure is driven by increases in the number and unit costs of Supported Living placements. The forecast assumes 32 additional clients/1,131 client weeks compared to the budget alongside increase in the average unit cost of £80 per week (0.8%) across these types of placement. The R1 forecast and the activity data below allow for additional placements at the rate of one per month.

	Budget			R1 Forecast		
	Clients	Client weeks	Ave gross weekly cost	Clients	Client weeks	Ave gross weekly cost
Learning Disability Supported Living	181	9,437	£1,103	195	9,922	£1,191
Physical Disability Supported Living	20	1,043	£1,198	22	1,147	£1,284
Mental Health Supported Living	84	4,369	£807	100	4,911	£874

While negotiations with providers to reduce costs are taking place, the limited number of providers available weakens the Council's position.

The pressure forecast on Older People Services assumes 191 placements/9,928 client weeks compared to the budgeted level of 185 placements/9,646 weeks; this may represent the increasing complexity of hospital discharge placements which require nursing services rather than having their needs met in residential homes. The Integrated Discharge Team monitor all discharges through this route (Pathway 3) and challenge decisions when appropriate, to ensure that only people who need nursing care receive it.

The Assistant Director Adult Social Care budget includes the Better Care Funding, voluntary sector contracts and the cost of the Social Care Systems Team and divisional Management Team. The forecast pressure of £30,000 relates to payments to voluntary sector organisations.

Children's Services	Budget 2021/22 £000's	R1 Forecast Outturn £000's	R1 Forecast Over/(Under) £000's
Children's Care Management	858	864	5
Head of Provider Services	0	0	0
Head of Safeguarding & Quality Assurance	3,112	3,094	(18)
Head of Safeguarding	2,970	2,970	0
Virtual Head	451	470	20
Children's Care Improvement	(686)	(686)	0
Children In Care	32,051	41,203	9,152
Children's Social Work Team	7,642	7,008	(634)
Early Help, Youth, Mash & Adolescents	6,312	5,439	(873)
Business Support	1,738	1,663	(75)
<b>Total</b>	<b>54,447</b>	<b>62,024</b>	<b>7,577</b>

Children's Services is forecast to overspend by £7.577million, with three key variances across the services: an overspend on placements, the under-delivery of budgeted savings, and an underspend on staffing budgets.

Placements: The forecast on placements and client related expenditure for Children in Care (including edge of care) is a pressure of £5.822million. The pressure is primarily driven by increases in the number and unit costs of Residential, Supported Accommodation and Independent Fostering Agency placements. The forecast assumes an average of 80 additional placements/1,292 client weeks compared to the budget alongside an increase in the average unit costs of all placement types, with the greatest increases shown below. The R1 forecast and the activity data below allow for additional placements at the rate of 8 children/£122,000 per month.

	Budget			R1 Forecast		
	Clients	Client weeks	Ave gross weekly cost	Clients	Client weeks	Ave gross weekly cost
Residential	47	2,438	£3,919	54	2,758	£4,449
Supported Accommodation	56	2,340	£702	65	3,324	£1,246
Independent Fostering Agency	112	5,817	£1,002	170	7,351	£1,079

The average costs hide a significant variation in the cost of individual placements:

	Highest cost £	Lowest cost £
Residential	10,500	990
Supported Accommodation	12,857	51
Independent Fostering Agency	3,665	404

Budgeted savings: The Place Planning Strategy and Budget for 2021/22 included six key areas of work on where investment of £2.691million was made to enable the delivery of savings of £4.110million. While work is underway to progress these areas of work, the R1 forecast assumes only £1million of the savings budgeted will be delivered, resulting in a pressure of £3.110million, primarily manifesting on the Children in Care budget.

Staffing: During the 2020/21 budget build process, it was agreed to cost all posts for Children's Services at the top of the grade to ensure the availability of funding to provide career progression payments. During 2020/21 only a small proportion of staff qualified for this progression, and the assuming in the 2021/22 forecast is that only a similar number will become eligible in 2021/22. This results in a forecast underspend of £1.573million.

Directorate Management Team	Budget 2021/22 £000's	R1 Forecast Outturn £000's	R1 Forecast Over/(Under) £000's
Directorate Management Team	613	615	2
<b>Total</b>	<b>613</b>	<b>615</b>	<b>2</b>
No significant variances.			

