Rotherham Metropolitan Borough Council

Public Report
Overview and Scrutiny Management Board

Summary Sheet

Overview and Scrutiny Management Board – 27th September 2017

Report Title
July Financial Monitoring Report 2017/18

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

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

Summary

This report sets out the financial position for the Revenue and Capital Budgets at the end of July 2017 and is based on actual costs and income for the first four months of 2017/18 and forecasts for the remainder of the financial year. This is the second of a series of monitoring reports for the 2017/18 financial year which will continue to be brought forward to Cabinet and Commissioners on a regular basis.

Delivery of the Council's Revenue and Capital Budget and Medium Term Financial Strategy within the parameters agreed at the start of the current financial year is essential, if the Council's objectives are to be achieved. Financial performance is a key element within the assessment of the Council's overall performance framework.

As at July 2017 the Council has a forecast overspend on the General Fund of £3.4m. The majority of the £24m budget savings approved within the 2017/18 budget are being achieved. £11.9m of those savings are Directorate budget savings, however, in addition to those budget savings, Directorates also have to achieve £5.4m of budget savings in 2017/18 which were agreed in previous budgets. Total Directorate savings for 2017/18 are therefore £17.3m. The current position is that around £5.2m of those total savings are at risk of not being achieved in this financial year in the

manner approved by Council when the 2017/18 was set (and are reflected in the current overspend projection along with the impact of mitigating actions).

Work continues to identify further alternative or additional savings in order to deliver a balanced budget position. Cabinet approval will be sought for any budget savings which are proposed to be delivered differently on a permanent basis.

Management actions also continue to address areas of overspend. The overall budget position will continue to be monitored closely with regular updates on progress in maintaining a balanced budget position reported regularly through these Financial Monitoring reports. .

The forecast overspend should be seen against a backdrop of the Council having successfully addressed cost pressures of £138m over the last six financial years and having to save a further £24m in the current year and to deliver an estimated additional £42m in efficiencies and savings in the following two financial years in order to balance the Council's General Fund Revenue Budget by 2019/20.

A significant in-year pressure of £6.460m on the Dedicated Schools Grant (DSG) High Needs Block continues. A recovery strategy set in place last year will however resolve £3m of the deficit and mitigate the in-year pressure through a series of measures including: a revised Special School funding model; a review of high cost out of authority education provision with a view to reducing cost and moving children back into Rotherham provision where possible; and a review of inclusion services provided by the Council. Whilst this pressure does not directly affect the Council's financial position at this time it is imperative that the recovery strategy is implemented which clearly sets out how this position will be resolved and to avoid any risk to the Council in the future.

Control over spending is critical to maintaining a robust Medium Term Financial Strategy and avoiding unplanned spending impact on the Council's reserves. All Services continue to develop mitigating actions and alternative savings to compensate for financial pressures and delays in delivering the full amount of savings. The financial impact of the mitigating actions that have been identified and implemented to date are reflected in the current forecast outturn.

The 2017/18 Capital Programme is currently forecasting an in-year over commitment of £1.018m within the Adult Care and Housing Directorate (Housing Capital Programme). This position will continue to be closely monitored and any revision required to the Programme will be included within the next monitoring report for Cabinet approval.

Recommendations

1. That the current forecast overspend for 2017/18 of £3.4m be noted.

2. That it be noted that management actions continue to be developed to address areas of overspend and to identify alternative and additional savings to mitigate shortfalls in achieving planned savings in 2017/18.

3. That it be noted that a detailed Dedicated Schools Grant (DSG) Recovery Strategy which will transfer £3m in 2017/18 to reduce the forecast High Needs Block deficit and mitigate the in-year pressure through a series of measures has been set in place.

