

CABINET

16 NOVEMBER 2021

REVENUE BUDGET MONITORING 2021/22 ROUND 2

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 second 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 2 budget requirement to a total of £364.497million.

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 £8.495million, a worsening of £39,000 compared to the position reported at Round 1.

Directorate	R1 Forecast Over/(Under) £000's	Budget 2021/22 £000's	R2 Forecast £000's	R2 Forecast Over/(Under) £000's
<i>Budget requirement:</i>				
Children and Adult Services	8,873	252,888	262,585	9,697
Regeneration, Culture and Environment	(4,099)	71,321	65,450	(5,871)
Business Support Department	(366)	9,798	9,337	(462)
Business Support Centralised Services:				0
Interest & Financing	0	12,171	12,171	0
Levies	48	1,577	1,632	55
Medway Norse Joint Venture	0	(460)	(460)	0
C-19 Grant Expenditure	0	17,201	17,201	0
Budget Requirement	4,456	364,497	367,917	3,420
<i>Funded by:</i>				
Council Tax	0	(137,333)	(137,333)	0
<i>Retained Business Rates & Baseline Need Funding</i>	0	(59,900)	(59,900)	0
New Homes Bonus	0	(986)	(986)	0
Dedicated Schools Grant	0	(99,406)	(99,792)	(386)
Adult Social Care Grants	0	(13,911)	(13,911)	0
Public Health Grant	0	(17,581)	(17,581)	0
Use of Reserves	0	(4,005)	(4,005)	0
C-19 Ringfenced Grant Income	0	(17,201)	(17,201)	0
C-19 Non-ringfenced Grant Income	4,000	(14,173)	(8,711)	5,462
Total Available Funding	4,000	(364,497)	(359,421)	5,076
Net Forecast Variance	8,456	0	8,495	8,495

4. Children and Adults

- 4.1. The Directorate forecast is a pressure of £9.697million, a worsening of £824,000 compared to the Round 1 forecast. Details of the forecasts in each service area within the Directorate are set out in the tables below.

Adult Social Care	R1 Forecast Over/(Under) £000's	Budget 2021/22 £000's	R2 Forecast £000's	R2 Forecast Over/(Under) £000's
Assistant Director Adult Social Care	30	(2,289)	(2,281)	8
Locality Services	1,003	73,404	74,631	1,226
Business Operations & Provider Services	(68)	3,919	3,790	(129)
Specialist Services/Principal Social Worker	82	1,875	2,078	203
Total	1,047	76,909	78,217	1,308

Adult Social Care is forecast to overspend by £1.308million, a worsening of £261,000 compared to Round 1, with the majority of the pressure continuing to arise in Locality Services:

	R1 Forecast Over/(Under) £000's	Budget 2021/22 £000's	R2 Forecast £000's	R2 Forecast Over/(Under) £000's
Disability Services	623	43,327	44,602	572
Mental Health Services	446	6,721	7,144	406
Older People Services	26	16,363	16,523	159
Staffing - Locality Services	(92)	6,273	6,362	89
Total	1,003	72,684	74,631	1,226

The key areas of pressure continue to be the higher than budgeted number and unit cost of Supported Living placements in Disability Services and Mental Health Services, however the Round 2 forecast on these areas represents a reduction of £91,000 compared to Round 1. The forecast assumes 30 additional clients/1,031 client weeks compared to the budget alongside an increase in the average weekly cost of £37 across these types of placements. The forecast continues to allow for additional placements at the rate of one per month.

	Budget			Round 2 Forecast		
	Clients	Client weeks	Ave gross weekly cost	Clients	Client weeks	Ave gross weekly cost
Learning Disability Supported Living	181	9,437	£1,103	193	9,820	£1,078
Physical Disability Supported Living	20	1,043	£1,198	22	1,147	£1,284
Mental Health Supported Living	84	4,369	£807	100	4,913	£858

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

The pressure on Older People Services has increased by a net £133,000 compared to Round 1. The forecast now assumes 197 Nursing placements/10,229 client weeks compared to the budgeted level of 185 placements/9,646 client weeks and 349 residential placements/18,002 client weeks compared to the budgeted level of 333 placements/17,363 client weeks. The largest area of overspend continues to be around nursing placements, reflecting 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 overall increase is partially mitigated by an increase in the forecast level of income from client contributions.

