

## **BUSINESS SUPPORT OVERVIEW AND SCRUTINY COMMITTEE**

**31 MARCH 2022**

### **REVENUE BUDGET MONITORING 2021/22 ROUND 3**

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#### **Summary**

This report presents the result of the third 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 3 budget requirement to a total of £373.427million.
- 2.2. This report presents the results of the third round of revenue budget monitoring, summarising reports that have been considered by directorate management teams based on returns submitted by individual budget managers. In preparing these forecasts, budget managers have taken account of last year's outturn, items of growth or savings agreed as part of the budget build, actual income and expenditure for the year to date, and most importantly, their knowledge of commitments and service requirements anticipated for the remainder of the financial year.

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

3.1. The forecast outturn for 2021/22 represents an underspend of £2.201million, a significant improvement of £10.696million compared to the position reported at Round 2.

Directorate	R2 Forecast Over/(Under) £000's	Budget 2021/22 £000's	R3 Forecast £000's	R3 Forecast Over/(Under) £000's
<i>Budget requirement:</i>				
Children and Adult Services	9,697	252,888	261,509	8,621
Regeneration, Culture and Environment	(5,871)	71,321	62,723	(8,598)
Business Support Department	(462)	9,798	8,058	(1,741)
Business Support Centralised Services:	0			0
Interest & Financing	0	12,171	7,280	(4,891)
Levies	55	1,577	1,633	56
Medway Norse Joint Venture	0	(460)	(577)	(118)
C-19 Grant Expenditure	0	26,132	25,609	(522)
<b>Budget Requirement</b>	<b>3,419</b>	<b>373,427</b>	<b>366,235</b>	<b>(7,192)</b>
<i>Funded by:</i>				
Council Tax	0	(137,333)	(137,333)	(0)
Retained Business Rates & Baseline Need Funding	0	(59,900)	(59,900)	(0)
New Homes Bonus	0	(986)	(986)	0
Dedicated Schools Grant	(386)	(99,406)	(99,558)	(152)
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	(26,132)	(26,132)	0
C-19 Non-ringfenced Grant Income	5,462	(14,173)	(9,030)	5,144
<b>Total Available Funding</b>	<b>5,076</b>	<b>(373,427)</b>	<b>(368,436)</b>	<b>4,991</b>
<b>Net Forecast Variance</b>	<b>8,495</b>	<b>0</b>	<b>(2,201)</b>	<b>(2,201)</b>

## 4. Children and Adults

- 4.1. The Directorate forecast is a pressure of £8.621million, an improvement of £1.076million compared to the Round 2 forecast. Details of the forecasts in each service area within the Directorate are set out in the tables below.

Adult Social Care	R2 Forecast Over/(Under) £000's	Budget 2021/22 £000's	R3 Forecast £000's	R3 Forecast Over/(Under) £000's
Assistant Director Adult Social Care	8	(2,289)	(2,574)	(285)
Locality Services	1,226	73,404	74,726	1,322
Business Operations & Provider Services	(129)	3,919	3,696	(223)
Specialist Services/Principal Social Worker	203	1,875	2,215	341
<b>Total</b>	<b>1,308</b>	<b>76,909</b>	<b>78,063</b>	<b>1,154</b>

Adult Social Care is forecast to overspend by £1.154million, an improvement of £153,000 compared to Round 2, primarily due to the latest forecast reflecting the use of the Covid related grants to offset elements of expenditure where appropriate across the Division.

