Rotherham Metropolitan Borough Council

Public Report
Cabinet and Commissioner Decision Making Meeting

Summary Sheet
Cabinet and Commissioners' Decision Making Meeting – 13th February 2017

Title
December Financial Monitoring Report 2016/17

Is this a Key Decision and has it been included on the Forward Plan?
This is not a key decision, but has been included on the Forward Plan

Strategic Director Approving Submission of the Report
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Ward(s) Affected
All

Executive Summary

This report sets out the financial position for the Revenue Budget at the end of December 2016 and is based on actual costs and income for the first nine months of the financial year and forecast costs and income for the remaining three months of 2016/17.

The revenue position, before adjusting for the additional budget allocation approved by Council on 7th December, shows a forecast overspend of £10.391m after currently identified management actions. The additional in-year budget approval has reduced the forecast overspend down to £2.543m. The forecast overspend has increased by £768k since the November report.

It is currently anticipated that around £1.0m of the forecast overspend could be funded from in year capital receipts and a further £1.2m of spend in relation to Highways could be capitalised. Therefore, based on the current forecast, this would reduce the potential call on reserves to £343k.

The additional budget approval has to be funded and the extent to which in year revenue spend across the whole Council cannot be reduced, will inevitably impact the Council's reserves.

The December Council report approved additional in-year funding to address pressures, predominantly in Children's services (£7.848m) and £608k for new investments for Adults, Children's and Corporate services which will enable the delivery of significant savings in future years. The report also approved additional funding for 2017/18 of £11.005m which has been built into the Medium Term Financial Strategy and specific budget plans for next year.

To help mitigate the potential impact on reserves, robust controls have been implemented to drive down costs over the remaining months of the financial year with Directorates proactively considering what spend can be stopped, scaled back or delayed. Whilst the total costs avoided and delayed are not known (as it would be administratively burdensome to collect this detail) it is known that as a minimum £1.5m spend has been avoided or delayed to date. The key controls implemented are:

- The newly established Workforce Management Board is closely scrutinising and deciding on all requests for recruitment, the engagement of agency staff / consultants, and overtime requests.
- Procurement controls – all orders in respect of revenue spend on the Council's procurement system now require senior management (M3 or above) approval. The senior manager is also required to provide reasons to justify their authorisation.
- Budget 'deep dives' continue to progress to look at all planned spend which has not yet happened but is included in Directorate's forecast outturns to determine what spend can be stopped, scaled back or delayed.

The above actions 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.

The majority of the approved budget savings for 2016/17 have or are being achieved, the main exception being the £1 million saving from the review of staff terms and conditions of employment agreed by Council in March 2016 which will not now be delivered in 2016/17. Positive, constructive discussions with the Trade Unions have been taking place about how this saving can be achieved. If the proposals to deliver the saving are supported, it is the intention that they will be implemented from April 2017 and will deliver the £2m full year effect saving for 2017/18. The non-delivery of the 2016/17 £1m saving is reflected in the forecast outturn in this report.

There is also a significant forecast overspend (£5.591m) on the Dedicated Schools Grant (DSG) High Needs Block; an increase of £86k since last month. This is a forecast increase in overspend of £4.6m in a nine month period. Whilst this doesn't affect the Council's financial position directly at this time it is imperative that the recovery strategy reported in September Financial Monitoring Report to Cabinet is implemented in order to address this position and avoid any risk to the Council in the future. Options for consultation regarding addressing the High Needs overspend were taken to Schools Forum on the 9th December. At a further meeting on 13th January 2017 the Council notified the Forum of its intention to transfer £3m of funding from the Schools Block to the High Needs Block in 2017/18 and this will

contribute significantly to address the High Needs Block deficit. A detailed Sufficiency Strategy and Financial Plan to address the remaining deficit and the future level of service provision will now be discussed and consulted upon at the 8th March 2017 Schools Forum meeting.

Clifton Community School is now scheduled to convert to a sponsored Academy on 1st March (previously it was reported that the conversion would take place in February 2017). The school has an estimated deficit of £1.2m. A reserve of £1.2m was created in finalising the 2015/16 accounts specifically to mitigate deficit balances falling on the Council as a result of sponsored academy conversions during 2016/17.