4. That the current forecast outturn position on the approved Capital Programme for 2017/18 and 2018-2022 be noted.

List of Appendices Included
Nil

Background Papers
Revenue Budget and Council Tax Setting Report for 2017/18 to Council – 8 March 2017
May Financial Monitoring Report 2017/18 – 10 July 2017

Consideration by any other Council Committee, Scrutiny or Advisory Panel
Cabinet/Commissioners' Decision Making Meeting – 11th September 2017

Council Approval Required
No

Exempt from the Press and Public
No

July Financial Monitoring Report 2017/18

1. Recommendations

1.1 That the current forecast overspend for 2017/18 of £3.4m be noted.

1.2 That it be noted that management actions continue to be developed to address areas of overspend and to identify alternative and additional savings to mitigate shortfalls in achieving planned savings in 2017/18.

1.3 That it be noted that a detailed Dedicated Schools Grant (DSG) Recovery Strategy which will transfer £3m in 2017/18 to reduce the forecast High Needs Block deficit and mitigate the in-year pressure through a series of measures has been set in place.

1.4 That the current forecast outturn position on the approved Capital Programme for 2017/18 and 2018-2022 be noted.

2. Background

2.1 As part of its performance and control framework the Council is required to produce regular and timely reports for the Strategic Leadership Team and Cabinet to keep them informed of financial performance on a timely basis so that, where necessary, actions can be agreed and implemented to bring expenditure in line with the approved budget for the financial year.

2.2 Delivery of the Council's Revenue Budget, Medium Term Financial Strategy, and Capital Programme within the parameters agreed by Council is essential if the Council's objectives are to be achieved. Financial performance is a key element within the assessment of the Council's overall performance framework.

2.3 Control over spending is critical to a robust Medium Term Financial Strategy (MTFS) to avoid unplanned spending impacting on the Council's reserves. The Council's current MTFS identified that, 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. The MTFS is being reviewed and updated to report back to Cabinet in November.

2.4 This report is the second financial monitoring report for 2017/18, which sets out an early view of the forecast revenue budget financial position based on actual cost and income for the first four months of the financial year and a forecast year end position.

2.5 The current revenue position after 4 months shows a forecast revenue overspend of £3.4m. This compares with a £7.0m forecast overspend reported in July, with the updated forecast largely reflecting additional cost pressures in the CYPS Directorate, but benefits from a review of business rates income and savings from treasury management activity.

2.6 The Council's Capital Strategy and Capital Programme (2017-2022) was approved by Council on the 8th March 2017. This was further updated on the 10th July 2017 within the financial outturn report for 2016/17 approved by the Cabinet and Commissioners' Decision Making Meeting

2.7 The budget process, which has led to the recommended capital programme for 2017/18 to 2021/22, ensures that Council's capital investment plans are aligned with strategic priorities and available funding. The financial implications of the programme are reflected in the Council's Medium Term Financial Strategy (MTFS) and Treasury Management and Investment Strategy.

2.8 Over the five year period of this programme the Council's approved programme invests £281.9m in capital schemes across the borough, including £120.9m to be invested in regeneration and enhanced infrastructure schemes and £91.4m towards improving council housing.

2.9 The 2017/18 Capital Programme is currently forecasting an in-year over-commitment of £1.018m within the Adult Care and Housing Directorate (Housing Capital Programme). This position will continue to be closely monitored and any revision required to the Programme will be include within the next monitoring report for Cabinet approval.

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 management actions which have already been quantified and implemented.

Table 1: July Cumulative - Forecast Revenue Outturn 2017/18

Directorate / Service	**Revised Annual Budget 2017/18**	**Forecast Outturn 2017/18**	**Forecast Variance (over (+) / under (-) spend) AFTER management actions**
	£'000	**£'000**	**£'000**
Children & Young People's Services	62,460	65,052	+2,592
Adult Care & Housing	62,082	67,224	+5,142
Regeneration & Environment Services	43,941	44,663	+722
Finance & Customer Services	13,264	13,264	0
Assistant Chief Executive	6,229	6,164	-65
Capital Financing, Levies and Central Services	16,850	11,850	-5,000
SUB TOTAL	**204,826**	**211,782**	**+3,391**
Public Health (Specific Grant)	16,734	16,734	0
Dedicated Schools Grant	106,312	112,772	+6,460
Housing Revenue Account (HRA)	84,564	84,325	-239

Directorate Services Savings of £11.9m were included in the 2017/18 Budget, in addition to £5.4m of savings agreed in previous budgets for delivery in 2017/18. The following amounts totalling £5.2m from that total savings of £17.3m have been identified as currently being at risk of not being achieved in 2017/18 and are reflected as such in the projected outturn position, along with the impact of mitigating actions.