The forecast cost of staffing has increased by £181,000 compared to Round 1 as a number of posts that were forecast to remain vacant at Round 1 now forecast as being filled either by permanent recruits or agency staff.

Children's Services	R1 Forecast Over/(Under) £000's	Budget 2021/22 £000's	R2 Forecast £000's	R2 Forecast Over/(Under) £000's
Children's Care Management	5	946	859	(87)
Head of Provider Services	0	0	0	0
Head of Safeguarding & Quality Assurance	(18)	3,112	3,094	(18)
Head of Safeguarding	0	2,970	2,982	12
Virtual Head	20	451	483	32
Children's Care Improvement	0	(686)	(681)	5
Children In Care	9,152	32,051	41,441	9,390
Children's Social Work Team	(634)	7,642	7,283	(360)
Early Help, Youth, Mash & Adolescents	(873)	6,312	5,302	(1,010)
Business Support	(75)	1,738	1,647	(90)
Total	7,577	54,535	62,410	7,875

Children's Services is forecast to overspend by £7.875million, a worsening of £298,000 compared to Round 1. The three key variances across the services continue to be 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 £6.330million, an increase of £508,000 compared to the Round 1 position. The pressure continues to arise from higher than budgeted numbers and increasing unit costs for Residential, Supported Accommodation and Independent Fostering Agency placements. The forecast now assumes a part-year effect of 100 additional placements/4,257 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 R2 forecast and the activity data below allow for additional placements at the rate of 8 children/£122,000 per month.

	Budget			Round 2 Forecast		
	Clients	Client weeks	Ave gross weekly cost	Clients	Client weeks	Ave gross weekly cost
Residential	47	2,438	£3,919	62	2,976	£4,895
Supported Accommodation	56	2,340	£702	83	3,381	£1,246
Independent Fostering Agency	112	5,817	£1,002	170	8,495	£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
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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 Round 2 forecast assumes only £1million of the savings budgeted will be delivered (as per the Round 1 position), 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 assumption in the Round 2 forecast is that only a similar number will become eligible in 2021/22. This results in a forecast underspend of £1.478million.

Directorate Management Team	R1 Forecast Over/(Under) £000's	Budget 2021/22 £000's	R2 Forecast £000's	R2 Forecast Over/(Under) £000's
Directorate Management Team	2	641	621	(21)
Total	2	641	621	(21)

The Directorate Management Team is forecast to underspend by £21,000, an improvement of £23,000 compared to Round 1 as the Division's share of the one off 'thank you payments' for Council staff (announced by the Leader in the February 2021 budget setting) is now reflected as an underspend here, offsetting the cost of these payments which are reflected in each of the services in this Division.

Education	R1 Forecast Over/(Under) £000's	Budget 2021/22 £000's	R2 Forecast £000's	R2 Forecast Over/(Under) £000's
School Organisation & Student Services	174	1,211	1,411	200
Psychology & Special Educational Needs	155	33,207	33,238	30
School Improvement	123	(248)	(123)	125
Special Educational Needs & Disabilities Transport	120	6,190	6,259	69
Inclusions	(133)	2,784	2,813	29
School Online Services	35	26	38	13
Education Management Team	(12)	68	39	(29)
Early Years Sufficiency	0	16,622	16,622	0
Total	462	59,860	60,297	437

Education is forecast to overspend by £437,000, a pressure of £290,000 on the General Fund and £147,000 on the Dedicated Schools Grant (DSG). This is an improvement of £25,000 compared to Round 1.

General Fund Services:

- Special Educational Needs & Disabilities (SEND) Transport – a pressure of £70,000 arising from the ongoing requirements to ensure social distancing until July, with a normal service in operation from September. The improvement of £50,000 from Round 1 is due to a slightly lower number of pupils being transported than anticipated in round 1.

