

Summary Sheet

Cabinet and Commissioners' Decision Making Meeting – 12th December 2016

Title

October Financial Monitoring Report 2016/17

Is this a Key Decision and has it been included on the Forward Plan?

Yes

Strategic Director Approving Submission of the Report

Judith Badger – Strategic Director of Finance and Customer Services

Report Author(s)

Pete Hudson – Chief Finance Manager, Finance & Customer Services

Email: peter.hudson@rotherham.gov.uk

Ward(s) Affected

All

Executive Summary

This report sets out the financial position at the end of October and is based on actual costs and income for the first seven months of the financial year and forecast costs and income for the remaining five months of 2016/17.

The current position shows a forecast revenue overspend of £9.319m after currently identified management actions totalling £3.968m. There is also a significant and increasing overspend on DSG which has now reached £5.393m.

Cabinet on 14th November considered a Medium Term Financial Strategy (MTFS) update report which sought approval for additional in-year spending of up to £8.456m. This is subject to Full Council approval on 7th December. £8.149m of this is spending which is already being incurred in order to address significant pressures predominantly in Children's Services whilst £307k of it is for new spending on investments in both Children's and Adults Social Care. The spending on pressures is outside of the approved budget set by Council in March and it is important that this is approved and funding identified. Assuming that Council approve this the forecast overspend will reduce by up to £8.149m and would reduce the current forecast overspend of £9.319m to £1.170m.

Whilst the reported figures would be more favourable, this is still spending of council resources that was not planned for at the beginning of the year and that has to be funded from elsewhere. Financial plans are being developed to identify the most appropriate funding mechanisms but at the present time it should be assumed that, to the extent that the newly implemented spending controls (see below) are unable to fully mitigate the forecast overspend, the funding will need to come from the Council's reserves.

The majority of the approved budget savings for 2016/17 are being achieved, the main exception being the £1 million saving from the review of staff terms and conditions of employment agreed by Full Council in March which will not now be delivered in 2016/17. Further work is in train to bring forward options for consideration in due course and there is a further £1m to be achieved within 2017/18 (£2m full year effect). The non-delivery of this saving is reflected in the forecast outturn in this report.

The key pressures contributing to the current forecast overspend are:

- The continuing service demand and agency staffing cost pressures for safeguarding vulnerable children across the Borough and the strengthening of Social Work and management capacity; and
- Demand pressures for Direct Payments and Managed Accounts, Residential and Domiciliary Care across all Adult client groups.

To reduce the significant forecast overspend the Senior Leadership Team have agreed the following controls. At the time of writing this report the detailed implementation plans were being finalised and Members will be updated verbally at the meeting:

- Strict vacancy and recruitment controls which will be subject to a senior level challenge and approval process.
- Controls on non-pay spend via changes to authorisation levels within the purchase to pay system and the escalation of spending decisions to a more senior level.
- A 'deep dive' by Finance Business Partners to review all unspent balances on a budget which is not contractually committed, details of the planned use of the budget and a decision making process to determine which planned spend can continue, which can be delayed and which can be stopped. This includes:
 - A review of all commitments on the financial system; and
 - A review of the planned use of agency staff (non-Social Work) between now and the end of March 2017

This action is essential if the Council is to bring spending further in line with the original budget as soon as possible and minimise the use of reserves. All actions implemented will have due regard for the safeguarding of vulnerable children and adults, the needs of clients and the potential impact on the citizens of Rotherham.

There is also a significant forecast overspend (£5.310m) on the Dedicated Schools Grant (DSG) High Needs Block. This is a forecast increase of £4.3m in a seven month period. Whilst this doesn't affect the Council's bottom line directly it is imperative that the recovery strategy reported in last month's Financial Monitoring Report to Cabinet is implemented in order to address this position. Options for consultation regarding addressing the High Needs overspend are being taken to Schools Forum on the 9th December with a view to agreeing a way forward at their January meeting.

In response to reduced Government funding, the Council needs to reduce its net spending by around £42m over the next 3 years with at least £13m of that falling in 2017/18. Furthermore, subject to Council approval of the recommendations in the MTFS update report, there is a need to identify funding/savings of a further £11m in 2017/18.

Should the current level of overspending continue or additional budget be required for any parts of the Council, the required overall budget reduction next year will be higher to that effect and would have to be identified from the remaining Council services. Whilst the Council holds sufficient reserves to accommodate unexpected events they are not sufficient to support ongoing service overspending.

Appendix 1 to this report shows the detailed reasons for forecast under and over spends by Directorate after management actions which have/are already being implemented.