Education	Budget 2021/22 £000's	R1 Forecast Outturn £000's	R1 Forecast Over/(Under) £000's
School Organisation & Student Services	1,211	1,385	174
Psychology & Special Educational Needs	33,207	33,362	155
School Improvement	(248)	(125)	123
Special Educational Needs & Disabilities Transport	6,190	6,310	120
Inclusions	2,784	2,650	(133)
School Online Services	26	60	35
Education Management Team	46	34	(12)
Early Years Sufficiency	16,622	16,622	0
<b>Total</b>	<b>59,838</b>	<b>60,299</b>	<b>461</b>

Education is forecast to overspend by £461,000; a pressure of £322,000 on the General Fund and £139,000 on the Dedicated Schools Grant (DSG).

General Fund Services:

- Special Educational Needs & Disabilities (SEND) Transport – a pressure of £120,000 is forecast arising from the ongoing requirements to ensure social distancing until July, with the forecast assuming that a normal service will be operating from September.
- Mainstream Home to School Transport – a pressure of £174,000 is forecast as an invoice for £233,000 relating to the Spring term of 2021 was not accrued to the 2020/21 financial year in error.
- A range of small pressures and underspends across the Attendance Advisory Service to Schools and Academies (ASSA), Medway Grid for Learning and Schools Traded Services collectively add a pressure of £28,000.

DSG Services: A range of small pressures and underspends across the admissions, planning and review, school improvement and the education management teams collectively adding a pressure of £139,000 which will be transferred into the DSG. However as these services are funded from the schools block the reserve transfer forms part of the Schools Retained Grant Funding division, not Education.

A pressure of £4.398million is forecast on the DSG due to the ongoing pressure on the High Needs Block and SEND. The significant increases in the number of children with Educational Health and Care Plans in Medway combined with a lack of special school and resource unit places locally continues to drive high cost independent school places and out of area placements. As at 31 March 2021, the deficit on the DSG reserve was £14.552million. The R1 forecast assumes that the £4.398million forecast overspend in 2021/22 will be transferred to the DSG reserve, taking the total cumulative deficit to £18.950million by March 2022.

<b>Partnership Commissioning &amp; Business Intelligence</b>	<b>Budget 2021/22 £000's</b>	<b>R1 Forecast Outturn £000's</b>	<b>R1 Forecast Over/(Under) £000's</b>
Adults Commissioning	298	316	18
Children's Commissioning	1,486	1,421	(65)
C&A Performance & Intelligence	512	521	9
<b>Total</b>	<b>2,296</b>	<b>2,258</b>	<b>(38)</b>

The service is forecast to underspend by £38,000 primarily due to delays in recruiting to vacant posts.

<b>Public Health</b>	<b>Budget 2021/22 £000's</b>	<b>R1 Forecast Outturn £000's</b>	<b>R1 Forecast Over/(Under) £000's</b>
Public Health Management	1,199	1,049	(150)
Public Health Commissioning	5,608	5,708	100
Business Development	196	196	0
Drug and Alcohol Action Team	1,944	1,944	0
Health Improvement Programmes	3,321	3,371	50
Stop Smoking Services	396	396	0
Supporting Healthy Weight	1,329	1,329	0
<b>Total</b>	<b>13,991</b>	<b>13,991</b>	<b>0</b>

The service is forecast to budget as while activity levels have increased i.e., the Healthcheck programme, this is being funded from Public Health reserves.

Additional Public Health funding has been received during R1 through the Additional Drug Treatment and Harm Reduction Activity Grant, with Medway's allocation £214,000.

<b>Schools Retained Funding &amp; Grants</b>	<b>Budget 2021/22 £000's</b>	<b>R1 Forecast Outturn £000's</b>	<b>R1 Forecast Over/(Under) £000's</b>
Finance Provisions	1,562	1,558	(4)
Hr Provisions	677	425	(252)
School Grants	42,417	42,499	81
<b>Total</b>	<b>44,656</b>	<b>44,481</b>	<b>(174)</b>

Schools Retained Funding & Grants is forecast to underspend by £174,000; the General Fund services are forecast to budget, with the underspend relating to schools historic pensions and redundancy costs on the DSG funded services.

## 5. Regeneration, Culture and Environment

- 5.1. The Directorate forecast is an underspend of £4.099million, with details of the forecasts in each service area set out in the tables below.