The majority of the pressure continuing to arise in Locality Services:

	R2 Forecast Over/(Under) £000's	Budget 2021/22 £000's	R3 Forecast £000's	R3 Forecast Over/(Under) £000's
Disability Services	572	44,030	44,555	525
Mental Health Services	406	6,738	7,129	392
Older People Services	159	16,363	16,591	227
Staffing - Locality Services	89	6,273	6,451	178
<b>Total</b>	<b>1,226</b>	<b>73,404</b>	<b>74,726</b>	<b>1,322</b>

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 as while activity is broadly as per Round 2, the forecast assumes 32 additional clients/928 client weeks compared to the budget alongside an increase in the average weekly cost of £236 across these types of placements. The most significant movement in these areas since Round 2 relates to the increase in Direct payments, which is largely offset by reductions in homecare and day care forecasts, likely reflecting that more people are taking up direct payments especially for day care services. The forecast also reflects the reduction of the social care contribution to the cost of DSG High Needs funded expenditure of £453,000 for 2021/22 and this revision is also reflected in the 2022/23 budget presented to Cabinet on 8 February 2022

The pressure on Older People Services has increased by a net £68,000 compared to Round 2. The forecast now assumes 216 Nursing placements/10,907 client weeks compared to the budgeted level of 185 placements/9,646 client weeks and 353 residential placements/18,269 client weeks compared to the budgeted level of 333 placements/17,363 client weeks. The increasing level of nursing placements may be an indication continuing increase in the complexity of hospital discharges with clients requiring nursing services rather than having their needs met in residential homes. The increase in Residential/nursing placement costs has been largely offset by the use of Covid related grants in respect of expenditure on vulnerable people.

The forecast cost of staffing across the division has increased by £121,000 compared to Round 2, however this has been offset by further reductions in staffing forecasts for Mental Health community support due to continued levels of vacant posts.

Children's Services	R2 Forecast Over/(Under) £000's	Budget 2021/22 £000's	R3 Forecast £000's	R3 Forecast Over/(Under) £000's
Children's Care Management	(87)	946	871	(75)
Head of Safeguarding & Quality Assurance	(18)	3,112	3,076	(36)
Head of Safeguarding	12	2,970	2,982	12
Virtual Head	32	451	476	25
Children's Care Improvement	5	(686)	(681)	5
Children In Care	9,390	32,051	40,470	8,420
Children's Social Work Team	(360)	7,642	7,186	(456)
Early Help, Youth, Mash & Adolescents	(1,010)	6,312	5,373	(939)
Business Support	(90)	1,738	1,611	(127)
<b>Total</b>	<b>7,875</b>	<b>54,535</b>	<b>61,363</b>	<b>6,828</b>

Children's Services is forecast to overspend by £6.828million, an improvement of £1.048million compared to Round 2. The forecast reflects the reduction of the social care contribution to the cost of DSG High Needs funded expenditure of £1.274million for 2021/22 and this revision is also reflected in the 2022/23 budget presented to Cabinet on 8 February 2022. The remainder of the forecast represents a worsening of £227,000 compared to Round 2, driven by the same three key variances; 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 £5.278million, a reduction of £944,000 compared to the Round 2 position due to the reduction in contribution to the DSG High Needs expenditure set out above. 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 95 additional placements/4,549 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 forecast also reflects the assumption that work to step down five placements between January and March will deliver a saving of £415,000 by the end of the year.

	Budget			Round 3 Forecast		
	Clients	Client weeks	Ave gross weekly cost	Clients	Client weeks	Ave gross weekly cost
Residential	47	2,438	£3,919	52	2,989	£4,770
Supported Accommodation	56	2,340	£702	83	3,601	£2,109
Independent Fostering Agency	112	5,817	£1,002	166	8,554	£1,097

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 3 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	R2 Forecast Over/(Under) £000's	Budget 2021/22 £000's	R3 Forecast £000's	R3 Forecast Over/(Under) £000's
Directorate Management Team	(21)	641	602	(39)
<b>Total</b>	<b>(21)</b>	<b>641</b>	<b>602</b>	<b>(39)</b>

The Directorate Management Team is forecast to underspend by £39,000, an improvement of £18,000 compared to Round 2 reflecting a reduction in the forecast on agency staff. 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 reflected as an underspend here, offsetting the cost of these payments which are reflected in each of the services in this Division.