- Mainstream Home to School Transport – a pressure of £134,000 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. The worsening of £30,000 from Round 1 is due to a slightly higher number of pupils being transported than anticipated in round 1.
- A range of small pressures and underspends across the Attendance Advisory Service to Schools and Academies (ASSA), Medway Grid for Learning, Admissions and Schools Traded Services collectively add a pressure of £80,000. The worsening of £52,000 from Round 1 is mainly due to higher salaries paid on a service wide restructure than anticipated in Round 1 and small reductions in income from school buy backs.

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 £147,000. This is broadly in line with the Round 1 forecast and 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 £3.821million is forecast on the DSG due to the ongoing pressure on the High Needs Block and SEND. This is an improvement of £577,000 compared to Round 1 due to savings achieved in progressing the high needs recovery plan and a reduced allowance for new pupils in future months. 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 Round 2 forecast assumes that the £3.821million forecast overspend in 2021/22 will be charged to the DSG reserve, taking the total cumulative deficit to £18.373million by March 2022.

Partnership Commissioning & Business Intelligence	R1 Forecast Over/(Under) £000's	Budget 2021/22 £000's	R2 Forecast £000's	R2 Forecast Over/(Under) £000's
Adults Commissioning	18	298	308	10
Children's Commissioning	(65)	1,486	1,455	(31)
C&A Performance & Intelligence	9	512	532	20
Total	(38)	2,296	2,295	(1)

Partnership Commissioning & Business Intelligence is forecast to underspend by £1,000, a worsening of £37,000 compared to Round 1. This is due to a projected increase in the cost of wellbeing services for young people and work is ongoing to see how this increase can be mitigated.

Public Health	R1 Forecast Over/(Under) £000's	Budget 2021/22 £000's	R2 Forecast £000's	R2 Forecast Over/(Under) £000's
Public Health Management	(150)	1,199	1,065	(133)
Public Health Commissioning	100	5,608	5,590	(18)
Business Development	0	196	17	(179)
Drug and Alcohol Action Team	0	1,944	1,944	0
Health Improvement Programmes	50	3,321	3,431	110
Stop Smoking Services	0	396	407	11
Supporting Healthy Weight	0	1,329	1,537	208
Total	0	13,991	13,991	0

Public Health services are forecast to budget, as per Round 1.

Schools Retained Funding & Grants	R1 Forecast Over/(Under) £000's	Budget 2021/22 £000's	R2 Forecast £000's	R2 Forecast Over/(Under) £000's
Finance Provisions	(4)	1,562	613	(948)
Hr Provisions	(252)	677	708	31
School Grants	81	42,417	43,433	1,016
Total	(175)	44,656	44,754	99

Schools Retained Funding & Grants is forecast to overspend by £99,000, a worsening of £274,000 compared to Round 1 as additional grants have been passported to schools, offset by higher than budgeted DSG income.

5. Regeneration, Culture and Environment

- 5.1. The Directorate forecast is an underspend of £5.871million, an improvement of £1.772million compared to the Round 1 position. Details of the forecasts in each service area are set out in the tables below.

Communications & Marketing	R1 Forecast Over/(Under) £000's	Budget 2021/22 £000's	R2 Forecast £000's	R2 Forecast Over/(Under) £000's
Communications & Marketing	(5)	20	34	14
Total	(5)	20	34	14

The service is forecast to overspend by £14,000, a worsening of £19,000 compared to the position reported at Round 1. The level of income forecast has reduced by £56,000 including reductions in the level charged to capital schemes and that received through sponsorship, while savings from the postponement of the Local Government Association Conference and additional income from the Housing Infrastructure Fund for direct communications support provided mitigate this.

Culture & Community	R1 Forecast Over/(Under) £000's	Budget 2021/22 £000's	R2 Forecast £000's	R2 Forecast Over/(Under) £000's
Sport, Leisure, Tourism & Heritage	1,963	3,539	4,629	1,090
Cultural Services	473	1,688	2,168	481
Planning	339	1,483	1,690	207
South Thames Gateway Partnership	(7)	135	127	(7)
Strategic Housing	0	6,325	5,854	(471)
Libraries & Community Hubs	17	3,817	3,820	3
Culture & Community Support	(4,395)	4,640	139	(4,501)
Total	(1,610)	21,627	18,428	(3,199)

The Culture & Community division forecast is a net underspend of £3.199million, an improvement of £1.589million compared to the Round 1 forecast.