The Capital Programme is currently on target to deliver within the approved budget for 2016/17 and a detailed update was provided in the September Monitoring report to Cabinet. The next detailed update will be included in the November Financial Monitoring Report to Cabinet on 9th January 2017.

A capital grant funding bid has been made to the Sheffield City Region in respect of the A618 Growth Corridor for which approval is being requested via this report for the project be added to the 2016/17 Capital Programme, in the event of the bid being successful.

Recommendations

That Cabinet:

1. Notes the current forecast overspend after management actions of £9.319m for 2016/17. (Paragraph 3.1)
2. Notes and endorses the specific actions being implemented to challenge planned spend between now and the end of March to reduce the forecast overspend. (Paragraph 2.10)
3. Recommend any additional actions which could be implemented to help manage down the current forecast overspend.

4. Notes that a recovery strategy for the forecast overspend on the Dedicated Schools Grant High Needs Block has been developed and that options for consultation on the overspend will be taken to Schools Forum on the 9th December with a view to agreeing a way forward at their January meeting. (Paragraph 3.12)
5. Subject to Council's approval of the funding allocation as detailed in the MTFS update report on 7th December, approve that the currently unallocated (one-off) Social Care Contingency budget (£1m) be allocated to Adult Social Care. (Paragraph 3.37)
6. Notes that a capital grant funding bid has been made to the Sheffield City Region in respect of the A618 Growth Corridor. Cabinet are asked to recommend to Council that this project be added to the 2016/17 Capital Programme, in the event of the bid being successful. (Paragraph 3.43).

List of Appendices Included

Appendix 1 – Detailed Directorate analysis of revenue forecast under and overspends

Background Papers

Revenue Budget and Council Tax Setting Report for 2016/17 to Council 2nd March 2016

Capital Programme Budget Setting Report - 2016/17 to 2020/21 to Council on 2nd March 2016

September 2016/17 Financial Monitoring Report to Cabinet – 14th November 2016
MTFS Update Report to Cabinet and Council - 14th November 2016 and 7th December respectively

Consultation with Strategic Directors

Consideration by any other Council Committee, Scrutiny or Advisory Panel

Yes – Overview and Scrutiny Management Board

Council Approval Required

No

Exempt from the Press and Public

No

October Financial Monitoring Report 2016/17

1. Recommendations

That Cabinet:

- 1.1 Notes the current forecast overspend after management actions of £9.319m for 2016/17. (Paragraph 3.1)
- 1.2 Notes and endorses the specific actions being implemented to challenge planned spend between now and the end of March to reduce the forecast overspend (Paragraph 2.10).
- 1.3 Recommend any additional actions which could be implemented to help manage down the current forecast overspend.
- 1.4 Notes that a recovery strategy for the forecast overspend on the Dedicated Schools Grant High Needs Block has been developed and that options for consultation on the overspend will be taken to Schools Forum on the 9th December with a view to agreeing a way forward at their January meeting. (Paragraph 3.12)
- 1.5 Subject to Council's approval of the funding allocation as detailed in the MTFS update report on 7th December, approve that the currently unallocated (one-off) Social Care Contingency budget (£1m) be allocated to Adult Social Care. (Paragraph 3.37)
- 1.6 Notes that a capital grant funding bid has been made to the Sheffield City Region in respect of the A618 Growth Corridor. Cabinet are asked to recommend to Council that this project be added to the 2016/17 Capital Programme, in the event of the bid being successful. (Paragraph 3.43).

2. Background

- 2.1 As part of its performance and control framework the Council is required to produce regular reports for the Strategic Leadership Team and Cabinet to keep them informed of financial performance on a timely basis such that where necessary, actions can be agreed and implemented to bring spend in line with the approved budget for the financial year.
- 2.2 Delivery of the Council's Revenue Budget and Medium Term Financial Strategy within the parameters agreed at the start of the current financial year is essential if the objectives of the Council's Policy Agenda are to be achieved. Financial performance is a key element within the assessment of the Council's overall performance framework.
- 2.3 This report sets out the financial position at the end of October and is based on actual costs and income for the first seven months of the financial year and forecast costs and income for the remaining five months of 2016/17.