Education	R2 Forecast Over/(Under) £000's	Budget 2021/22 £000's	R3 Forecast £000's	R3 Forecast Over/(Under) £000's
School Organisation & Student Services	200	1,211	1,437	225
Psychology & Special Educational Needs	30	33,207	33,364	156
School Improvement	125	(248)	(158)	90
Special Educational Needs & Disabilities Transport	69	6,190	6,700	510
Inclusions	29	2,784	2,692	(91)
School Online Services	13	26	46	20
Education Management Team	(29)	68	24	(44)
Early Years Sufficiency	0	16,622	16,622	0
<b>Total</b>	<b>437</b>	<b>59,860</b>	<b>60,726</b>	<b>866</b>

Education is forecast to overspend by £866,000, a pressure of £762,000 on the General Fund and £104,000 on the Dedicated Schools Grant (DSG). This is a worsening of £429,000 compared to Round 2.

#### General Fund Services:

- Special Educational Needs & Disabilities (SEND) Transport – a pressure of £510,000, a worsening of £441,000 compared to Round 2, arising from the ongoing requirements to ensure social distancing due to the pandemic.
- Mainstream Home to School Transport – a pressure of £167,000 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 £33,000 from Round 2 is due to a slightly higher number of pupils being transported than previously anticipated.
- 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 £85,000, in line with Round 2.

#### DSG Services:

- The forecast reflects the reduction of the social care contribution to the cost of DSG High Needs funded expenditure of £1.274million for 2021/22 which will be transferred to the DSG reserve at the end of the year. This revision is also reflected in the 2022/23 budget presented to Cabinet on 8 February 2022.
- A pressure of £4.035million is forecast on the DSG due to the ongoing pressure on the High Needs Block and SEND offset by an underspend on Early Years. This is a worsening of £214,000 compared to Round 2 due to as 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 3 forecast assumes that the £6.277million forecast overspend on the High Needs Block in 2021/22 will be charged to the DSG reserve, taking the total cumulative deficit to £20.829million by March 2022.

Partnership Commissioning & Business Intelligence	R2 Forecast Over/(Under) £000's	Budget 2021/22 £000's	R3 Forecast £000's	R3 Forecast Over/(Under) £000's
Adults Commissioning	10	298	298	0
Children's Commissioning	(31)	1,486	1,483	(3)
C&A Performance & Intelligence	20	512	523	11
<b>Total</b>	<b>(1)</b>	<b>2,296</b>	<b>2,304</b>	<b>8</b>

The Partnership Commissioning & Business Intelligence forecast is a pressure of £8,000, a worsening of £9,000 compared to Round 2, 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	R2 Forecast Over/(Under) £000's	Budget 2021/22 £000's	R3 Forecast £000's	R3 Forecast Over/(Under) £000's
Public Health Management	(133)	1,199	1,495	296
Public Health Commissioning	(18)	5,608	5,500	(107)
Business Development	(179)	196	200	4
Drug and Alcohol Action Team	0	1,944	1,921	(23)
Health Improvement Programmes	110	3,321	3,199	(122)
Stop Smoking Services	11	396	370	(26)
Supporting Healthy Weight	208	1,329	1,306	(22)
<b>Total</b>	<b>0</b>	<b>13,991</b>	<b>13,991</b>	<b>0</b>

Public Health services are forecast to budget, as per Round 2.

Schools Retained Funding & Grants	R2 Forecast Over/(Under) £000's	Budget 2021/22 £000's	R3 Forecast £000's	R3 Forecast Over/(Under) £000's
Finance Provisions	(948)	1,562	614	(947)
Hr Provisions	31	677	405	(272)
School Grants	1,016	42,417	43,440	1,023
<b>Total</b>	<b>99</b>	<b>44,656</b>	<b>44,459</b>	<b>(196)</b>

Schools Retained Funding & Grants is forecast to underspend by £196,000, an improvement of ££295,000 compared to Round 2 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 8.598million, an improvement of £2.727million compared to the Round 2 position. Details of the forecasts in each service area are set out in the tables below.