<b>Communications &amp; Marketing</b>	<b>Budget 2021/22 £000's</b>	<b>R1 Forecast Outturn £000's</b>	<b>R1 Forecast Over/(Under) £000's</b>
Communications & Marketing	20	15	(5)
<b>Total</b>	<b>20</b>	<b>15</b>	<b>(5)</b>

The service is forecast to underspend by £5,000 as a range of small pressures across supplies/services and income budgets are offset by savings from the postponement of the

Local Government Association Conference and additional income from the Housing Infrastructure Fund for direct communications support provided.

Culture & Community	Budget 2021/22 £000's	R1 Forecast Outturn £000's	R1 Forecast Over/(Under) £000's
Sport, Leisure, Tourism & Heritage	3,539	5,502	1,963
Cultural Services	1,688	2,161	473
Planning	1,483	1,821	339
South Thames Gateway Partnership	135	127	(7)
Strategic Housing	6,325	6,325	0
Libraries & Community Hubs	3,817	3,834	17
Culture & Community Support	4,534	139	(4,395)
<b>Total</b>	<b>21,521</b>	<b>19,910</b>	<b>(1,611)</b>

The Culture & Community division forecast is a net underspend of £1.540million.

Actual income in Sport, Leisure, Tourism and Heritage (SLTH) is forecast as a pressure of £1.963million compared to budget. Leisure Centres reopened on 12 April and direct debits resumed on 1 May; income at all centres is forecast at 40% of the budget. Direct debit income is currently 40% of the level achieved in June 2019, however membership numbers are climbing and the SLTH income forecast for 2021/22 is broadly in line with the income received last year from customers and through the government's Sales, Fees and Charges Income Compensation Scheme (SFC) combined:

2020/21 budget £	2020/21 actual income £	2020/21 Government SFC Income Compensation £	2021/22 budget £	2021/22 R1 forecast £
3,531,578	642,512	1,998,391	3,539,190	1,197,369

For 2021/22 only the income shortfall on SLTH is funded from additional one-off budget allocations held in the Cultural & Community Support, reflected as an underspend there compensating for income pressures throughout the division

The forecast for Cultural Services (encompassing Arts, Theatres, Events and the Corn Exchange) is a pressure of £473,000 compared to budget, primarily driven by an income shortfall on the Theatres resulting from the pandemic. While the Theatres are working towards re-opening in September, 75% of the main theatre hires at the Book have been lost/deferred to 2022/23 and room hire is also down by 75% meanwhile the Central Theatre income is down by c50% with no hire shows, fewer professional hires and the cancellation of community hires. As in Sport, Leisure, tourism and Heritage this is funded from additional one-off budget allocations held in the Cultural & Community Support. In addition to the shortfall in income projected, there is a pressure of £66,000 on Theatres and of £40,000 on the forecast for Festivals & Events both relating to shortfalls in the delivery of savings targets from prior years.

The Planning forecast is a pressure of £339,000. Though no income shortfall is forecast, a pressure of £336,000 is forecast against Public Inquiry & Consultant Fees, reflecting the continued cost of the Inquiry at Pump Lane and an estimate of the cost of a further two Inquiries for Castle Street Upnor and Gibraltar Farm Lordswood.

The South Thames Gateway Partnership forecast is a small favourable variance of £7,000 as Medway's contribution is below the budget for this service.

Strategic Housing is forecast to budget however within this, an underspend of £579,000 on against a government grant for Homelessness Prevention is offset by an overspend on Temporary Accommodation. The forecast assumes 275 units of Temporary Accommodation



will be in use throughout the year at an average of £35 per night; this represents an additional 30 households to allow for the impact of the courts reopening and the anticipated level of evictions of private sector tenants.

The Libraries & Community Hubs actual income forecast is a shortfall of £17,000, compensated by a one-off budget allocation held in the Cultural & Community Support.

The additional one-off budget allocation to compensate for income shortfalls across Culture & Communities is held in the Culture & Community Support division, offsetting the following pressures:

Leisure Centres	£1,758,255
Heritage	£196,971
Culture	£491,462
Skills & Employability	£92,284
Economic Development	£62,057
Libraries	£70,057

The one-off budget allocation to offset income shortfalls was based on the 2020/21 actual income, however services income levels are recovering faster than anticipated and as a result this allocation is £1.700million more than the requirement, adding to the underspend here. Finally, in addition to the underspend above, the Culture & Community Support forecast is an underspend of £41,000 from vacancy savings.