- 2.4 The current position shows a forecast revenue overspend of £9.319m after currently identified management actions totalling £3.968m. There is also a significant and increasing overspend on DSG which has now reached £5.393m.
- 2.5 Cabinet on 14th November considered a Medium Term Financial Strategy (MTFS) update report which sought approval for additional in-year spending of up to £8.456m. This is subject to Full Council approval on 7th December. £8.149m of this is spending which is already being incurred in order to address significant pressures predominantly in Children's Services whilst £307k of it is for new spending on investments in both Children's and Adults Social Care.
- 2.6 The spending on pressures is outside of the approved budget set by Council in March and it is important that this is approved and funding identified. If Council approves this, the forecast overspend would reduce by up to £8.149m and would reduce the current forecast overspend of £9.319m to £1.170m.
- 2.7 Whilst the reported figures would be more favourable, this is still spending of council resources that was not planned for at the beginning of the year and that has to be funded from elsewhere. Financial plans are being developed to identify the most appropriate funding mechanisms but at the present time it should be assumed that this will need to come from the Council's reserves. A hold on the use of any reserves not already committed in the current year has been recommended (Cabinet Report 14/11/16) until the funding mechanism has been confirmed.
- 2.8 The majority of the approved budget savings for 2016/17 are being achieved, the main exception being the £1 million saving from the review of staff terms and conditions of employment agreed by Full Council in March which will not now be delivered in 2016/17. Further work is in train to bring forward options for consideration in due course and there is a further £1m to be achieved within 2017/18 (£2m full year effect). The non-delivery of this saving is reflected in the forecast outturn in this report.
- 2.9 The key pressures contributing to the current forecast overspend are:
- The continuing service demand and agency staffing cost pressures for safeguarding vulnerable children across the Borough and the strengthening of Social Work and management capacity; and
 - Demand pressures for Direct Payments and Managed Accounts, Residential and Domiciliary Care across all Adult client groups.
- 2.10 To reduce the significant forecast overspend the Senior Leadership Team have agreed the following controls. At the time of writing this report the detailed implementation plans were being finalised and Members will be updated verbally at the meeting:
- Strict vacancy and recruitment controls which will be subject to a senior level challenge and approval process.

- Controls on non-pay spend via changes to authorisation levels within the purchase to pay system and the escalation of spending decisions to a more senior level.
 - A 'deep dive' by Finance Business Partners to review all unspent balances on a budget which is not contractually committed, details of the planned use of the budget and a decision making process to determine which planned spend can continue, which can be delayed and which can be stopped. This includes:
 - A review of all commitments on the financial system; and
 - A review of the planned use of agency staff (non-Social Work) between now and the end of March 2017
- 2.11 This action is essential if the Council is to bring spending further in line with the original budget as soon as possible and minimise the use of reserves. All actions implemented will have due regard for the safeguarding of vulnerable children and adults, the needs of clients and the potential impact on the citizens of Rotherham.
- 2.12 There is also a significant forecast overspend (£5.310m) on the Dedicated Schools Grant (DSG) High Needs Block. This is a forecast increase of £4.3m in a seven month period. Whilst this doesn't affect the Council's bottom line directly it is imperative that the recovery strategy reported in last month's Financial Monitoring Report to Cabinet is implemented in order to address this position. Options for consultation regarding addressing the High Needs overspend are being taken to Schools Forum on the 9th December with a view to agreeing a way forward at their January meeting.
- 2.13 In response to reduced Government funding, the Council needs to reduce its net spending by around £42m over the next 3 years with at least £13m of that falling in 2017/18. Furthermore, subject to Council approval of the recommendations in the MTFS update report, there is a need to identify funding/savings of a further £11m in 2017/18.
- 2.14 Should the current level of overspending continue or additional budget be required for any parts of the Council, the required overall budget reduction next year will be higher to that effect and would have to be identified from the remaining Council services. Whilst the Council holds sufficient reserves to accommodate unexpected events they are not sufficient to support ongoing service overspending.
- 2.15 Appendix 1 to this report shows the detailed reasons for forecast under and over spends by Directorate after management actions which have/are already being implemented.
- 2.16 The Capital Programme is currently on target to deliver within the approved budget for 2016/17 and a detailed update was provided in the September Monitoring report to Cabinet. The next detailed update will be included in the November Financial Monitoring Report to Cabinet on 9th January 2017.

- 2.17 A capital grant funding bid has been made to the Sheffield City Region in respect of the A618 Growth Corridor for which approval is being requested via this report for the project be added to the 2016/17 Capital Programme, in the event of the bid being successful.

3. Key Issues

- 3.1 Table 1 below shows the summary forecast revenue outturn position by Directorate. The table shows the forecast outturn position both before and after any management actions which have already been quantified and implemented. As Directorates agree further management actions to mitigate forecast overspends this will be incorporated within future budget monitoring reports. A more detailed analysis of the Directorate's forecast under and overspends is included in Appendix 1.