<b>Communications &amp; Marketing</b>	<b>R2 Forecast Over/(Under) £000's</b>	<b>Budget 2021/22 £000's</b>	<b>R3 Forecast £000's</b>	<b>R3 Forecast Over/(Under) £000's</b>
Communications & Marketing	14	20	33	13
<b>Total</b>	<b>14</b>	<b>20</b>	<b>33</b>	<b>13</b>

The service is forecast to overspend by £13,000, in line with previous forecasts, as reduced income from capital schemes and sponsorship is offset by savings on supplies and services.

<b>Culture &amp; Community</b>	<b>R2 Forecast Over/(Under) £000's</b>	<b>Budget 2021/22 £000's</b>	<b>R3 Forecast £000's</b>	<b>R3 Forecast Over/(Under) £000's</b>
Sport, Leisure, Tourism & Heritage	1,090	3,539	4,190	651
Cultural Services	481	1,688	2,151	463
Planning	207	1,483	1,338	(145)
South Thames Gateway Partnership	(7)	135	127	(7)
Strategic Housing	(471)	6,325	5,532	(793)
Libraries & Community Hubs	3	3,817	3,817	(1)
Culture & Community Support	(4,501)	4,640	131	(4,509)
<b>Total</b>	<b>(3,199)</b>	<b>21,627</b>	<b>17,286</b>	<b>(4,341)</b>

The Culture & Community division forecast is a net underspend of £4.341million, an improvement of £1.142million compared to the Round 2 forecast.

The Sport, Leisure, Tourism and Heritage (SLTH) forecast is a shortfall on income of £651, an improvement of £439,000 compared to Round 2 as the pace of recovery following the pandemic restrictions continues to be faster than our expectations. Income across the Leisure Centres is currently at 77% of budget, compared to 65% reported at Round 2. As reported in previous round, 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 £463,000, an improvement of £17,000 compared to Round 2, 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 favourable variance of £145,000, an improvement of £351,000 compared to Round 2. The budgeted contributions to reserves have been reviewed and reduced to the level considered necessary to fund likely expenditure, and the Planning Fee income forecast has increased.

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.

The Strategic Housing forecast is a favourable variance of £793,000, an improvement of £322,000 compared to Round 2. An underspend of £700,000 against homelessness

prevention was previously offset by an overspend on Temporary Accommodation which is no longer anticipated.

Libraries & Community Hubs are forecast to budget.

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	£694,569
Heritage	£114,005
Culture	£381,764
Skills & Employability	£266,953
Economic Development	£99,551
Libraries	£72,570
<b>Total</b>	<b>£1,629,412</b>

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 £2,741,723, an improvement of £8,000 compared to Round 2. Finally, in addition to the underspend above, the Culture & Community Support forecast is an underspend of £33,000 from vacancy and supplies and services savings.

<b>Deangate Golf</b>	<b>R2 Forecast Over/(Under) £000's</b>	<b>Budget 2021/22 £000's</b>	<b>R3 Forecast £000's</b>	<b>R3 Forecast Over/(Under) £000's</b>
Deangate Golf	0	37	37	0
<b>Total</b>	<b>0</b>	<b>37</b>	<b>37</b>	<b>0</b>

The service is forecast to budget.

<b>Director's Office</b>	<b>R2 Forecast Over/(Under) £000's</b>	<b>Budget 2021/22 £000's</b>	<b>R3 Forecast £000's</b>	<b>R3 Forecast Over/(Under) £000's</b>
Director's Office	(4,687)	5,883	1,182	(4,701)
<b>Total</b>	<b>(4,687)</b>	<b>5,883</b>	<b>1,182</b>	<b>(4,701)</b>

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	£1,324,978
Green Spaces	£59,750
Regulatory Services	(£38,809)
Integrated Transport	£20,000
<b>Total</b>	<b>£1,365,919</b>

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 £3,25,978 more than the one-off budget allocation, adding to the underspend here. This is an improvement of £95,502 compared to Round 2. In addition, the Director's Office forecast includes vacancy and supplies/services savings of £25,000.