The Sport, Leisure, Tourism and Heritage (SLTH) forecast is a shortfall on income of £1.090million. This is an improvement of £873,000 compared to Round 1 as the pace of recovery is faster than our expectations. Income across the Leisure Centres is currently at 65% of budget, compared to 40% reported at Round 1. As reported at Round 1, 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 £481,000, broadly in line with Round 1 and primarily driven by an income shortfall on the Theatres resulting from the pandemic. 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 relating to a shortfall in the delivery of savings targets from prior years.

The Planning Service forecast is a pressure of £207,000, an improvement of £132,000 compared to Round 1. Pressures reported at Round 1 including the 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 at £326,000 have been partially mitigated by an improvement of £107,000 on the Planning Fee income forecast in this Round.

As reported at Round 1, 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.

At Round 1 Strategic Housing was forecast to budget so the Round 2 forecast represents an improvement of £471,000. An underspend of £700,000 against homelessness prevention (an improvement of £121,000) is partially offset by an overspend on Temporary Accommodation. However the Round 2 forecast assumes there will be 280 households in Temporary Accommodation, a reduction of 25 households from the position reported at Round 1 reducing the forecast overspend on Temporary Accommodation to £300,000. Additional income relating to enforcement in respect of Houses of Multiple Occupation adds a further £82,000 favourable variance.

The Libraries & Community Hubs forecast is a shortfall of £3,000, an improvement of £14,000 compared to Round 1 as pressures have been mitigated by vacancy savings in the service.

The additional one-off budget allocation of £4,371,135 to compensate for income shortfalls across Culture & Communities is held in the Culture & Community Support division, offsetting the following pressures:

Leisure Centres	£1,064,938
Heritage	£170,562
Culture	£474,483
Skills & Employability	£148,827
Economic Development	£94,703
Libraries	£71,762
Total	£2,025,275

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 £2,345,860 more than the one-off budget allocation, adding to the underspend here. This is an improvement of £646,000 compared to Round 1. Finally, in addition to the underspend above, the Culture & Community Support forecast is an underspend of £19,000 from vacancy savings.

Deangate Golf	R1 Forecast Over/(Under) £000's	Budget 2021/22 £000's	R2 Forecast £000's	R2 Forecast Over/(Under) £000's
Deangate Golf	0	37	37	0
Total	0	37	37	0

The service is forecast to budget.

Director's Office	R1 Forecast Over/(Under) £000's	Budget 2021/22 £000's	R2 Forecast £000's	R2 Forecast Over/(Under) £000's
Director's Office	(4,601)	5,883	1,197	(4,687)
Total	(4,601)	5,883	1,197	(4,687)

The additional one-off budget allocation of £4,581,897 to compensate for income shortfalls in Front Line Services is held and shown as a saving here.

The underspend offsets the following pressures in the Front Line Services division:

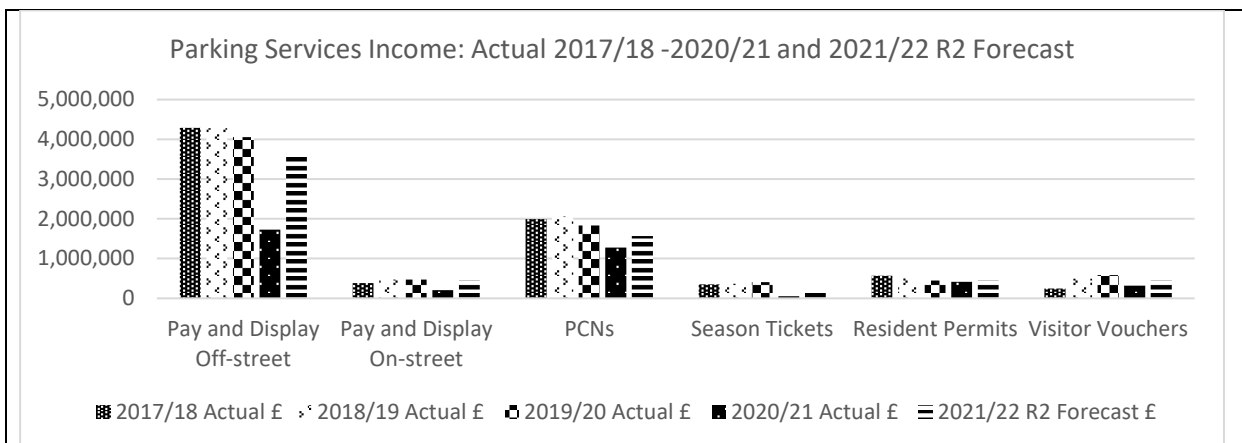
Parking	£1,363,037
Green Spaces	£54,973
Regulatory Services	£23,411
Integrated Transport	£20,000
Total	£1,461,421