- CYPS - Business Support £0.4m
- Adult Care and Housing – £4.2m
- Regeneration & Environment Services - £0.3m
- Finance & Customer Services - £0.3m

Although not being achieved by the means approved by Council when the 2017/18 was set, some of the above pressures are being mitigated by Directorates and this is reflected in the forecast outturn figures included in Table 1 above.

The following sections (paragraphs (3.2 to 3.37) provide key reasons for the forecast level of annual revenue under or overspend within Directorates and of progress in savings delivery.

Children & Young People's Directorate (+£2.592m forecast overspend)

3.2 The July revenue full year forecast for Children's and Young People's Services is £2.592m over budget. The service continues to face a range of pressures which are considered below. Further actions to mitigate the budget pressures are being developed by the service.

3.3 A number of budget savings options and considerations have been identified from within the recent budget review meetings. The Directorate is currently challenging where efficiencies could potentially come from and the need for these to be thoroughly reviewed and options discussed and considered for early implementation. These are being actively pursued to identify savings in this financial year, having due regard form the continued safeguarding of vulnerable children and include :

- Plans for drawing down additional Payments by Results income from the Troubled Families programme by increasing both conversion rates and widening the cohort and number of families engaged on the programme;
- A further review of all budget variances across the Directorate to determine what spend can be stopped, scaled back or delayed to mitigate the impact of the in-year service pressures;
- Other actions including further vacancy management action across all services and a thorough review of all continuing health care contributions from the CCG.

These interventions will cover the forecast shortfall in the agreed saving for 2017/18 (£0.4m) in respect of the review of Business Support.

A further step down in placements to reduce the overall placement costs and avoid the use of more expensive Out of Authority and Independent Fostering Agency (IFA) placements and provide additional, more cost effective in-house fostering placements which deliver better outcomes for children in care, will generate further efficiencies. It should be noted that this may be impacted by the extraordinary increase in the overall numbers of children in care resulting in future cost avoidance rather than savings on the current budget.

3.4 The Looked After Children (LAC) placement budget in 2017/18 will fund the cost of approximately 480 children in care. The continued increase in LAC above this threshold can be partially mitigated by the over achievement to date of recruitment to permanent posts with a consequent cost saving against the original staff assumptions in the budget with regard to the rate of transition from agency to permanent workers. This translates to additional funding for up to 20 children in care in 2017/18 giving a revised budget of 500 places.

3.5 The current number of Looked After Children (LAC) as at the end of July is 517. This is a sharp increase of 30 or 6.2% compared with the actual number as at the end of the 2016/17 financial year of 487. The gross budget pressure in respect of this is £1.8m although this has been partially offset by significant savings on agency and staffing related costs of £900k and additional Continuing Health Care contributions towards eligible placements, leaving a net budget pressure of £650k. It should be noted that any further increase in numbers above the latest estimate for the year or a transfer of existing placements to more expensive provision will result in further cost pressure on the social care budgets.

3.6 A further consequence of the unforeseen increase in the number of Looked after Children arising from Complex Abuse investigations and associated intervention, see paragraph 3.9 below, has been an impact on savings that had been earmarked as a result of increasing in-house fostering capacity. The service has exceeded targeted recruitment of additional in-house foster carers, however, these places have needed to be directed to new placements rather than enabling step down from more expensive out of authority settings. As a result the impact of the new LA fostering placements has been one of cost avoidance rather than delivering budget savings.