Front Line Services	R2 Forecast Over/(Under) £000's	Budget 2021/22 £000's	R3 Forecast £000's	R3 Forecast Over/(Under) £000's
Front Line Services Support	(84)	784	640	(145)
Highways	243	6,874	6,816	(58)
Parking Services	1,232	(4,408)	(3,197)	1,211
Environmental Services	(265)	28,330	27,036	(1,294)
Integrated Transport	79	6,896	6,900	4
Regulatory Services	(40)	1,041	833	(207)
Greenspaces	91	4,929	5,029	100
<b>Total</b>	<b>1,256</b>	<b>44,446</b>	<b>44,058</b>	<b>(388)</b>

The Front Line Services division forecast is a favourable variance of £388,000, a significant improvement of £1,644million compared to the Round 2 position.

The Environmental Services forecast is an underspend of £1.294million, an improvement of £10.29million compared to Round 2. The Norse waste collection contract is currently anticipated to produce a saving of £255,000 (£152,000 more than at Round 2). The net cost of waste disposal is forecast to be £585,000 lower than budgeted primarily as the materials diversion rate from Landfill to incineration (Energy from Waste) is forecast to achieve a rate of 95% compared to the budgeted target of 81.9%. The Household Waste Recycling Centre is forecast to generate £226,000 income in excess of budget from Kent County Council relating to use of the centres by Kent residents, and the Bulky Waste service is forecast to generate £98,000 additional income. Staff vacancies and underspends across supplies and services, premises and transport costs represent further savings of £131,000.

The Parking Services forecast is a pressure of £1.211million, an improvement of £21,000 compared to Round 2. 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 £98,000, and of £54,000 on the cash collection service though this is partially offset by a net increase in supplies and services costs of £36,000 across the service.

The Highways Service is forecast to underspend by £58,000, an improvement of £301,000 compared to Round 2. Though the pressure reported in earlier rounds from a reduction in the level of salaries charged to capital schemes has increased by £90,000, this is offset by £257,000 energy saving following the installation of LED street lighting and a £123,000 increase in savings from staff vacancies.

The Greenspaces forecast is a pressure of £100,000, an increase of £9,350 compared to Round 2 due to a reduction in income from open spaces and country parks.

The Integrated Transport forecast is a pressure of £4,000, an improvement of £75,000 compared to Round 2. As reported in previous rounds, a pressure of £340,000 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 £94,000 compared to Round 2, a reduction on the cost of the subsidised bus service of £15,000 offsetting the cost of traffic signal repairs of £43,000.

Front Line Services Support is forecast to underspend by £145,000, an improvement of £61,000 compared to Round 2 due to further vacancy and supplies and services savings on Emergency Planning and management support.

The Regulatory Services forecast is an underspend of £207,000, an improvement of £167,000 compared to Round 2 as income across the service has recovered faster than previously anticipated.

Kyndi Services	R2 Forecast Over/(Under) £000's	Budget 2021/22 £000's	R3 Forecast £000's	R3 Forecast Over/(Under) £000's
Kyndi Services	0	673	673	0
<b>Total</b>	<b>0</b>	<b>673</b>	<b>673</b>	<b>0</b>

The service is forecast to budget.

Regeneration	R2 Forecast Over/(Under) £000's	Budget 2021/22 £000's	R3 Forecast £000's	R3 Forecast Over/(Under) £000's
Medway Norse	76	0	76	76
Property & Capital Projects	401	1,040	1,422	382
Regeneration Delivery	(131)	826	669	(157)
Valuation & Asset Management	414	(3,753)	(3,169)	585
Economic Development	(80)	449	320	(129)
Skills & Employability	65	74	137	63
<b>Total</b>	<b>745</b>	<b>(1,365)</b>	<b>(546)</b>	<b>819</b>

The Regeneration division forecast is a net pressure of £819,000, a worsening of £74,000 compared to the position reported at Round 2.