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 £3,120,476 more than the one-off budget allocation, adding to the underspend here. This is an improvement of £576,000 compared to Round 1. In addition, the Director's Office forecast includes income generated in excess of the delivery costs of the Gaming Festival of £93,000 and £12,000 from vacancy and supplies/services savings.

Front Line Services	R1 Forecast Over/(Under) £000's	Budget 2021/22 £000's	R2 Forecast £000's	R2 Forecast Over/(Under) £000's
Front Line Services Support	(36)	784	701	(84)
Highways	273	6,874	7,117	243
Parking Services	1,701	(4,408)	(3,176)	1,232
Environmental Services	(283)	28,330	28,065	(265)
Integrated Transport	108	6,896	6,975	79
Regulatory Services	(51)	1,041	1,000	(40)
Greenspaces	105	4,929	5,020	91
Total	1,817	44,446	45,702	1,256

The Front Line Services division forecast is a net pressure of £1.256million, offset by the underspend on the Director's Office which holds the one-off budget allocation to compensate for income shortfalls in 2021/22.

The Parking Services forecast is a pressure of £1.232million compared to budget. This is an improvement of £679,000 compared to Round 1 as the pace of recovery exceeds our expectations. For 2021/22 only the income shortfall 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 £66,000, savings on premises costs of £32,000 as only essential maintenance works have been carried out and a saving of £28,000 across a range of supplies and services budgets. The chart overleaf 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 £243,000, an improvement of £30,000 compared to Round 1. As reported at Round 1, the pressure results 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. However the level of savings forecast from salaries and on electricity costs owing to the new LED street lighting are now higher than at Round 1.

The Environmental Services forecast is an underspend of £265,000, a worsening of £18,000 compared to Round 1. In line with Round 1, the Norse waste collection contract is currently anticipated to produce a saving of £103,000 however the underspend forecast on the Materials Recycling Facility has reduced by £27,000 compared to Round 1. This movement relates to an increase in the cost of the MRF as increases in the cost of the MRF, incineration and garden and kitchen waste disposal totalling £180,000 are mitigated by savings on contaminated waste, landfill tax and wood and other waste totalling £153,000.

The Greenspaces forecast is a pressure of £91,000, an improvement of £14,000 compared to Round 1 as pressures arising from is a shortfall in income and the increased water charges at the various facilities have both reduced.

The Integrated Transport forecast is a net pressure of £79,000, an improvement of £29,000 compared to Round 1. As reported at Round 1, a pressure of £339,000 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, increased vacancy savings of £61,000 and increases across a range of smaller operational cost savings totalling £71,000.

Front Line Services Support is forecast to underspend by £84,000, an improvement of £48,000 compared to Round 1 due to further vacancy and supplies and services savings on Emergency Planning and management support.

The Regulatory Services forecast is an underspend of £40,000, a worsening of £11,000 compared to Round 1 as while the level of vacancy savings has increased slightly, this is more than offset by the increase in a range of pressures across supplies and services.

Kyndi Services	R1 Forecast Over/(Under) £000's	Budget 2021/22 £000's	R2 Forecast £000's	R2 Forecast Over/(Under) £000's
Kyndi Services	0	673	673	0
Total	0	673	673	0

The service is forecast to budget.