3.7 Further, there is an additional pressure on Child Arrangement Orders (+£164k) and Special Guardianship Orders (+£166k) which offer continued therapeutic service support in line with specific needs and provide children with permanency within a family setting. Whilst this is a cost implication to Children's Services, it is significantly less than the cost of foster care or residential placement.

3.8 Expenditure on the Leaving Care budget also continues to rise above budgeted forecasts (+£694k) with generally more placements at higher cost. There are now 24 supported young people as at the end of July, a further increase of 2 since last month with an average cost increase of 42% since the start of the financial year. The number of care leavers has increased steadily from 199 as at February 2015 to 221 at the end of July 2017

3.9 A Placements Review Group has been established to confirm the appropriateness of placements and to review existing high cost packages of care to ensure both their quality and efficacy. The scope of the review will include both LAC placements and Leaving Care arrangements and SEND complex needs. The group will provide assurance to the CYPS Business Savings and Delivery Operational Group regarding the approved investment and associated savings linked to the placement budget which was set out in the MTFS update to Council in December 2016. To date, the individual projects are on target to deliver their stated outcomes, albeit as noted in paragraph 3.5, this is likely to be in the form of cost avoidance rather than budget savings, however the overall savings against budget will be compromised by any continued growth in LAC numbers due to a number of factors outside of the service's control.

3.10 There has been a further budget pressure resulting from the increased costs to meet the support needs of work related to Child Sexual Exploitation and Operation Stovewood, an active National Crime Agency (NCA) operation which is incomparable with any other recent or historic investigation. In addition a Complex Abuse Team has recently been established in order to take forward the investigation and associated interventions with regard to all children in scope of the team's work. (£858k). These costs will be funded through additional monies arising from a joint 'Fusion Centre' bid for Government funding (-£750k).

3.11 As part of the 2017/18 Revenue Budget the Council approved a saving for delivery against the directorate's Business Support function. A Business and Savings Delivery Group has been established to provide assurance in respect of the delivery of savings and the management of the associated financial risks and issues. To date, the Group has identified annual savings of £445k across the directorate to offset the Business Support Review savings target – the balance of £355k remains a cost pressure within social care at this time.

3.12 There is also a cost pressure arising from additional staff required for the Children's Service Resourcing Team and associated support budget which is currently unbudgeted (+£200k). The team has been established to search for and recruit the best social care professionals. Recruitment continues to be successful with a net reduction in the number of agency staff and associated budget savings.

3.13 Savings have been achieved within Children's Services arising from effective vacancy management within Early Help services and other non-social care budgets (-£440k) and a review of pensions costs in relation to schools (-£71k). A redistribution of Special Educational Needs and Disabilities (SEND) funding within the Education and Skills service in respect of Education Psychology has led to further savings (-£380k).

3.14 Other Services within the Directorate including School Improvement are currently forecast to spend in line with budgets.

Dedicated Schools Grant

3.15 The Directorate is currently forecasting an overspend on its Dedicated Schools Grant (DSG) High Needs Block of £6.460m; an increase of £1.580m since the May report. The other elements of DSG are currently forecast to spend in line with budgets. At the end of 2016/17 the outturn position showed an overall deficit of £5.213k on the non-delegated DSG, comprised as follows:

- Early Years Block: +£0.217m Overspend
- Schools Block: -£0.640m Underspend
- High Needs Block: +£5.636m Overspend

3.16 The service has developed a recovery plan which aims to mitigate as far as possible the in-year pressure of £6.460m and achieve the previously reported position of an overall cumulative deficit of £1.796m by April 2019.

3.17 The key areas of focus which will deliver the targeted deficit reduction by April 2019 include:

- A revised Special School funding model (November 2017);
- A review of high cost out of authority education provision to reduce cost and move children back into Rotherham educational provision (November 2019); and
- A review of inclusion services provided by the Council (December 2017).