The Valuation & Asset Management service forecast is a pressure of £585,000, a worsening of £171,000 compared to Round 2, 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 £382,000, an improvement of £19,000 compared to Round 1. The pressure is driven by four key items;

- Unachievable miscellaneous receipts income targets of £293,000 as per Round 2,
- A reduction in the level of salaries charged to capital schemes of £294,000 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; and
- Consultants fees.

These are mitigated by vacancy savings of £204,000 and higher than anticipated income from grants and the HRA of £119,000.

The Regeneration Delivery forecast is an underspend of £156,000, an improvement of £26,000 compared to Round 2 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 £63,000, in line with the Round 2 position reflecting the additional unbudgeted cost of delivering virtual lessons of £80,000 and a range of small pressures on premises, supplies and a shortfall on income totalling £30,000 are partially offset by salary savings of £46,000.

The Economic Development forecast is an underspend of £129,000, an improvement of £49,000 with the movement primarily due to an increased income forecast for the Innovation Centre Medway and Innovation Studios Medway.

As reported at Round 2, 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	R2 Forecast Over/(Under) £000's	Budget 2021/22 £000's	R3 Forecast £000's	R3 Forecast Over/(Under) £000's
Housing Revenue Account	173	352	478	126
<b>Total</b>	<b>173</b>	<b>352</b>	<b>478</b>	<b>126</b>

The Housing Revenue Account forecast is a pressure of £126,000, a worsening of £47,000 compared to Round 2. 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 & Centralised Services

- 7.1. The forecast on Business Support Services is an underspend of £1.741million, while the forecast on Centralised Services is an underspend of £4.952million, bringing the net forecast to an underspend of £6.693million. This is an improvement of £6.286million compared to the position reported at Round 2. The details of the forecasts in each service area within the Department are set out in the tables below.

Corporate Management	R2 Forecast Over/(Under) £000's	Budget 2021/22 £000's	R3 Forecast £000's	R3 Forecast Over/(Under) £000's
Corporate Management	(507)	1,479	953	(526)
<b>Total</b>	<b>(507)</b>	<b>1,479</b>	<b>953</b>	<b>(526)</b>

The Corporate Management forecast is an underspend of £526,000, an improvement of £19,000 compared to Round 2.

The forecast includes unbudgeted income from previous years of £150,000 (an increase of £30,000 compared to Round 2) and a 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 in previous rounds, there is an underspend of £194,000 in pension payments to KCC (including £65,000 refund on prior years).

<b>Finance &amp; Business Improvement</b>	<b>R2 Forecast Over/(Under) £000's</b>	<b>Budget 2021/22 £000's</b>	<b>R3 Forecast £000's</b>	<b>R3 Forecast Over/(Under) £000's</b>
Internal Audit & Counter Fraud	(17)	0	(42)	(42)
Rural Liaison Grants	0	73	73	0
Finance Strategy	(130)	0	(140)	(139)
Revenues & Benefits	497	4,129	4,529	400
Finance Operations	(113)	(54)	(206)	(152)
ICT	(35)	496	233	(263)
Community Interpreters	75	(83)	(7)	76
Digital	(50)	657	628	(29)
Business Change	0	685	53	(632)
Business Intelligence	(26)	0	(52)	(52)
Customer & Business Support	(78)	0	(158)	(157)
<b>Total</b>	<b>124</b>	<b>5,901</b>	<b>4,911</b>	<b>(990)</b>

The Finance & Business Improvement forecast is an underspend of £990,000, an improvement of £1.113million compared to the position reported at Round 2.