Table 1: October Cumulative - Forecast Revenue Outturn 2016/17

Directorate / Service	Annual Budget 2016/17	Forecast Outturn 2016/17	Forecast Variance (over (+) / under (-) spend) BEFORE management actions	Forecast Variance (over (+) / under (-) spend) AFTER management actions
	£'000	£'000	£'000	£'000
Children & Young People's Services	56,295	64,689	+10,418	+8,394
Adult Care & Housing	67,289	70,573	+5,228	+3,284
Regeneration & Environment Services	46,099	45,635	-464	-464
Finance & Customer Services	14,179	14,179	0	0
Assistant Chief Executive	5,421	5,421	0	0
Capital Financing, Levies and Central Services	10,238	8,343	-1,895	-1,895
TOTAL	199,521	208,840	+13,287	+9,319
Public Health (Specific Grant)	17,157	17,157	0	0
Dedicated Schools Grant (Non Delegated)	20,440	25,833	+5,393	+5,393
Housing Revenue Account (HRA)	83,584	79,685	-3,899	-3,899

The following sections (paragraphs 3.2 to 3.38) provide key reasons for the forecast level of annual revenue under or overspend within Directorates. More detailed information is included in Appendix 1.

Children & Young People's Directorate (+£8.394m forecast overspend)

- 3.2 The October revenue full year forecast is £8.394m over budget. This is a £0.546m increase in the forecast overspend since the September report to Cabinet for the following reasons:
- A peer review of children's care litigation has recommended an increase in staff levels to allow cases to be dealt with internally and to address the unacceptably high risk within legal services caseloads (£0.188m); and
 - An increase in Out of Authority residential placements (£0.358m).
- 3.3 There are two main areas which are contributing to the Children's Services in-year position. The strain on the placement budget and the pressure on the staffing budget. The current Looked After Children (LAC) budget would support approximately 400 placements, 60 less than Rotherham's total of 460 LAC as at 31st October 2016. There has been a requirement to engage agency social workers and team managers with the necessary experience to reverse poor performance, fill vacancies, and reduce average caseloads to a reasonable level. The staffing budget pressure will gradually reduce as new social care employees are appointed and allocated appropriate caseloads. The main areas within the Directorate that are seeing significant overspends due to these pressures are detailed below.
- 3.4 First Response, which includes Rotherham's Multi-Agency Safeguarding Hub (The MASH), and the Child Sexual Exploitation Team (EVOLVE) are two examples of services that have had to engage temporary staff (£1.045m) with locality social work teams (£1.270m), Safeguarding (£1.011m) and Social Care Management (£339k) being the other main areas of pressure within the Children's Social Care Service employee budget. These costs represent the additional cost of agency staff over the budget for the approved social care establishment.
- 3.5 The Children in Care Service is projecting an over spend of £4.133m. The adverse movement in the variation is due to additional staffing costs for reasons outlined above, a position accentuated for a time limited period resulting from dual working as recently appointed newly qualified social workers work alongside existing agency staff to ensure the smooth and successful transition of caseloads. There is mounting pressure on the Looked After Children (LAC) placements budget which includes the cost of Independent Fostering Placements, Out of Authority provision and Fostering Allowances. At the end of October the number of LAC in Rotherham was 460, from 427 at 1st April 2016. If this number continues to increase then there will be a further pressure on social care budgets and a risk that the reported position will worsen before the end of the financial year.

- 3.6 Expenditure on Leaving Care allowances has doubled over the last two years. This is due to a number of reasons including: a reduction in Supporting People funding; closure of Nelson Street as the building was not fit for purpose - meaning six placements had to be commissioned through other providers at a premium; Staying Put costs exceed the grant support we receive (£71k grant compared with £188 costs due to higher numbers and higher costs of placements); and generally there are more placements at higher costs. Remedial action is being put in place to address the rising costs and includes: reviewing placements to ensure provision is appropriate; providing lower cost accommodation for over 18's through a transitional landlord scheme and in partnership with Housing; and increasing lower cost provision via new providers.
- 3.7 In addition, the number of care proceedings is continuing to rise which means that there is an additional demand for legal work. Whilst the Council continues to use external legal counsel to assist with the workload, a peer review of children's care litigation by Lincolnshire County Council has recommended an increase in staff levels so that cases can be dealt with internally by the Council rather than using external, more costly agency staff. This will also address the unacceptably high level of risk within legal services caseloads. The in-year pressure on the CYPS Legal budget has therefore risen to £458k.
- 3.8 The forecast outturn also includes Complex Needs placements pressure of £449k on the Special Educational Needs and Disabilities (SEND) budget, within Education and Skills, funded from mainstream Council resources and £192k with regard to reduced income assumptions within School Effectiveness.
- 3.9 The Commissioning, Performance and Quality Service are experiencing a £296k pressure due to additional Business Support Staff required to support the social work activity within Children's Social Care.