Adult Care & Housing (+£5.142m forecast overspend)

3.17 Adult Care Services are currently forecasting an overall overspend of £5.169m in 2017/18. This is a reduction in forecast overspend by £197k since the May report. This includes a current anticipated shortfall of £4.1m in delivering all of the 2017/18 budget savings in the current financial year. Currently within Adult Care there are pressures relating to the assessment capacity and this has been addressed in the interim by introducing a more flat structure into the teams whilst a realignment of the current pathways takes place. This is scheduled for late September/October 2017 and will include strengthening procedures to ensure that demand management is robust, to divert, signpost and provide a customer focussed service in place.

3.18 The £6.2m allocation for Adult Social Care from the Chancellor's Spring Statement needs to address pressures across the social care system with Health partners. This will relate to, amongst other issues, mitigating further challenges in the system, particularly around hospital admission and discharge.

3.19 In any change to an individual package of support, in law there needs to be a reassessment of need and therefore a systems change will take time if sustainable change is to take place and therefore a planned approach will be required.

3.20 Due to historical practice there is a significant amount of budget committed to 24-hour care amounting to £30m out of an approximate £63m net budget. There is a piece of work to understand how this will naturally change by people no longer needing a service and a change in practice to look at where possibly people can move from residential care to community types of accommodation. This is particularly in relation to people under the age of 65 years.

3.21 The current forecast outturn takes into account the anticipated impact on adult social care costs of the proposed use of the £6.2m funding and of the £1.1m Improved Better Care Fund, announced as part of the Local Government Finance Settlement. Final arrangements for use of the funding, and therefore how the funding impacts on adult social care, are being negotiated with the CCG. The final outcome of these negotiations will be factored into future months' financial monitoring reports.

3.22 In addition to the above forecast overspends, there are further delays on achieving budget savings in respect of Care Enabling within Extra Care Housing (£0.4m) and the review of Rothercare and Assistive Technology provision (£0.3m).

3.23 The above savings are being reprofiled to ensure that they are achieved and where that is not possible, plans will be put in place to ensure the savings are achieved from other projects or new pieces of work. This work will be completed by the end of September.

3.24 Neighbourhood services' (Housing) latest forecast is an underspend of £27k mainly due to current staff vacancies within Neighbourhood Partnerships pending final recruitment to the recently agreed new Neighbourhood Working Model.

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. There are also underlying budget pressures from unachieved budget savings carried forward from previous years, for example, Continuing Health Care funding and a reduction in the level of client contributions to services after financial assessment.

3.26 One of the main budget savings measures identified is 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. Budget meetings are held with senior managers to review in detail the budget forecasts, monitor demographic pressures, to identify further savings opportunities and to mitigate pressures. Progress continues on the delivery of the Adult Services Development Programme to improve the outcomes for service users and additional reports on a range of options for future service delivery, including consultation with service users and carers was considered by Cabinet in July.

3.27 Adult care will focus on two key areas as the improvement continues, cost avoidance through strengthening the front door and focussed assessments and using enablement as a key area to maximise peoples' independence. The overspend has continued to decrease, albeit at a low level but this is alongside significant demand coming through the front door, which demonstrates some of the key actions and changes to practice and the pathway are taking effect.

3.28 Further investment, as approved by Council in December, has been made in a brokerage team, additional social worker capacity and additional resources to review Direct Payments and Managed Accounts.

Public Health (forecast balanced outturn)

3.29 The forecast outturn is to spend to budget. The budget was set taking into account the 2017/18 reduction in Government grant funding of £423k, which was largely been mitigated through the use of the balance on the Public Health grant reserve.

Regeneration and Environment Services (+£722k forecast overspend)

3.30 The Regeneration and Environment Directorate Management Team have reviewed the forecast outturn position following the July monitoring cycle and a pressure of £0.722m has been identified for the Directorate. The Directorate has agreed savings totalling £4.89m in 2017/18 some of which are predicated on property savings arising from service reviews within other Council services. In particular, a pressure of £478k is now being reported in respect of the corporate review of land and property (Savings reference: CCR2). The saving is predicated on decisions being taken in other Directorates in respect of future service delivery options, which will determine which buildings can be released. Other reviews have identified potential savings (e.g. the review of Corporate Transport, including Home to School Transport) however, these savings will take longer to deliver than previous assumptions, therefore, alternative mitigations have been put in place in order to meet these specific savings targets. The Directorate Management Team is continuing to work towards achieving a balanced position, which will require additional savings to be found from other areas in R&E to offset the savings that will take longer to deliver. As in 2016/17, this will be achieved through a robust budget monitoring challenge process and ongoing tight day to day budgetary control. Careful financial management will be achieved through the management of vacant posts and through operating strict controls on non-essential spend.