In response to reduced Government funding, the Council needs to reduce its net spending by £24m in 2017/18 and around a further £42m in the following two years. A robust budget for 2017/18 is presented for consideration by Cabinet elsewhere on this agenda before being referred to Council on 8th March for approval.

Control over spending is critical to a robust medium term financial strategy as unplanned spending impacts on reserves levels which are the bedrock of a financially stable organisation and unplanned spending depletes reserves.

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

Recommendations

Revenue

That Cabinet:

- Notes the current 2016/17 forecast overspend of £343k after management actions, use of in-year capital receipts, capitalisation of highways spend and the allocation of additional in year budget. (Paragraph 3.1)

- Notes and endorses the specific actions being implemented to challenge planned spend between now and the end of March to reduce the forecast overspend and minimise the call on reserves. (Paragraph 2.7)

- Recommend any additional actions which could be implemented to help manage down the current forecast overspend.

- Notes that a detailed Dedicated Schools Grant (DSG) High Needs Sufficiency Strategy and Financial Plan to address the remaining deficit and future level of service provision will now be discussed and consulted upon at the 8th March 2017 Schools Forum meeting. (Paragraph 3.14)

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
November 2016/17 Financial Monitoring Report to Cabinet – 9th January 2017
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 – 17 February 2017

Council Approval Required
No

Exempt from the Press and Public
No

1. Recommendations

That Cabinet:

1.1 Notes the current 2016/17 forecast overspend of £343k, after management actions, use of in-year capital receipts, capitalisation of highways spend and the allocation of additional in year budget. (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 and minimise the potential call on reserves. (Paragraph 2.7)

1.3 Recommend any additional actions which could be implemented to help manage down the current forecast overspend.

1.4 Notes that a detailed Dedicated Schools Grant (DSG) High Needs Sufficiency Strategy and Financial Plan to address the remaining deficit and future level of service provision will now be discussed and consulted upon at the 8th March 2017 Schools Forum meeting. (Paragraph 3.14)

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, and Capital Programme within the parameters agreed by Council 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 December and is based on actual costs and income for the first nine months of the financial year and forecast costs and income for the remaining three months of 2016/17.

2.4 The current position shows a forecast revenue overspend of £343k after currently identified management actions, use of in-year capital receipts, capitalisation of highways spend, and after the allocation of £8.456m additional budget in 2016/17 by Council on 7th December 2016. There is also a significant overspend on DSG which has now reached over £5.6m.

2.5 The additional 2016/17 budget approval has to be funded and the extent to which in-year revenue spend across the whole Council cannot be reduced, will inevitably impact the Council's reserves and future financial sustainability.

2.6 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 Council in March which will not now be delivered in 2016/17. Positive, constructive discussions with the Trade Unions have been taking place about how this saving can be achieved. If the proposals are supported it is the intention that they will be implemented from April 2017 and will deliver the £2m full year effect saving for 2017/18. The non-delivery of the £1m saving in the current year is reflected in the forecast outturn in this report.

2.7 To reduce the significant forecast overspend the following controls have been implemented:

- The newly established Workforce Management Board is scrutinising and deciding on all requests for recruitment, the engagement of agency staff / consultants, and overtime requests
- Procurement controls – all orders in respect of revenue spend on the Council's procurement system now require senior management (M3 or above) approval. The senior manager is also required to provide reasons for justifying their authorisation.
- Budget 'deep dives' continue to progress to look at all planned spend which has not yet happened but is included in Directorate's forecast outturns to determine what spend can be stopped, scaled back or delayed.

2.8 This action is essential if the Council is to reduce spending 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.

2.9 There is also a significant forecast overspend (£5.591m) on the Dedicated Schools Grant (DSG) High Needs Block. This is a forecast increase in overspend of £4.6m in a nine month period. Whilst this doesn't affect the Council's financial position directly at this time it is imperative that the recovery strategy reported in September Financial Monitoring Report to Cabinet is implemented in order to address this position and avoid any risk to the Council in the future. Options for consultation regarding addressing the High Needs overspend were taken to Schools Forum on the 9th December. A detailed Sufficiency Strategy and Financial Plan to address funding and provision will now be discussed and consulted upon at the 8th March 2017 Schools Forum meeting.