<b>Deangate Golf</b>	<b>Budget 2021/22 £000's</b>	<b>R1 Forecast Outturn £000's</b>	<b>R1 Forecast Over/(Under) £000's</b>
Deangate Golf	37	37	0
<b>Total</b>	<b>37</b>	<b>37</b>	<b>0</b>
The service is forecast to budget.			

<b>Director's Office</b>	<b>Budget 2021/22 £000's</b>	<b>R1 Forecast Outturn £000's</b>	<b>R1 Forecast Over/(Under) £000's</b>
Director's Office	5,883	1,282	(4,601)
<b>Total</b>	<b>5,883</b>	<b>1,282</b>	<b>(4,601)</b>

The additional one-off budget allocation to compensate for income shortfalls in Front Line Services is held here. The underspend offsets the following pressures in the Front Line Services division:

Parking	£1,911,271
Green Spaces	£60,523
Regulatory Services	£35,899
Integrated Transport	£30,000

The one-off budget allocation to offset income shortfalls was based on the 2020/21 actual income, however services income levels are recovering faster than anticipated and as a result this allocation is £2.544million more than the requirement, adding to the underspend here.

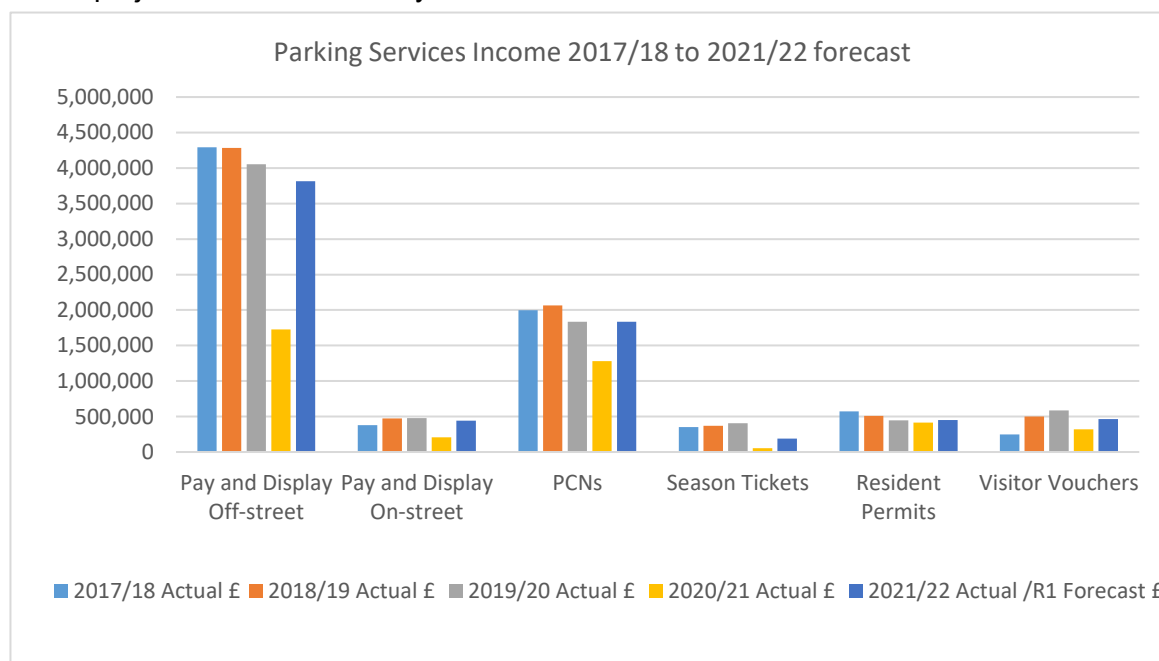
In addition, the Director's Office forecast is an underspend of £20,000 from vacancy and supplies/services savings.



Front Line Services	Budget 2021/22 £000's	R1 Forecast Outturn £000's	R1 Forecast Over/(Under) £000's
Front Line Services Support	737	700	(36)
Highways	6,874	7,147	273
Parking Services	(4,408)	(2,707)	1,701
Environmental Services	28,330	28,047	(283)
Integrated Transport	6,896	7,004	108
Regulatory Services	1,041	990	(51)
Greenspaces	4,929	5,034	105
<b>Total</b>	<b>44,398</b>	<b>46,214</b>	<b>1,816</b>

The Front Line Services division forecast is a net pressure of £1.816million, offset by the underspend on the Director's Office which holds the one-off budget allocation to compensate for income shortfalls in 2021/22.