3.31 There are a number of overspends and underspends across the Directorate. The main forecast overspends within the Directorate are in summary: Facilities Management (£504k), including £478k in respect of saving CCR2, Facilities Services (£131k), Street Scene Services (£105k), Facilities Management £142k), and Rotherham Investment and Development Office (RIDO), £105k. These forecast overspends are partly mitigated by forecast underspends in other areas – in particular in Regulation and Enforcement (-£214k).

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

Finance & Customer Services (forecast balanced budget)

3.33 Overall, the Directorate is currently forecasting a balanced outturn for the year. There are significant staff cost pressures in Legal services (£591k) through the use of Locums and the temporary staffing support being provided by Sheffield City Council to help manage increase in childcare cases. These and other more minor pressures are, however, mitigated by staff cost savings within Revenues and Benefits, and the resulting reduction in the cost of collection of Business Rates and Council Tax. Budget Pressures within Customer, Information and Digital Services, arising from an in-year shortfall in the delivery of savings are being mitigated by holding a number of staffing posts vacant to achieve a saving of around £200k. There is also a forecast recovery of Housing Benefit overpayments (£300k). The Directorate has implemented further management actions to ensure delivery of a balanced outturn.

Assistant Chief Executive (-£65k forecast underspend)

3.34 An underspend of £65k is forecast for the year by the Assistant Chief Executive's Directorate. Although the HR and Payroll Service has lost income from schools and academies and demand/income from disclosure and barring checks has reduced, these pressures are more than offset by staff cost savings across the wider Directorate due to vacancy control and the reduced cost of Members' allowances.

Corporate & Central Services – (-£5m forecast underspend)

3.35 The Corporate and Central services Budget which covers capital financing costs, levies and central costs is currently forecast to achieve a saving of £5m on the 2017/18 budget.

3.36 The underspend arises from a combination of further business rates income (£3m) and savings from the treasury management strategy (£2m). The Council budget report for 2017/18 indicated that the anticipated amount of retained income from business rates, compared with the Government's estimates of that income included in the Finance Settlement, would be reviewed in-year. This has now been done and an estimated additional £3m of business rates income is included in the outturn forecast. A review of the capital financing budget within treasury management along with the Council's treasury strategy to maximise the benefit from low interest rates on short-term loans, results in an expected £2m of savings from the treasury budget.

3.37 The Council's flexible use of capital receipts policy for 2017/18 anticipates a requirement to fund the first £2m of any staff severance costs, incurred as part of delivering agreed budget savings, from in-year capital receipts. The actual level of capital receipts for 2016/17 was £2.3m and it is expected that at least £2m will be generated in 2017/18. The use of any capital receipts above the level of £2.0m will be determined within the Council's overall financial strategies.

Capital Programme

3.38 The table below shows the current forecast outturn positon for the 2017/18 approved Capital Programme by Directorate, which currently shows a forecast in-year over-commitment of £1.018m. The majority of this forecast over-commitment relates to the Adult Care & Housing Directorate and further detail is contained within the Directorate commentary.