The 2022/23 Revenue and Capital Budget report to Cabinet on 8 February asks Cabinet to recommend to Council that the Business Change team be funded through the Flexible Use of Capital Receipts for both 2021/22 and 2022/23. The Round 3 forecast reflects the cost of the team in the current year being met from capital and therefore represents an improvement to the forecast of £632,000.

The ICT forecast is an underspend of £263,000, an improvement of £228,000 compared to Round 2. Across the service the forecast includes £165,000 vacancy savings, £109,000 saving on cost of firewalls and £45,000 saving on the cost of the Kent Public Services Network line rental offsetting a number of smaller pressures.

The Revenues & Benefits forecast is a pressure of £400,000, an improvement of £97,000 compared to the Round 2 position. 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 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 favourable variance of £116,000, an improvement of £156,000 compared to Round 2 as a refund of overpaid court costs of £149,000 for the period April 2014 to July 2018 has been confirmed for this year.

The Community Interpreters forecast is a pressure of £75,000, in line with the Round 2 position as a shortfall on internal and external income of £147,000 primarily due to the Ashford Refugee Resettlement Centre accepting no new refugees due to Covid, is partially mitigated by the saving on sessional interpreters of £68,000.

Business Intelligence is forecast to underspend by £52,000 resulting from vacancy savings, an improvement of £26,000 compared to Round 2.

Internal Audit and Counter-fraud is forecast to underspend by £42,000, an improvement of £25,000 compared to Round 2 due to increased vacancy savings forecast.

The Digital Team is forecast to underspend by Digital £29,000, a worsening of £21,000 compared to Round 2 as salary savings are lower than previously anticipated and additional ICT costs have been identified.

The forecasts for Finance Strategy (underspend of £139,000), Finance Operations (underspend of £152,000) and Customer and Business Support (underspend of £157,000) are all due to vacancy savings, with delays in recruitment resulting in increases from Round 2 of £9,000, £39,000 and £79,000 respectively.

Rural Liaison grants are both forecast to budget.

Human Resources	R2 Forecast Over/(Under) £000's	Budget 2021/22 £000's	R3 Forecast £000's	R3 Forecast Over/(Under) £000's
Human Resources	(2)	25	(36)	(61)
<b>Total</b>	<b>(2)</b>	<b>25</b>	<b>(36)</b>	<b>(61)</b>

The forecast underspend of £61,000 is an improvement of £59,000 compared to Round 2. The payroll service is forecast to underspend by £55,000, an improvement of £37,000 owing to vacancy savings, 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	R2 Forecast Over/(Under) £000's	Budget 2021/22 £000's	R3 Forecast £000's	R3 Forecast Over/(Under) £000's
Democratic Services	(54)	662	590	(72)
Members & Elections	(32)	1,660	1,618	(42)
Category Management	(92)	190	113	(77)
Legal, Land Charges & Licensing	101	(119)	(91)	29
<b>Total</b>	<b>(76)</b>	<b>2,393</b>	<b>2,230</b>	<b>(162)</b>

The divisional forecast is an underspend of £162,000, an improvement of £86,000 compared to Round 2.

Legal, Land Charges and Licensing are forecast to overspend by £29,000, an improvement of £73,000. Increased salary savings and income from capital projects and the HRA, reflecting the increased rates for 2021/22 mitigate pressures on agency staff as difficulties in recruitment and retention of in-house Lawyers continues to result in high levels of expensive Locum staff in addition to 5FTE posts above the establishment to cope with the high workloads.

The Category Management forecast reflects the realignment exercise across Business Support Department services. Combined with £120,000 vacancy savings in the service, this results in an underspend of £77,000, a worsening of £15,000 compared to Round 2 owing to reduced income forecast.

The Members and Elections forecast is a net underspend of £42,000, an improvement of £10,000 compared to Round 2 due to vacancy savings and savings on the delivery of the Register of Electors.

Democratic Services are forecast to underspend by £72,000, an improvement of £18,000 compared to Round 2 due to increased vacancy savings.