Regeneration	R1 Forecast Over/(Under) £000's	Budget 2021/22 £000's	R2 Forecast £000's	R2 Forecast Over/(Under) £000's
Medway Norse	76	0	76	76
Property & Capital Projects	513	1,040	1,441	401
Regeneration Delivery	(115)	826	695	(131)
Valuation & Asset Management	(175)	(3,753)	(3,339)	414
Economic Development	(44)	449	368	(80)
Skills & Employability	47	74	140	65
Total	302	(1,365)	(620)	745

The Regeneration division forecast is a net pressure of £745,000, a worsening of £443,000 compared to the position reported at Round 1.

The Valuation & Asset Management service forecast is a pressure of £414,000, a worsening of £589,000 compared to Round 1, with the movement attributable to the Pentagon Centre. The changes to the first floor to accommodate the new public sector tenant are now scheduled to begin during Q4 of the current financial year with current tenants vacating to enable the works. As such income from rent and service charges are forecast to reduce and the Council will become liable for business rates for the affected units.

The Property & Capital Projects forecast is a pressure of £401,000, an improvement of £112,000 compared to Round 1. The pressure is driven by three key items;

- Unachievable miscellaneous receipts income targets of £293,000 as per Round 1,
- A reduction in the level of salaries charged to capital schemes of £285,000 as required by the Council's external auditor following the audit of the 2019/20 Statement of Accounts;
- Shortfalls on the budgets for rent, business rates, security and insurances for Kingsley House.

These are mitigated by vacancy savings of £207,000, which is £65,000 higher than Round 1, and by a £78,000 reduction in expenditure on consultants compared to Round 1.

The Regeneration Delivery forecast is an underspend of £131,000, an improvement of £16,000 as a range of small savings on supplies and services and staffing were added to a budget identified to fund elements of the HIF project not claimable from Homes England in excess of requirement.

The Skills & Employability forecast is a pressure of £65,000, £18,000 worse than Round 1. As per Round 1, the additional unbudgeted cost of delivering virtual lessons is £80,000. However a range of small pressures on premises, supplies and a shortfall on income totalling £30,000 have arisen, partially offsetting salary savings of £46,000.

The Economic Development forecast is an underspend of £80,000, an improvement of £36,000. A shortfall on income is more than offset by increased rental income at the ICM, vacancy savings, premises costs and supplies and services. The Greater North Kent Partnership has now replaced the Thames Gateway Partnership, and Medway's required contribution to the new body is £22,000 less than to the previous body.

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.

6. Housing Revenue Account

Housing Revenue Account	R1 Forecast Over/(Under) £000's	Budget 2021/22 £000's	R2 Forecast £000's	R2 Forecast Over/(Under) £000's
Housing Revenue Account	292	352	525	173
Total	292	352	525	173

The Housing Revenue Account forecast is a pressure of £173,000, an improvement of £119,000 compared to Round 1. 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. However the favourable movement in the forecast reflects a reduction in the number of long-term voids.

7. Business Support and Centralised Services

7.1. The forecast on Business Support Services is an underspend of £462,000, while the forecast on Centralised Services is an overspend of £55,000, bringing the net forecast to an underspend of £407,000; this is an improvement of £89,000 compared to the position reported at Round 1. The details of the forecasts in each service area within the Department are set out in the tables below.

Corporate Management	R1 Forecast Over/(Under) £000's	Budget 2021/22 £000's	R2 Forecast £000's	R2 Forecast Over/(Under) £000's
Corporate Management	(284)	1,479	972	(507)
Total	(284)	1,479	972	(507)

The Corporate Management forecast is an underspend of £507,000, an improvement of £253,000 compared to Round 1.

The forecast includes unbudgeted income from previous years of £120,000 as per Round 1 and a new grant of £57,000 announced to mitigate rising external audit fees. The department's share of the one off 'thank you payments' for Council staff (announced by the Leader in the February 2021 budget setting) is reflected as an underspend of £91,000 here, offsetting the cost of these payments which are reflected in each of the Department's services. In addition there is an improvement of £48,000 on salary savings compared to Round 1. As reported at Round 1, there is an underspend of £186,000 in pension payments to KCC (including a refund on prior years).