Directorate	Current Year 2017/18		
	Budget £	Forecast £	Variance £
Adult Care & Housing	40,970,500	42,701,375	1,730,875
Children & Young Peoples Services	8,935,589	8,750,987	-184,602
Finance & Customer Services	3,973,590	3,444,844	-528,746
Regeneration & Environment	35,273,402	35,273,402	0
Total	**89,153,081**	**90,170,608**	**1,017,527**

3.39 Directorate Programme Commentaries

3.39.1 Adult Care and Housing (ACH) Capital Programme 2017/18

The key element of the ACH programme is the Annual Housing Investment programme to maintain decent homes standards, carry out stock improvements, aids and adaptations, new stock provision, energy efficiency and environmental works to the 21,000 Council homes. These properties currently meet Rotherham decent homes plus standard and the Council continues to improve access and reduce CO2 emissions. In addition Members also approved the Site Cluster II report on the 10th July 2017 which recommends the building of 217 new residential properties at various sites across the borough. The budget for that project is £9.466m in 2017/18, which will be funded by a combination of capital receipts (£2.0m), grant (£0.360m) and revenue contribution (£7.106m).

The Adult Care and Housing (ACH) Capital Programme 2017/18 forecast outturn is £42.701m, which represents a projected in-year over-commitment of £1.731m which mostly relates to:

- Aids and Adaptations (£0.545m) - **HRA.** An increase in the number adaptations completed to date has led to higher than anticipated costs to date which is expected to continue. This has resulted in the backlog for Occupational Therapy works being reduced from 26 weeks to 10 weeks. This would be mainly funded by Major Repairs Allowance (MRA) (£0.423m) with the balance supported by revenue contributions (£0.122m).
- Asbestos Removal from Housing properties (£0.250m) - **HRA**. This increase would be funded by MRA
- Potential additional costs of the Major Voids Capital Programme (£0.323m) - **HRA**. This increase would be funded by MRA.
- Potential cost increase in the Furnished Homes capital programme (£0.726m) – **General Fund**. The terminations are very low meaning items and appliances are being returned less so can't be recycled back into the service, leading to a short-term requirement for higher expenditure. This needs to be reviewed against future years' allocations in the Programme.

3.39.2 Children and Young People's Services (CYPS) Capital Programme 2017/18.

It is the Council's responsibility to manage the supply and demand and to increase choices for primary and secondary school places in its area and secure a place for every child of statutory school age who wants one. To meet this responsibility the Children's Services capital programme prioritises investment to help increase capacity and provide sufficient school places.

The capital programme also aims to improve and maintain the existing school estate (buildings and grounds) where the council is responsible for the buildings, ensuring that all pupils are kept safe, dry and warm so that they can learn effectively.

The CYPS programme forecast outturn for 2017/18 is £8.751m, which represents a forecast in-year reduction of £185k. This includes a re-profiling of the project to provide additional classrooms at Wath Comprehensive School, where work will now begin in 2017/18 instead of 2018/19.

Early Years Capital Grant totalling £0.201m will be repaid to the Department for Education as High Greave school has decided not to proceed with part of the Thrybergh CC Satellite project (£0.131m) and other projects have outturned at less than originally anticipated (£0.070m).

3.39.3 Finance and Customer Services

The Finance and Customer Services programme 2017/18 forecast outturn is £3.445m, which represents a forecast in-year reduction of £0.529m. The total planned expenditure over the remaining years of the programme is £4.924m. Projects within this Directorate relate to the Council's ICT and Digital Strategy.

The only change to the approved programme is the re-profiling of the ICT Digital Strategy, over this and the subsequent two years, following further detailed planning.

3.39.4 **Regeneration and Environment**

The key themes for capital expenditure within the Regeneration and Environment (R&E) Directorate include:

- Investment in Transportation, Highways and Network Management. This includes £3m investment in 2017/18 in the Borough's unclassified roads network, as part of a programme to permanently repair 50km of the network, building on the £2m investment in 2016/17 with works being clearly targeted at maximising the improvement to the durability and condition of the network.
- Works focussed on regenerating the town centre, including £5m of Growth Fund and £6.439m for the Town Centre Investment programme.