Centralised Costs	R2 Forecast Over/(Under) £000's	Budget 2021/22 £000's	R3 Forecast £000's	R3 Forecast Over/(Under) £000's
Interest & Financing	0	12,171	7,280	(4,891)
Levies	55	1,577	1,633	56
Medway Norse Profit Share	0	(460)	(577)	(118)
<b>Total</b>	<b>55</b>	<b>13,289</b>	<b>8,336</b>	<b>(4,952)</b>

Collectively these are forecasting an underspend of £4.952million, an improvement of £5.007million compared to the position reported at Round 2. The movement results from a reduction in the forecast on Interest & Financing. During 2019/20 the Council's treasury advisors, Link Asset Management were commissioned to review the arrangements to make Minimum Revenue Provision (MRP) for borrowing. This review concluded that the Council had made an over-provision of MRP over a number of years, and as a result the amount budgeted to contribute to the MRP could be offset against that previous over-provision until this over-provision had been corrected. The contribution to MRP for 2021/22 was budgeted at £4.1million; however as the accounting codes do not allow the MRP contribution to be zero, a forecast contribution of £1 has been made for 2021/22. This is only being declared in round 3, as the budget and earlier forecasts had assumed that the underspend would be transferred straight into reserves as part of our resilience strategy. The pressure on Levies is as per Round 2 and relates to the Coroners Service operated by Kent County Council the Lower Internal Drainage Board (LIDB) levy. The Medway Norse Profit Share is now forecast to be £118,000 in excess of the budgeted level.

## 8. Covid-19

Covid-19 Expenditure	R2 Forecast Over/(Under) £000's	Budget 2021/22 £000's	R3 Forecast £000's	R3 Forecast Over/(Under) £000's
C&A related - Holiday Activities & Food Programme	0	1,003	1,003	0
C&A related - Ringfenced Covid grants	0	9,521	9,430	(91)
C&A related - COMF expenditure	(548)	2,030	1,292	(737)
BSD related - COMF expenditure	128	0	242	242
BSD related - Business grants	0	12,600	12,600	0
BSD related - Admin grants	0	32	(399)	(432)
BSD related - Isolation grants	0	556	556	0
RCE related - COMF expenditure	420	0	495	495
RCE related - ARG expenditure	0	389	390	1
<b>Total</b>	<b>0</b>	<b>26,131</b>	<b>25,609</b>	<b>(522)</b>

In addition to core expenditure outlined in the sections above, the forecast includes Covid-19 related expenditure across the organisation not funded from ring-fenced grants. As previous rounds of monitoring have set out, this expenditure 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 expanded analysis presented for Round 3 reflects that expenditure being funded from grant/grant held in reserves and also reflects the underspends forecast where these grants are not required to be returned to the government if unspent and primarily represent administration/new burdens funding.

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 Operating 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. The Council as the owner of the Pentagon Centre is landlord to approximately 80 tenants. In certain situations, landlords cannot collect arrears, for instance where a tenant enters into a Company Voluntary Arrangement (CVAs) or becomes insolvent and the pandemic was widely anticipated to adversely impact the collection and recovery of rent/service charges in the UK. A number of tenants of the Pentagon have entered into CVAs and as a result the rent, service charge and insurance costs for the relevant periods are not recoverable. As each debt is in excess of £25,000, the write offs are a matter for Cabinet. The total value of these debts is £179,134.46 with details of each case set out in the Exempt Appendix to this report.
- 9.3. On the 8 March 2022, Cabinet agreed to write off these debts against the Council's sundry debt provision through the Round 3 Revenue Budget Monitoring Report (decision number 41/2022 refers).

## 10. Conclusions

- 10.1. The third round of revenue budget monitoring for 2021/22 projects an underspend of £2.201million.

## 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 addressing them in the Council Plan.	AI

## 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. The Committee is recommended to note the results of the third round of revenue budget monitoring for 2021/22.

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## Appendices

Exempt Appendix

Background papers

None