2.10 Clifton Community School is now scheduled to convert to a sponsored Academy on 1st March 2017 (previously it was reported that conversion would take place in February 2017). The school currently has an estimated deficit of £1.2m. A reserve of £1.2m was created in finalising the 2015/16 accounts specifically to mitigate deficit balances falling on the Council as a result of sponsored academy conversions during 2016/17.

2.11 In response to reduced Government funding, the Council needs to reduce its net spending by around £42m for the two years 2018/19 and 2019/20. It also has to deliver savings of £24m in 2017/18. A robust budget for 2017/18 is presented for consideration by Cabinet elsewhere on this agenda for approval by Council on 8th March. Control over spending is critical to a robust medium term financial strategy as unplanned spending impacts on reserves levels which are the bedrock of a financially stable organisation and unplanned spending depletes reserves.

2.12 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.

3. Key Issues

3.1 Table 1 below shows the summary forecast revenue outturn position by Directorate. The table shows the forecast outturn position after any management actions which have already been quantified and implemented. As Directorates agree further management actions to mitigate forecast overspends these will be incorporated into the January Financial Monitoring Report (Estimated Outturn 2016/17). The annual budgets have been updated to include the additional Council budget approvals, agreed 7th December 2016 and the Adult Social Care budget also now includes the £1m social care contingency budget which transferred from Central Services following Cabinet approval on 12th December. A more detailed analysis of each of the Directorate's forecast under and overspends is included in Appendix 1.

Table 1 below also shows the change in forecast outturn by Directorate/Service between the November and December budget monitoring cycles.

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

Directorate / Service	Revised Annual Budget 2016/17	Forecast Outturn 2016/17	Forecast Variance (over (+) / under (-) spend) AFTER management actions	Change in Variance Nov to Dec (- = better / + = worse)
	£'000	£'000	£'000	£'000
Children & Young People's Services	63,225	64,805	+1,580	+1,032
Adult Care & Housing	68,289	71,801	+3,512	-2
Regeneration & Environment Services	46,346	45,069	-1,277	-109
Finance & Customer Services	15,376	14,956	-420	-112
Assistant Chief Executive	5,496	5,399	-97	-41
Capital Financing, Levies and Central Services	9,245	8,490	-755	0
SUB TOTAL	**207,977**	**210,520**	**+2,543**	**+768**
LESS:				
Use of Capital Receipts Flexibilities	0	-1,000	-1,000	-1,000
Highways Capitalisation	0	-1,200	-1,200	-1,200
TOTAL (after adjustments)	**207,977**	**208,320**	**+343**	**-1,432**
Public Health (Specific Grant)	17,157	17,157	0	0
Dedicated Schools Grant (Non Delegated)	20,440	26,114	+5,674	+86
Housing Revenue Account (HRA)	83,584	79,214	-4,370	-233

It should be noted the above £343k forecast overspend is after the proposed use of £8.456m of reserves for 2016/17, the utilisation of in-year capital receipts flexibilities and the capitalisation of £1.2m Highways related spend.

The following sections (paragraphs 3.2 to 3.37) 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 (+£1,580k forecast overspend after additional funding for demand cost pressures of £7.578m)

3.2 The December revenue full year forecast is £1.580m over budget after adjusting for the additional in year budget allocation of £7.578m to address the Directorate's demand cost pressures. The forecast overspend has increased by £1.032m since the November report. The key reasons for the £1.032m increase are:

- Following review, an extension to the planned end date for residential care placements beyond December 2016 (£514k)
- 5 new residential Out of Authority placements (+£315k)
- 18 new independent fostering placements (+£99k)
- Extension to agency & Interim contracts (+£104k)

3.3 The in-year budgetary position for Children's Services remains challenging and reflects the national picture of growing looked after children (LAC) numbers. The original LAC budget would support approximately 400 placements, 89 less than Rotherham's total of 489 LAC as at 31st December 2016. There has been a requirement to engage a significant number of agency social workers and team managers to fill vacant posts and to secure the right knowledge, skills and leadership 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.