3.40 General Fund Capital Receipts Position as at 31st July 2017

The Council is continuing to undertake a comprehensive review of its assets and buildings portfolio with the aim of rationalising both its operational and non-operational asset holdings. This will contribute future capital receipts which can be used to support the revenue budget, using the capital receipts flexibilities introduced from the 1st April 2016 and implemented by the Council aimed at generating revenue savings. Within the 2017/18 Revenue Budget, an assumption has been made that Capital Receipts of £2m will be generated in 2017/18, to fund expenditure relating to transforming Council services to generate future revenue efficiency savings.

As at 31st July £1.162m of Capital Receipts have been secured and the Council is on track to deliver at least the £2m currently assumed in the 2017/18 Budget.

The completed sales in the year to date include the Habershon House in Filey, the Millside Centre and the disposal of the Pithouse West site.

3.41 Housing Revenue Account (HRA) – (Forecast -£0.239m underspend)

3.41.1 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 HRA forecast outturn for the current financial year means that the budgeted use of HRA reserves for 2017/18 (£1.16m) will now be £239k less than planned. The surplus is mainly due to staff vacancies with the Supervision and Management section of the HRA.

4. Options considered and recommended proposal

4.1 With regard to the current forecast revenue overspend of £3.4m:

- Management actions are being identified with the clear aim of bringing expenditure into line with budgets and the impact of these actions will be included in future financial monitoring reports to Cabinet.

- In addition, £5.2m of Directorate savings targets are currently identified as at risk of delivery in 2017/18 and for which Directorate Management Teams are tasked with continuing to find alternative and additional savings from other areas in order to achieve a balanced position.

4.2 In setting the 2017/18 Revenue Budget the use of £5.3m reserves was approved providing time for further action to be taken to deliver the substantial further savings required over the two financial years 2018/19 to 2019/20. This approach was based on the Council currently having a balance of reserves which could mitigate overall budget risk in the short term and to support a sustainable financial plan in the medium term. It is inevitable that to any extent that planned savings are not delivered and a balanced budget cannot be maintained for 2017/18, there will be an impact on the Council's reserves.

4.3 Within the current financial climate, effective and carefully planned use of reserves is ever more critical to the Council's ability to maintain a robust balanced budget and that these reserves are not called upon for other purposes save in exceptional circumstances with the agreement of the Leader of the Council, Chief Executive and the Strategic Director of Finance & Customer Services and approved by the appropriate body of the Council in accordance with the Constitution.

5. Consultation

5.1 The Council consulted extensively on budget proposals for 2017/18. Details of the consultation are set out within the Budget and Council Tax 2017/18 report approved by Council on 8th March 2017.

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/Commissioner Decision Making meetings during the year. The next Financial Monitoring Report considered by Cabinet in November.

7. Financial and Procurement Implications

7.1 There is currently a projected overspend of £3.4m as set out within section 3 of this report. This includes a current shortfall in delivery of £5.2m of the total amount of budget savings agreed for 2017/18, net of mitigating actions and savings.

7.2 It is inevitable that to any extent that planned savings are not delivered and expenditure exceeds budgets in year, there would be an impact on the Council's reserves as unplanned spending impacts on reserves levels. Control over spending is therefore critical to a robust Medium Term Financial Strategy. All areas at risk of shortfall in savings or subject to budget pressures are subject to review to identify alternative savings.

7.3 Failure to achieve planned savings and to contain spending within the agreed budget in the current financial year will also have implications for subsequent financial years 2018/19 and 2019/20, when the Council already has significant challenges ahead across the medium term. The Council's Medium Term Financial Strategy is currently being updated and will take into account the financial risks outlined within this report.

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 Adult Social care.

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 upon 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 Potential pressures on the winter maintenance budget arising from adverse weather are not reflected in this report.

13.3 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.

13.4 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.

14. Accountable Officer(s)

Pete Hudson – Chief Finance Manager
Graham Saxton – Assistant Director-Financial Services

Approvals Obtained from:-

	Named Officer	**Date**
Strategic Director of Finance & Customer Services	Judith Badger	23/08/2017
Assistant Director of Legal Services	Dermot Pearson	23/08/2017
Head of Procurement (if appropriate)	N/A	
Head of Human Resources (if appropriate)	N/A	

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