Dedicated Schools Grant

- 3.10 The service is also currently forecasting an over spend on its Dedicated Schools Grant (DSG) High Needs Block of £5.310m. At the end of 2015/16 the outturn position showed an overall underspend of £24k on the non-delegated DSG, comprised as follows:
- Early Years Block: £0.430m Underspend
 - Schools Block: £0.598m Underspend
 - High Needs Block: £1.004m Overspend
- 3.11 The current forecast outturn for 2016/17 is estimating a £5.393m over spend:
- Early Years Block: £0.000m Balanced
 - Schools Block: £0.083m Overspend
 - High Needs Block: £5.310m Overspend

- 3.12 The service has developed a Recovery Strategy (which was included in the September Financial Monitoring Report to Cabinet) and options for consultation on addressing the overspend will be taken to Schools Forum on the 9th December with a view to agreeing a way forward at their January meeting.

Adult Services (+£3.740m forecast overspend) and Housing (-£456k forecast underspend)

- 3.13 The service is currently forecasting an overspend of £5.228m across the two main functions of Adult Care and Housing. This is reduced to £3.284m following mitigating actions agreed by the Directorate Management Team.
- 3.14 Adult Care Services are currently forecasting an overall overspend of £5.684m for 2016/17 before mitigating actions and a forecast overspend of £3.740m after mitigating actions. The main budget pressures continue to be in respect of Direct Payments and Managed Accounts, Residential and Domiciliary care across all client groups.
- 3.15 The main budget pressure within the Directorate continues to be the increased demand for Direct Payments and Managed Accounts (£2.9m). This forecast pressure includes the full year impact in 2016/17 of the 29% increase in clients receiving a Direct Payment in 2015/16. The increase in client base is due to a mixture of demographic pressures and clients moving from a domiciliary care contract. In total this has seen 180 new clients in 2015/16, plus an additional net increase of 42 new clients since April 2016.
- 3.16 A task group established to review Direct Payments is still in place and continues to analyse high cost care packages to ensure they are appropriately aligned to client need and to review the processes and procedures associated with assessment to ensure they are fit for purpose. An action plan is being developed by senior managers to address the ongoing issues, which includes reviewing Managed Accounts and capacity within the service to carry out the reviews. The expected financial impact of this action plan will be reflected in future financial monitoring reports.
- 3.17 There are also pressures on the residential and nursing care budgets across all client groups as a result of an increase in the average cost of placements and lower than forecast 'Continuing Health Care' income contributions against the approved budget (forecast overspend of £1.9m across all client groups). The Assistant Director of Commissioning is providing oversight on the review of Learning Disability high cost placements which is anticipated to make significant savings (£1.380m). As these are quantified they will be reflected in future financial monitoring reports, £165k has been achieved to-date. However, there have been three additional placements into Learning Disability residential and nursing care since last month, including one from Children's services which has resulted in increased costs.
- 3.18 There is also a forecast budget pressure of £1m in respect of the provision of Domiciliary Care across all client groups due to an increase in the number of clients (97) and a 7% increase in the number of commissioned and delivered hours plus a recurrent income pressure on fees and charges (£300k).

- 3.19 The above forecast overspends are being partially reduced by projected underspends within Learning Disability Day Care Services and Supported Living provision due to higher than anticipated staff turnover (-£379k).
- 3.20 Neighbourhood services' (Housing) latest forecast is an underspend of -£456k mainly due to the recruitment to staff vacancies being put on hold pending the outcome of a review of the Neighbourhood Partnerships service plus additional income from the Furnished Homes scheme.

Public Health (Forecast balanced outturn)

- 3.21 The forecast outturn is to spend to budget at this stage including a small transfer to the Public Health Reserve. This forecast outturn takes into account the Government's 2016/17 reduction in grant funding which has largely been mitigated through the use of the balance on the Public Health grant reserve.