Finance & Business Improvement	R1 Forecast Over/(Under) £000's	Budget 2021/22 £000's	R2 Forecast £000's	R2 Forecast Over/(Under) £000's
Internal Audit & Counter Fraud	(20)	(0)	(17)	(17)
Rural Liaison Grants	0	73	73	0
Finance Strategy	(87)	(0)	(130)	(130)
Revenues & Benefits	205	4,129	4,626	497
Finance Operations	(101)	(54)	(167)	(113)

ICT	134	496	461	(35)
Community Interpreters	29	(83)	(8)	75
Digital	(25)	657	607	(50)
Business Change	0	685	685	0
Business Intelligence	(48)	(0)	(26)	(26)
Customer & Business Support	(35)	(1)	(78)	(78)
Total	52	5,901	6,025	124

The Finance & Business Improvement forecast is a pressure of £124,000, a worsening of £71,000 compared to the position reported at Round 1.

The Revenues & Benefits forecast is a pressure of £497,000, a worsening of £292,000 compared to Round 1. The pressure and movement are driven by a worsening position on Benefits Subsidy. While most new claimants for benefits are now made through Universal Credit, administered by the Department for Work and Pensions (DWP), 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 for 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. Since the first round of budget monitoring, there have been more claims than anticipated from claimant types not covered by full subsidy driving a significant forecast overspend. 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 £40,000, an improvement of £8,000 compared to R1 as pressures across government grant, staffing and software codes are mostly offset by savings on a range of other codes.

The Community Interpreters forecast is a pressure of £75,000, a worsening of £46,000 compared to Round 1. There is a shortfall on external income of £93,000 primarily due to the Ashford Refugee Resettlement Centre accepting no new refugees due to Covid and the forecast level of internal income has been revised down, however this is partially mitigated by the saving on sessional interpreters of £59,000.

The ICT forecast is an underspend of £35,000, an improvement of £169,000 compared to Round 1. In error the previous forecast omitted the internal income from services for mobile phone/data contracts (£180,000), partially offset by the increase in Agency staff cost of £12,000.

Business Intelligence is forecast to underspend by £26,000 resulting from vacancy savings. While this represents an adverse movement of £22,000 compared to Round 1, this results from incorporating the budgets for the Information Governance Team (from Legal & Governance) into this service.

Internal Audit and Counter-fraud is forecast to underspend by £17,000, a slight worsening of £4,000 compared to Round 1 as increased vacancy savings forecast are more than offset by the cost of replacement ICT kit required.

The forecasts for Finance Strategy (underspend of £130,000), Finance Operations (underspend of £113,000), Customer and Business Support (underspend of £78,000) and Digital (underspend of £50,000) are all due to vacancy savings, with delays in recruitment resulting in increases from Round 1 of £43,000, £12,000, £43,000 and £25,000 respectively. Business Change and Rural Liaison grants are both forecast to budget.

Human Resources	R1 Forecast Over/(Under) £000's	Budget 2021/22 £000's	R2 Forecast £000's	R2 Forecast Over/(Under) £000's
Human Resources	29	25	23	(2)
Total	29	25	23	(2)

The forecast underspend of £2,000 is an improvement of £31,000 compared to Round 1. The payroll service is forecast to underspend by £18,000, an improvement of £72,000 as two members of staff are being charged to the Transformation Capital scheme and due to new income from Kyndi for their payroll service. The changes in the HR Shared Service with Gravesham also account for a reduction in income of £64,000 anticipated this year across a range of codes.

Legal & Governance	R1 Forecast Over/(Under) £000's	Budget 2021/22 £000's	R2 Forecast £000's	R2 Forecast Over/(Under) £000's
Democratic Services	(53)	662	608	(54)
Members & Elections	(11)	1,660	1,628	(32)
Category Management	97	190	98	(92)
Legal, Land Charges & Licensing	(196)	(119)	(18)	101
Total	(163)	2,393	2,317	(76)

Legal, Land Charges and Licensing are forecast to overspend by £101,000, a worsening of £297,000 compared to Round 1. The movement is attributable to continuing difficulties in recruitment and retention of in-house Lawyers, resulting in high levels of expensive Locum staff in addition to 5FTE posts above the establishment to cope with the high workloads.