3.4 As reported last month, Operation Stovewood, an active National Crime Agency (NCA) operation, is being progressed with the support of Children's Services. This operation will result in additional costs of £124k being incurred. A funding bid to address these additional resource requirements has been made however, should the funding not be received this may result in a further cost pressure in 2016/17. This is reflected in the reported outturn position for this month.

3.5 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 additional agency staff over the approved social care establishment budget. These services alongside other pressure areas such as locality social work teams, Safeguarding and Social Care Management have largely been addressed through the additional funding for demand cost pressures ratified by Council on 7th December.

3.6 The Children in Care Service is projecting an over spend of £1.594m. 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 continues to be mounting pressure on the LAC placements budget which includes the cost of Independent Fostering Placements, Out of Authority provision and Fostering Allowances. If numbers continue to increase then there will be further pressure on social care budgets and a risk that the reported position will worsen before the end of the financial year.

3.7 At the end of September with actual LAC numbers at 448, the service and finance agreed a forward projection up to 460 by the end of March 2017 based on demand over the preceding period. There has been a significant increase in demand beyond the level forecast – the current number of LAC is 489 (31st December). The December forecast has therefore been re-modelled to include further phased growth at approximately four placements per month to 500 LAC by 31st March 2017. Current budget proposals seek to address the growing number of LAC and change the proportion of placement settings in favour of in-house foster care.

3.8 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 received (£71k grant compared with £188k 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 18s through a transitional landlord scheme and in partnership with Housing; and increasing lower cost provision via new providers.

3.9 The forecast outturn on the Special Educational Needs and Disabilities (SEND) budget, within Education and Skills, is now an under spend of £102k. There remains a forecast overspend on School Effectiveness due to reduced income assumptions (£193k) although this is offset by savings arising from vacancy management within Children's centres (-£258k).

CYPS Recovery Strategy Update

3.10 The service is committed to implementing management actions to mitigate the impact of the pressures reported above and has identified £261k of in-year savings which includes a further vacancy freeze (£89k), placing on hold planned spend on publicity (£10k) and transferring further allowable expenditure to DSG (£162k).

A great deal of progress has been made in recruiting to permanent positions this year. To date 60 permanent positions have been filled through the success of the CYPS Resourcing Team who have brought new and innovative methods to the search for the best social care professionals.

3.11 There can often be a period of between two and four months from the end of the recruitment process to a new officer starting in post. The Social Care Service aim to release agency staff within two weeks of a permanent employee's start date. Recruitment activity was particularly successful over the summer and into autumn.

Dedicated Schools Grant

3.12 The Directorate is also currently forecasting an over spend on its Dedicated Schools Grant (DSG) High Needs Block of £5.591m. 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

3.13 The current forecast outturn for 2016/17 is estimating a £5.674m over spend:

- Early Years Block: £0.000m Balanced
- Schools Block: £0.083m Overspend
- High Needs Block: £5.591m Overspend

3.14 The service has developed a Recovery Strategy, which was included in the September and October Financial Monitoring Reports to Cabinet. The latest High Needs position was presented to Schools Forum on the 9th December.

3.15 At the meeting of Schools Forum on 13th January 2017 the Council informed the Forum that it intended to transfer £3m of funding from the Schools Block DSG allocation in 2017/18 to the High Needs Block to part fund the estimated 2016/17 deficit. This transfer will happen during 201718 and will reduce the forecast deficit reported above to £2.6m in 2017/18. The consequence of this is that £3m less funding will be allocated directly to schools.

3.16 A detailed Sufficiency Strategy and Financial Plan to address the remaining deficit and future level of provision will be discussed and consulted upon at the 8th March 2017 Schools Forum meeting.

Adult Services (+£4.227m forecast overspend) and Housing (-£715k forecast underspend)

3.17 The Directorate is currently forecasting an overspend of £3.512m across the two main functions of Adult Care and Housing after mitigating actions agreed by the Directorate Management Team. This position also reflects the allocation of the £1 million Social Care contingency budget to Adult Social Care as approved by Cabinet on 12th December 2016. The forecast is stable and is the same as that reported in November.