Actual income in Parking Services is forecast as a pressure of £1.911million compared to budget. For 2021/22 only this is funded from additional one-off budget allocations held in the Director's Office, reflected as an underspend there compensating for income pressures throughout Front Line Services. The income pressure is reduced by vacancy savings across Parking Services of £84,000, savings on premises costs of £65,000 as only essential maintenance works have been carried out, a saving of £27,000 on cash collection fees and a saving of £31,000 across a range of supplies and services budgets. The chart below shows the income across the elements of Parking Services and demonstrates the extent to which this is projected to recover this year.



The Highways forecast is a pressure of £273,000 resulting from a reduction in the level of salaries charged to capital schemes, as required by the Council's external auditor following the audit of the 2019/20 Statement of Accounts.

The Environmental Services forecast is an underspend of £238,000. The Norse waste collection contract is currently anticipated to produce a saving of £100,000 and the higher than budgeted waste diversion rate of 85% is forecast to generate a saving of £92,000 on the Materials Recycling Facility budget. Though bookings through the Bulky Waste Collections services are lower than 2020/21, the income forecast for this year is nonetheless £29,000 in excess of the budget.

The Integrated Transport forecast is a net pressure of £108,000. A shortfall on income of £30,000 is offset by a compensating budget in the Director's Office. A pressure of £334,000 results from a reduction in the level of salaries charged to capital schemes however this is mitigated by additional Road Regulations Traffic Orders income of £145,000, vacancy savings of £63,000 and a range of smaller operational cost savings totalling £57,000.

The Greenspaces forecast is a pressure of £105,000; £61,000 is a shortfall in income while the cost of increased water charges at the various facilities adds £43,000.

The Regulatory Services forecast is an underspend of £50,000; a shortfall in income of £36,000 and a range of small supplies and services pressures totalling £19,000 are more than offset by vacancy savings of £101,000.

Front Line Services Support is forecast to underspend by £36,000 due to vacancy and supplies and services savings on Emergency Planning and management support.

<b>MCG Services</b>	<b>Budget 2021/22 £000's</b>	<b>R1 Forecast Outturn £000's</b>	<b>R1 Forecast Over/(Under) £000's</b>
MCG Services	673	673	0
<b>Total</b>	<b>673</b>	<b>673</b>	<b>0</b>

The service is forecast to budget.

<b>Regeneration</b>	<b>Budget 2021/22 £000's</b>	<b>R1 Forecast Outturn £000's</b>	<b>R1 Forecast Over/(Under) £000's</b>
Medway Norse	0	76	76
Property & Capital Projects	1,040	1,553	513
Regeneration Delivery	826	711	(115)
Valuation & Asset Management	(3,753)	(3,928)	(175)
Economic Development	512	469	(44)
Skills & Employability	11	58	47
<b>Total</b>	<b>(1,365)</b>	<b>(1,062)</b>	<b>303</b>

The Regeneration division forecast is a net pressure of £303,000.

The Property & Capital Projects forecast is a pressure of £513,000 driven by three key items;

- Unachievable miscellaneous receipts income targets of £293,000,
- A reduction in the level of salaries charged to capital schemes of £163,000 as required by the Council's external auditor following the audit of the 2019/20 Statement of Accounts, and
- Shortfalls on the budgets for rent, business rates, security and insurances for Kingsley House.

The Valuation & Asset Management service forecast is an underspend of £175,000. A reduction on business rates payable and additional rent results in an underspend on commercial properties of £114,000. The latest information from Elandi, the Council's Managing Agents for the Pentagon forecasts an underspend on the Pentagon, chiefly due to the surrender premium and retention payments received from Virgin Media and Boots respectively.

Regeneration Delivery is forecast to underspend by £115,000 as a budget identified to fund elements of the HIF project not claimable from Homes England was in excess of requirement.

The Medway Norse core contract forecast is a pressure of £76,000 as the impact of variation orders agreed was less than anticipated and an additional contract was agreed after the budget was set.