The divisional forecast is an underspend of £76,000, a worsening of £87,000 compared to Round 1.

The Category Management forecast reflects the realignment exercise across Business Support Department services. Combined with £112,000 vacancy savings in the service, this results in an underspend of £92,000, an improvement of £189,000 compared to Round 1.

The Members and Elections forecast is a net underspend of £32,000, an improvement of £21,000 compared to Round 1 due to higher than previously forecast vacancy savings.

Democratic Services are forecast to underspend by £54,000, in line with Round 1.

Centralised Costs	R1 Forecast Over/(Under) £000's	Budget 2021/22 £000's	R2 Forecast £000's	R2 Forecast Over/(Under) £000's
Interest & Financing	0	12,171	12,171	0
Levies	48	1,577	1,632	55
Medway Norse Profit Share	0	(460)	(460)	0
Total	48	13,289	13,343	55

Collectively these are forecasting a pressure of £55,000, a worsening of £7,000 compared to Round 1, with the pressure and movement both relating to Levies. The pressure on the Coroners Service operated by Kent County Council is now £40,000 due to 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. As reported at Round 1 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.

8. Covid-19

Covid-19 Expenditure	R1 Forecast Over/(Under) £000's	Budget 2021/22 £000's	R2 Forecast £000's	R2 Forecast Over/(Under) £000's
C&A related	0	0	0	0
RCE related	350	0	420	420
BSD related	102	0	128	128
Total	452	0	548	548

In addition to core expenditure outlined in the sections above, the forecast includes Covid-19 related expenditure not funded from ring-fenced grants of £548,000 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 £5.462million.

9. Write off of irrecoverable debt

9.1. 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.

The rules also require a report to be submitted to Cabinet on an annual basis setting out details of all debt written off. Requests for debt to be written off beyond the delegated authority set out in paragraph 5.4 are a matter for the Cabinet.

9.2. Client A first approached social care for a period of respite early in 2016. Following both a care needs and financial assessment, respite was arranged and funded by Adult Social Care. During the financial assessment Adult Social Care established that Client A owned 50% of a property. Later in 2016 Client A made a request for an assessment to fund their privately funded residential placement. During the financial assessment process it was established that the property Client A owned with their son had been signed over, in full to their son. Adult Social Care concluded that this was a deprivation of assets, and the value of the property was included in the financial assessment. The family disputed that this was for tax purposes, and Adult Social Care received documentation from the solicitor stating this was the reason.

9.3. Adult Social Care worked with colleagues in Legal Services, who sought advice from Counsel. Adult Social Care also sought advice from an external debt recovery agent who specialises in this matter, who also sought advice from Counsel. Both responses state that the prospect of success for any claim against Client A for the recovery of the outstanding care fees is in the region of 35%. The local authority would be at significant risk of paying the defendant's costs and the additional prospect of the defendant being able to bring a counterclaim for any unlawful deprivation of liberty for Client A. Medway Council would be at significant risk of reputation damage and additional cost by way of any adverse judgement. Considering the advice received from both Counsels, Cabinet is asked to agree that this debt in the value of £56,704.50 be written off against the Council's Debt Provisions.

10. Conclusions

10.1. The second round of revenue budget monitoring for 2021/22 projects a pressure of £8.495million. The Corporate Management Team will continue to work with Portfolio Holders to identify and implement management action to reduce this overspend before the end of the financial year.

11. Risk management

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

Risk	Description	Action to avoid or mitigate risk	Risk rating
		addressing them in the Council Plan.	

12. Financial implications

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

13. Legal implications

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

14. Recommendations

14.1. It is recommended that the Cabinet notes the results of the second round of revenue budget monitoring for 2021/2.

14.2. It is recommended that the Cabinet approves the write off of irrecoverable debt of £56,704.50, as set out in section 9 of the report.

15. Suggested reason for decisions

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

15.2. The Cabinet has responsibility for agreeing debt write offs where these exceed the limits of delegated authority set out in the Council's Constitution.

Lead officer contact

Katey Durkin, Head of Finance Strategy

Phone: 01634 33 23 55 E-mail: katey.durkin@medway.gov.uk

Appendices

None

Background papers

None