3.18 Adult Care Services are currently forecasting an overall overspend of £4.227m 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.

3.19 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 52 (+4.3%) new clients since April 2016.

3.20 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. Assumptions around the financial impact of this are reflected in the forecast outturn.

3.21 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 £1.1m 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); £115k has been achieved to-date.

3.22 There is also a forecast budget pressure of £1.2m in respect of the provision of Domiciliary Care across all client groups due to an increase in the number of clients (111) and a 9% increase in the number of commissioned and delivered hours plus a recurrent income pressure on fees and charges (£300k).

3.23 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 (-£554k) and higher than anticipated staff turnover in social work teams (-£305k), plus a review of the training programme delaying some training into 2017/18 (-£70k).

3.24 Neighbourhood services' (Housing) latest forecast is an underspend of -£715k mainly due to the recruitment to staff vacancies being put on hold pending the outcome of a review of the Neighbourhood Partnerships service plus further additional income from the Furnished Homes scheme.

Adult Care & Housing – Recovery Strategy Update

3.25 The demand for residential placements is reducing however budget pressures remain due to the increasing cost of care packages. However, the demand for domiciliary care and direct payments is increasing. There are also underlying budget pressures from unachieved budget savings from previous years, for example, Continuing Health Care funding and a reduction in the level of client contributions to services after financial assessment. A number of management actions have been put in place to reduce the forecast overspend within the Adult Care and Housing Directorate.

3.26 The continued review of out of area and high cost care packages across all services to identify opportunities to reduce costs and rigorously pursue all Continuing Health Care funding applications with the Clinical Commissioning Group remains operational. To date a total of £288k savings have been achieved against management actions of £1.090m. Weekly budget meetings are held with senior managers to review in detail the budget forecasts, monitor demographic pressures and identify further savings opportunities and mitigate the pressures. All spend is now being authorised by Heads of Service and above. Further progress continues on the delivery of the Adult Services Development Programme to improve the outcomes for service users and this is largely on track to deliver the 2016/17 approved savings included in the budget setting process.

3.27 Other management actions include the introduction of a Practice Challenge Group (PCG) which meets bi-weekly to review and challenge all care assessments prior to discussion with users and carers.

3.28 Further investment was approved by Council in December for a brokerage team and additional resources to review Direct Payments and Managed Accounts, which should lead to further reductions in expenditure in the final quarter of the financial year.

Public Health (Forecast balanced outturn)

3.29 The forecast outturn is to spend to budget at this stage including a 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 (-£1.277m forecast underspend)

3.30 The Regeneration and Environment Directorate Management Team have reviewed the forecast outturn position following the December monitoring cycle. The Directorate is now reporting a forecast underspend of £1.277m following the agreed implementation of a number of additional management actions to help address the Council's overall overspend position that were identified in the 2016/17 budget 'deep dive'. This is a further improvement of £109k on the position reported last month.

3.31 Detailed information on the key forecast variances that make up the overall underspend of £1.277m are included in Appendix 1. This net underspend consists of a number of overspends and underspends; in summary, the main forecast overspends within the Directorate remain within Street Scene Services (£180k), Transportation (£87k), Planning and Building Control (£158k), and Community Safety and Streetscene Corporate Accounts (£90k). These forecast overspends are fully mitigated by forecast underspends in other areas such as Facilities Management (-£557k), Rotherham Investment and Development Office (RIDO) (-£282k), Safer Neighbourhoods (-£260k) and Facilities Services (-£185k). Savings of £199k in Customer Services and Libraries (£150k) are fully mitigating the balance of savings that have not been realised in Culture and Customer Services in 2016/17.

3.32 The current Directorate forecast underspend excludes any pressure which may yet be incurred on the Winter Maintenance budget. This is weather dependent and is highlighted as a risk at this stage.

Finance & Customer Services (-£420k forecast underspend)

3.33 Overall the Directorate is forecasting an underspend of -£420k. This is an improvement of £112k since the November monitoring report and is largely as a result of the spend moratorium. The main pressures relate to a forecast overspend on statutory and planning notices (£62k) and unachievable income targets within central and planned print (£91k), partially offset by vacant posts within that service (-£54k).