The Skills & Employability forecast is a pressure of £48,000 as the additional unbudgeted cost of delivering virtual lessons of £80,000 is partly mitigated by increases in income of £22,000 and savings on tutors, supplies and services of £10,000.

The Economic Development forecast is an underspend of £44,000 as a shortfall on income is more than offset by increased rental income at the ICM, vacancy savings, premises costs and supplies and services.

## 6. Housing Revenue Account

Housing Revenue Account	Budget 2021/22 £000's	R1 Forecast Outturn £000's	R1 Forecast Over/(Under) £000's
Housing Revenue Account	352,000	644,300	292,300
<b>Total</b>	<b>352,000</b>	<b>644,300</b>	<b>292,300</b>

The Housing Revenue Account forecast is a pressure of £292,000. The pressure is primarily driven by the loss of income on void properties and the additional cost of repairs to these properties. The Council's contractor Mears reports shortages of both staff and materials and as such they are unable to complete works to the timescales anticipated in the budget. In addition the pandemic has resulted in an increased number of void properties and in some cases, it is taking longer than normal to relet the properties.

## 7. Business Support and Centralised Services

7.1. The forecast on Business Support Services is an underspend of £366,000, while the forecast on Centralised Services is £48,000, bringing the net forecast to an underspend of £318,000. The details of the forecasts in each service area within the Department is set out in the tables below.

Corporate Management	Budget 2021/22 £000's	R1 Forecast Outturn £000's	R1 Forecast Over/(Under) £000's
Corporate Management	1,838	1,555	(284)
<b>Total</b>	<b>1,838</b>	<b>1,555</b>	<b>(284)</b>

The Corporate Management forecast is an underspend of £284,000. An underspend of £186,000 in pension payments to KCC (including a refund on prior years) and additional unbudgeted income and grants of £133,000 offset a pressure of £26,000 on valuation fees required for the Council's external audit.

Finance & Business Improvement	Budget 2021/22 £000's	R1 Forecast Outturn £000's	R1 Forecast Over/(Under) £000's
Internal Audit & Counter Fraud	0	(21)	(20)
Rural Liaison Grants	73	73	0
Finance Strategy	0	(87)	(87)
Revenues & Benefits	4,094	4,299	205
Finance Operations	(54)	(155)	(101)
ICT	246	380	134
Community Interpreters	(83)	(54)	29
Digital	657	632	(25)
Business Change	685	685	0
Business Intelligence	0	(48)	(48)

<b>Finance &amp; Business Improvement</b>	<b>Budget 2021/22 £000's</b>	<b>R1 Forecast Outturn £000's</b>	<b>R1 Forecast Over/(Under) £000's</b>
Customer & Business Support	(1)	(35)	(35)
<b>Total</b>	<b>5,616</b>	<b>5,668</b>	<b>52</b>

The Finance & Business Improvement forecast is a pressure of £52,000.

The Revenues & Benefits forecast is a pressure of £205,000. The Benefit Payments forecast is a pressure of £150,000 as the saving from the continued reduction in the Rent Allowance caseload is offset by the reduction in the level of subsidy the remaining caseload attracts. A further pressure arises from the DWP suspension of deductions from ongoing benefits during the pandemic, reducing the level of Housing Benefit Overpayment recovery. The Medway Revenues and Benefits Service forecast is a net pressure of £48,000 as pressures across government grant, staffing and software codes are mostly offset by savings on a range of other codes.

ICT are forecast to overspend by £134,000, primarily due to the increase in unit cost for the Microsoft Office 365 licences, along with pressures on the cost of centralised ICT software which are mitigated by vacancy savings in the service.

Vacancy savings are the primary driver of the underspends forecast on all other areas of the division.

<b>Human Resources</b>	<b>Budget 2021/22 £000's</b>	<b>R1 Forecast Outturn £000's</b>	<b>R1 Forecast Over/(Under) £000's</b>
Human Resources	(25)	4	29
<b>Total</b>	<b>(25)</b>	<b>4</b>	<b>29</b>

The payroll service forecast is a pressure of £54,000 as fewer schools than budgeted now buy this service from the Council while a pressure of £28,000 on Workforce Development relates to expenditure required in excess of budget from the social work fund. These are mitigated by vacancy savings across the service.