Regeneration and Environment Services (-£464k forecast underspend)

- 3.22 The Regeneration and Environment Directorate Management Team have reviewed the forecast outturn position following the October monitoring cycle. The October review is reporting a forecast underspend of £464k, which has improved from last month's forecast of a £425k forecast underspend, by £39k.
- 3.23 Detailed information on the key forecast variances that make up the overall underspend of £464k is provided below, however in summary, the main forecast overspends within the Directorate remain within Street Scene Services (£169k), Transportation (£165k), Planning and Building Control (£132k), Green Spaces (£93k) and Community Safety and Streetscene Corporate Accounts (£82k). These forecast overspends are fully mitigated by forecast underspends in other areas such as Facilities Management (-£355k), Rotherham Investment and Development Office (RIDO) (-£272k), Safer Neighbourhoods (-£257k) and Facilities Services (-£150k).
- 3.24 Within the Transportation service there is a forecast overspend of £165k. There are two main reported pressures within Transportation, £150k in Highways as a result of reduced fee earning work being commissioned, and a net staff cost pressure of £15k as a result of the use of agency staff for interim management cover for a vacancy.
- 3.25 Street Scene Services are forecasting a net overspend of £169k. Within this Corporate Transport has a forecast overspend of £203k, principally due to Home to School Transport (+£71k), as a result of the level of provision now agreed for the new academic year and the delayed implementation of savings within the Corporate Transport Unit (+£89k). A review of the Fleet service will commence shortly, this review will provide an opportunity to identify ways to sustainably reduce underlying revenue costs, whilst preserving or improving service levels and quality standards across the Council's fleet service. The review will identify a programme of change that will deliver these objectives.

- 3.26 Planning and Building Control services are forecasting an overspend of £132k. There is a key recurring pressure on income as it is dependent on major projects coming forward in the Borough, which are largely outside of the Authority's control. There have also been some unexpected demolition costs incurred of £25k in respect of an unsafe property at Rawmarsh. The Council has now invoiced the property owner for the costs, so this income will show in the next monitoring position and is looking to put a legal charge on the land to secure the debt.
- 3.27 Facilities Management services are forecasting an underspend of £355k. This forecast underspend is largely as a result of savings from buildings being vacated and/or sold (-£251k), leading to a reduction in the costs of managing these sites. The service has also managed to reduce the final settlement for the dilapidations works at the former RBT Innovations Centre which has saved a further £42k. This has helped to offset additional costs of £47k in respect of community buildings resulting from the delay to the planned closure programme.
- 3.28 RIDO are forecasting an underspend of £272k. The forecast saving has been brought forward by utilising available one-off grants and funding contributions from the Department of Business, Energy and Industrial Strategy (BEIS) to support the service's budget in 2016/17.
- 3.29 Safer Neighbourhoods are forecasting an underspend of £257k. There is a forecast underspend on Community Protection £274k due to the service carrying a number of vacant posts, which are now to be recruited to (recruitment to be completed by January 2017) and additional income generation. This is partially reduced by an overspend of £17k on essential maintenance and repair costs at Landfill sites.
- 3.30 The current Directorate forecast underspend excludes any pressure which may be incurred on the Winter Maintenance budget. This is weather dependent and is highlighted as a risk at this stage. In addition, Libraries and Customer Services have now completed a public consultation exercise to determine future service delivery options. As a result the budgeted savings assumptions have been re-profiled into 2017/18 with the result that there will be a pressure of £210k in 2016/17. This pressure is fully mitigated by forecast underspends across the wider Directorate.
- 3.31 Income assumptions in respect of Rother Valley Country Park (RVCP) have been reviewed following the end of the summer trading period given the largely weather dependent nature of the income generated at the Park. Although favourable weather in July and August has been reflected by a strong performance, it is not sufficient to offset the £120k income target pressure and as a result an overspend of £62k is currently being reported. This will continue to be reviewed on a monthly basis. Again this pressure is fully mitigated by forecast underspends across the wider Directorate.

Finance & Customer Services (forecast balanced outturn)

- 3.32 Overall the Directorate is forecasting to deliver in line with budget. The main pressures relate to a forecast overspend on statutory and planning notices (£191k) and unachievable income targets within central and planned print (£71k) partially offset by a vacant post (£86k), pressures within Internal Audit relating to spend on contracted services to support audits and the purchase of a software system. These Internal Audit pressures are partially mitigated through savings from a vacant post (£10k).
- 3.33 These pressures are expected to be fully mitigated by underspends within Electoral Services (£40k), staffing underspends within Procurement due to vacant posts (£55k), reduced pension charges and training budget underspends (£19k) and an underspend in Revenues and Benefits from vacant posts and maximising flexibility in the use of grant funding (£179k).

Assistant Chief Executive (forecast balanced outturn)

- 3.34 Overall the Directorate is forecasting to deliver a balanced outturn position. However, there are various forecast pressures and savings within the overall balanced position that should be noted. The main forecast pressure in Communications and Media of £118k is in respect of additional staff costs (£71k), subscription and system costs (£33k) and reduced income generation within the Design Studio (£17k). There are also increased staff cost pressures due to management support arrangements (£50k).
- 3.35 These pressures are expected to be fully mitigated by staff cost savings within Policy and Partnerships £64k, additional one year funding from Local Government Association (LGA) £29k, reduced costs relating to members including Member Allowances £154k, and management actions agreed across the Directorate to ensure spend is at least contained within budget for the year.