3.34 The above Directorate pressures are fully mitigated by underspends within Electoral Services (-£9k), staffing underspends within Procurement due to vacant posts (-£81k), reduced pension charges and training budget underspends (-£23k), staffing savings from vacancies within Internal Audit (-£37k), Financial Services (-£131k), Customer, Information and Digital Services (CIDS) (-£56k) and an underspend in the Revenues and Benefits service from vacant posts and maximising flexibility in the use of grant funding (-£175k).

Assistant Chief Executive (-£97k forecast underspend)

3.35 Overall the Directorate is forecasting to deliver an underspend of -£97k; a further improvement of £41k since the November report. However, there are various forecast pressures and savings within this 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 (£30k) and reduced income generation within the Design Studio (£17k). There are also increased staff cost pressures due to increased management support arrangements (£34k).

3.36 These pressures are fully mitigated by staff cost savings within Policy and Partnerships -£89k, additional one year funding from Local Government Association (LGA) -£31k, reduced costs relating to members including Member Allowances -£152k, vacant posts within the HR and Payroll service and from a number of management actions agreed across the Directorate to ensure spend is minimised where it is appropriate to do so.

Corporate & Central Services (-£755k forecast underspend)

3.37 The Corporate and Central services forecast now assumes that a £755k underspend will be delivered, and will be used to help mitigate the Council's overall current forecast overspend.

This net forecast underspend includes key components:

- Non-delivery in 2016/17 of the budgeted savings in relation to changes in staff terms & conditions of £1m;
- Cost of legal investigations (£140k);
- 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
- £304k 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).

Housing Revenue Account (HRA) – (Forecast -£4.370m underspend)

3.38 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 -£4.370m mainly due to delays in the strategic acquisitions programme until 2017/18. There is also a forecast underspend in respect of housing repairs (-£180k), 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 (-£650k).

Collection Fund

3.39 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.

4. Options considered and recommended proposal

4.1 With regard to the current forecast revenue overspend, significant management actions have been implemented (paragraph 2.7) and the impact of these will be included in future financial monitoring reports to Cabinet.

4.2 It is inevitable that to the extent that spend cannot be reduced in year or be legitimately capitalised, there will be an impact on the Council's reserves.

5. Consultation

5.1 Budget Managers, Holders and Operators across the Council and the Strategic Leadership Team (SLT). Regular budget challenge meetings are 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.

5.2 The continuing approach to treasury management has been discussed with the Council's External Treasury Management Advisors, Capita Asset Services, who have confirmed that this is a prudent approach given current market conditions.

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 are taken to Cabinet and Overview and Scrutiny meetings during the year. The next Financial Monitoring Report to Cabinet will be the Estimated Outturn report for 2016/17.

7. Financial and Procurement Implications

7.1 There is currently a projected overspend of £343k after management actions and specific financial details and implications are set out within section 3 of this report. It is imperative that this forecast overspend is addressed as much as possible over the remainder of the year. Strict management of spend will remain in place within all Directorates in order that the required use of reserves to fund the additional budget approval by Council on 7th December is minimised and the call on reserves is, at least, no greater than the additional investment approved by Council on 7th December 2016.

7.2 The Council needs to identify savings and cost reductions of £24m in 2017/18 and around a further £42m in the following two financial years. Budget proposals to deliver this are reported elsewhere on this agenda.

7.3 Recognising the likely need to use reserves to fund some of this in the short term, the Council's current financial (financing) plans have been 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.

7.4 The means of funding the in-year additional budget approval will be contained within the Outturn report once the final position is known however, an estimate of the Outturn is reflected in the 2017/18 Budget Report as part of the Reserves Strategy. The proposed means of funding the additional 2017/18 £11m investment is included in the 2017/18 Budget Report elsewhere on this agenda, for subsequent approval by Council on 8th March 2017.

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 Children's and Adults Social care and also 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 actual level of capital receipts for 2016/17 for the first nine months of 2016/17 is £2.302m. It is unlikely that there will be further capital receipts in the final quarter of 2016/17. The in-year receipts may be used to help mitigate some of the forecast overspend in this report. Their proposed use will be included in the Estimated Outturn report for 2016/17.

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

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