<b>Legal &amp; Governance</b>	<b>Budget 2021/22 £000's</b>	<b>R1 Forecast Outturn £000's</b>	<b>R1 Forecast Over/(Under) £000's</b>
Democratic Services	662	609	(53)
Members & Elections	1,660	1,649	(11)
Category Management	0	97	97
Legal, Land Charges & Licensing	(119)	(315)	(196)
<b>Total</b>	<b>2,203</b>	<b>2,040</b>	<b>(163)</b>

The divisional forecast is an underspend of £163,000.

Legal, Land Charges and Licensing are forecast to underspend by £196,000. In Legal Services, the reduction in the level of charge from the non-shared service to capital schemes of £76,000 as required following the audit of the 2019/20 financial statements is offset by savings of £185,000 on permanent staff and £39,000 on agency staff, and on printing and courier costs of £27,000. The Licensing forecast is an underspend of £32,000 as income pressures from premises and temporary event licenses due to the pandemic are mitigated by additional income from other licenses and a reduction in the cost of the shared service contribution to Gravesham Borough Council.

The Category Management forecast is a pressure of £97,000 primarily driven by the reduction in the level of charge from the team to capital schemes of £192,000 as required following the audit of the 2019/20 financial statements. A further pressure of £25,000 on income from

<b>Legal &amp; Governance</b>	<b>Budget 2021/22 £000's</b>	<b>R1 Forecast Outturn £000's</b>	<b>R1 Forecast Over/(Under) £000's</b>
external sources arises as the team are not fully resourced, however the resultant vacancy savings of £113,00 reduce the net pressure.			
In addition, there are vacancy savings forecast in Democratic Services of £53,000 in Members and Elections of £11,000.			

<b>Centralised Services</b>	<b>Budget 2021/22 £000's</b>	<b>R1 Forecast Outturn £000's</b>	<b>R1 Forecast Over/(Under) £000's</b>
Interest & Financing	12,676	12,676	0
Levies	1,577	1,625	48
Medway Norse Profit Share	(460)	(460)	0
<b>Total</b>	<b>13,793</b>	<b>13,841</b>	<b>48</b>
The forecast on these is a pressure of £48,000, relating to Levies. A pressure of £32,000 is forecast on the Coroners Service operated by Kent County Council, driven by use of agency and specialist staff and ICT equipment. Investment in technology to deliver digital autopsy capabilities is anticipated to reduce the cost of the service in the longer term. There is a further £13,000 pressure on the Lower Internal Drainage Board (LIDB) levy despite £23,000 having been added to the budget for 2021/22 as the LIDB have increased the levy further this year.			

## 8. Covid-19

<b>Covid-19 Expenditure</b>	<b>Budget 2021/22 £000's</b>	<b>R1 Forecast Outturn £000's</b>	<b>R1 Forecast Over/(Under) £000's</b>
C&A related	4,469	4,469	0
RCE related	0	350	350
BSD related	10,950	11,052	102
<b>Total</b>	<b>15,419</b>	<b>15,871</b>	<b>452</b>
In addition to core expenditure outlined in the sections above, the forecast includes Covid-19 related expenditure not funded from ring-fenced grants of £452,000 which will be funded from the 2021/22 allocation of the Contain Outbreak Management Fund and from the element of Covid-19 related grants received in 2020/21 now held in the Council's reserves.			
The budget for 2021/22 assumed that the government's Sales, Fees and Charges Income Compensation Scheme would continue to operate until pressures caused by Covid-19 are significantly reduced, and services can therefore resume income generating operations. As such, the proposed budget assumed income pressures in Regeneration, Culture and Environment and Business support totalling £9.657million would be partially mitigated by income received through the scheme of £6.309million. The government has since confirmed the scheme ended on 30 June 2021, and as such the forecast against this grant has been reduced, resulting in a pressure on the Revenue Budget Funding of £4million.			

## 9. Conclusions

- 9.1. The first round of revenue budget monitoring for 2021/22 projects a pressure of £8.457million. The Corporate Management Team will work with Portfolio Holders to identify and implement management action to reduce this overspend before the end of the financial year.

## 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. It is recommended that the Cabinet notes the results of the first round of revenue budget monitoring for 2021/2022.

### 14. Suggested reason for decision

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

### Lead officer contact

Katey Durkin, Head of Finance Strategy, 01634 33 23 55  
[katey.durkin@medway.gov.uk](mailto:katey.durkin@medway.gov.uk)

### Appendices

None

### Background papers

None