Corporate & Central Services (Forecast -£1.895m underspend)

- 3.36 The Corporate and Central services forecast now assumes that a £1.895m underspend will be delivered, and will be used to help mitigate the Council's current forecast overspend. This net forecast underspend includes:
- Non-delivery in 2016/17 of the budgeted savings in relation to changes in staff terms & conditions of £1m;
 - The £1m (one-off) contingency budget for social care;
 - A forecast £1.4m underspend on the capital financing budget as a result of the Council being able to reschedule a market loan, changing interest rate forecasts post-Brexit Referenda, and a reduced borrowing need in year;
 - Less superannuation payments to the South Yorkshire Pensions Fund than budgeted creating a forecast saving of £338k this financial year;
 - The cost of the Integrated Transport Authority and Coroners levies are less than budgeted by £244k; and
 - £373k forecast reduction in the level for Education Support Grant from the Department for Education due to the increased number of schools now expecting to convert to academies by the year end. (The grant is scaled back each quarter as further schools convert).

- 3.37 Subject to Council's approval of the in-year funding allocation (which is predominantly for children's social care services) as detailed in the MTFS update report on 7th December, it is recommended that Cabinet approval is sought to allocate the one-off Social Care Contingency budget (£1m) to Adult Social Care.
- 3.38 The Adult Care budget for 2016/17 received no additional funding either for demographic pressures or for Children with social care needs 'transitioning' into adulthood with their costs transferring to the Adult Care services budget. The additional cost of the 23 'transitions' to adult services in 2016/17 to date amount to £718k (full year effect £1.012m). From 2017/18 additional funding is included in the MTFS for transitions. Additionally the service is seeing a significant increase in demand for services across all client groups, as reflected in the current forecast overspend of £3.284m (after management actions).

Housing Revenue Account (HRA) – (Forecast -£3.899m underspend)

- 3.39 The Housing Revenue Account is a statutory ring-fenced account that the Council has to maintain in respect of the income and expenditure incurred in relation to its council dwellings and associated assets. The forecast for the HRA is a transfer to reserves of -£3.899m mainly due to delays in the strategic acquisitions programme until 2017/18. There is also a forecast underspend in respect of lower than anticipated HRA capital financing costs (-£180k), a forecast underspend on the provision for bad debts (-£296k) and additional rental income due to more property acquisitions than budgeted plus a reduction in loss of income through void properties (-£450k).

Collection Fund

- 3.40 The Collection Fund is the technical term for the statutory fund into which Council Tax and Business Rates income and costs are accounted for. It is forecast that the budgeted level of Council Tax and Business Rates will both be achieved.

Capital Programme

- 3.41 The Capital Programme is currently on target to deliver within the approved budget for 2016/17 and a detailed update was provided in the September Monitoring report to Cabinet. The next detailed update will be included in the November Financial Monitoring Report to Cabinet on 9th January 2017. This report provides a minor update to the position reported in last months' report.

- 3.41 Following the launch of an early commissioning call by the Sheffield City Region (SCR), in respect of SCRIF capital funding, on 1st September 2016, the Council has been successful in the first stage (outline business case) of the approval process in respect of 3 projects; Purchase of the Advanced Manufacturing Park Technology Centre (AMPTC), Forge Island and the A618 Growth Corridor. As a result, full business cases were submitted to the SCR on the 11th November 2016 and are in the process of being evaluated. The acquisition of Forge Island has already been approved by Cabinet, and if successful the SCR funding will be utilised for this purpose. A report will follow to the Cabinet/Commissioners Decision Making Meeting in January 2017 on the acquisition of the AMPTC. The SCR require all funding to be spent in the 2016/17 financial year, if not the money is at risk of having to be returned to Central Government.
- 3.42 In respect of the A618 Growth Corridor bid for £759,000 in 2016/17, there is a requirement to start work on site as soon as feasible, in the event of approval for the scheme being granted. Given the tight timetable to physically deliver the scheme before the end of March 2017, the Council is lobbying to get this and the Forge Island approval fast tracked to before Christmas 2016. To prevent delays in works starting on site following the SCR decision, Cabinet are asked to recommend to Council that this project be added to the 2016/17 Capital Programme, in the event of the bid being successful. A report will follow to the Cabinet/Commissioners Decision Making Meeting in January 2017, which will set out the details of the scheme and its relationship with the Gulliver's development. This report will also cover Phase 2 works for which a further bid will be made to the SCR.

4. Options considered and recommended proposal

- 4.1 With regard to the current forecast revenue overspend, significant management actions have been implemented (paragraph 2.4) and the impact of these will be included in future financial monitoring reports to Cabinet.

5. Consultation

- 5.1 Budget Managers, Holders and Operators across the Council and the Strategic Leadership Team (SLT). In addition there are now a series of monthly budget challenge meetings taking place to review the forecast positions for each Directorate before they are finalised with the aim of improving the Council's overall forecast position. These involve each Directorate Management Team, the relevant Cabinet Members, the Cabinet Member for Finance and the Assistant Director of Finance

6. Timetable and Accountability for Implementing this Decision

- 6.1 Strategic Directors, Managers and Budget Holders will ensure continued close management and scrutiny of spend for the remainder of the financial year.
- 6.2 Financial Monitoring reports will be taken to Cabinet and Overview and Scrutiny meetings during the year. Planned Cabinet reports are:

7. Financial and Procurement Implications

- 7.1 There is currently a projected overspend of £9.3m after management actions and specific financial details and implications are set out within section 3 of this report. Significant management action has been implemented to challenge planned spend for the remainder of the financial year and to identify where choices can be made to delay or stop planned spend. The financial situation is also being closely monitored through the programme of budget challenge sessions that were reported in last month's financial monitoring report to Cabinet.
- 7.2 There is already a need to identify £42m of further savings and cost reductions over the next 3 years and subject to Full Council approval of the recommendations in the MTFS Update report on 7th December, funding additional investment of £11m will also be necessary in the medium to long term.
- 7.3 Recognising the likely need to use reserves to fund some or all of this in the short term, the Council's current financial (financing) plans are being reviewed to consider a variety of options for re-profiling the current planned use of reserves and to identify any areas of spend that can be properly capitalised in order to reduce the pressure on the revenue budget. There will be choices in this regard all with different implications on the Medium Term Financial Plan and respective annual budget gaps.
- 7.4 Proposals will be brought back to Cabinet once there is a Council decision in relation to the proposed investment and when there is a clearer view of likely outturn/financial recovery for the current year. A full review of all financial planning assumptions is also underway in order to enable a clear view of the financial horizon and inform future decisions.

8. Legal Implications

- 8.1 No direct implications.

9. Human Resources Implications

- 9.1 No direct implications.

10. Implications for Children and Young People and Vulnerable Adults

- 10.1 This report includes reference to the cost pressures on both Childrens and Adults Social care and refers to investments in those services.

11 Equalities and Human Rights Implications

- 11.1 No direct implications.

12. Implications for Partners and Other Directorates

- 12.1 No direct implications. As management actions are developed some of these may impact Partners. Timely and effective communication will therefore be essential in these circumstances.

13. Risks and Mitigation

- 13.1 At a time of economic difficulty and tight financial constraints, managing spend in line with the Council's Budget is paramount. Careful scrutiny of expenditure and income across all services and close budget monitoring therefore remain a top priority if the Council is to deliver both its annual and medium term financial plans while sustaining its overall financial resilience.
- 13.2 Any potential further cost of CSE claims over and above that already provided for in the 2015/16 accounts or identified in-year to date is not included in this report.
- 13.3 Potential pressures on the winter maintenance budget arising from adverse weather are not reflected in this report.
- 13.4 There is a risk that the costs falling on the Council for sponsored academy conversions in- year may exceed the funding set aside for this purpose.
- 13.5 Although both Council Tax and Business Rates collection levels are on target there is a minimal risk that this could change during the remaining months of the year.
- 13.6 The Council's 2016/17 Budget included a requirement to fund the first £2m of severance costs from in-year capital receipts. The forecast level of receipts for 2016/17 is circa £3.1m however the confirmed level of capital receipts for the first six months of 2016/17 is £590k, of the remaining £2.510m still to be achieved £2.145m is viewed as being medium or low risk.
- 13.7 The current forecast outturn position is predicated on the delivery of management actions totalling £3.968m, split across Children & Young People's Services £2.024m and £1.944m within Adult Care & Housing.

14. Accountable Officer(s)

Pete Hudson – Chief Finance Manager

Approvals Obtained from:-

Strategic Director of Finance and Customer Services:- Judith Badger

Assistant Director of Legal Services:- Dermot Pearson

This report is published on the Council's website or can be found at:-
<http://moderngov.rotherham.gov.uk/ieDocHome.aspx?Categories=>