Rotherham Metropolitan Borough Council

Public Report
Cabinet and Commissioners' Decision Making Meeting

Summary Sheet

Committee Name and Date of Committee Meeting
Cabinet and Commissioners' Decision Making Meeting – 13 November 2017

Report Title
September 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 September 2017 and is based on actual costs and income for the first six months of 2017/18 and forecasts for the remainder of the financial year. This is the third 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 September 2017 the Council has a forecast overspend on the General Fund of £4.0m, an increase of £0.6m over the £3.4m as at July. The main reason for this increase is a continuing rise in the projected overspend by the Children and Young People's Directorate of £0.961m, chiefly attributable to continued increases in the number of children in care.

This increase in the number of Looked After Children has also placed significant and unavoidable pressure on Legal Services which is now forecast to overspend by £1.146m resulting in a net projected overspend for the Finance and Customer Services Budget of £0.603m.

Offsetting this increased overspending, the Adult Care and Housing forecast overspend has reduced from £5.142m to £5.066m, Regeneration and Environment Services projected outturn has moved from an overspend of £0.722m to a break even position achieved through a robust budget monitoring challenge process and ongoing tight day to day budgetary control. Similarly, the Assistant Chief Executive's Budget underspend has increased from £65k to £210k chiefly as a result of staffing savings offsetting other cost pressures.

As reported for July, Central Services is still predicted to deliver some £5m in savings the product of a review of Business Rates and Treasury Management. The majority of the £24m budget savings approved within the 2017/18 budget are being achieved. Of these savings, £11.9m are Directorate budget savings, in addition to those savings, however, 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 £7.2m of those total savings are at risk of not being achieved in the current financial year in the manner approved by Council when the 2017/18 was set. These are reflected in the current overspend projection along with the impact of mitigating actions. Cabinet approval will be sought for any budget savings which are proposed to be delivered differently on a permanent basis.

Management actions to address areas of overspend are also ongoing and the overall budget position will continue to be monitored closely. Overall, however monitoring shows that the Council's Revenue Budget position has deteriorated by £0.6m since July and to the extent that expenditure cannot be contained within budgets by management actions or by identifying additional savings, the Council will need to call on its reserves in order to balance the revenue budget for 2017/18.

The use of £5.3m from the Council's reserves was approved as part of the 2017/18 Revenue Budget in order to provide 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 before reinstating these reserves in future years. The current financial climate and the risks associated with reducing Government funding and the resulting significant savings required by the Council mean that there is a need to maintain prudent reserves levels and to avoid additional calls on them, save in exceptional circumstances.

In light of this, all services will therefore continue to develop mitigating actions and alternative savings to compensate for financial pressures and delays in delivering the full amount of savings. The financial effects of the mitigating actions that have been identified and implemented to date are reflected in the current forecast outturn. Regular updates on the progress made in maintaining a balanced budget position will be reported regularly through these Financial Monitoring reports .

A significant in-year pressure on the Dedicated Schools Grant (DSG) High Needs Block remains – the projected overspend having increased by £760k from July to the current projection of £7.220m. Whilst this pressure does not directly affect the Council's financial position at this time it is imperative that the recovery strategy is implemented, clearly setting out how this position will be resolved and to avoid any

risk to the Council in the future. This includes the planned transfer of £3m DSG in 2017/18 to reduce the forecast High Needs Block deficit.

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

The Public Health Budget is forecast to spend at budget whilst Housing Revenue Account (HRA) spending is forecast to be £0.457m below budget, reducing the planned use of HRA reserves from £1.16m to £0.7m.

The 2017/18 Capital Programme is currently forecasting an in-year underspend of £6.676m – a change of £7.7m from the over-commitment reported in the first 2017/18 monitoring report in July. The change is principally due to:

- Adult Care and Housing (Housing Revenue Account) – Strategic Acquisitions £4m underspend as a result of developer and Council new build schemes progressing more slowly than anticipated.

- Regeneration and Environment £1.089m underspend mainly as a result of slippage on two capital projects

The majority of the forecast underspend has been re-profiled into 2018/19 This revised and re-profiled Capital Programme will continue to be closely monitored and any further revisions and adjustments 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 £4.012m 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 and the proposed re-profiling of expenditure be noted.

List of Appendices Included
None

Background Papers
Revenue Budget and Council Tax Setting Report for 2017/18 to Council 8th March 2017
May Financial Monitoring Report 2017/18 - 10th July 2017
July Financial Monitoring Report 2017/18 – 11th September 2017
Unlocking Property Investment - Beighton Link – Report to Cabinet and Commissioners' Decision Making Meeting of 11th September 2017.

Consideration by any other Council Committee, Scrutiny or Advisory Panel
Overview and Scrutiny Management Board – 22 November 2017

Council Approval Required
No

Exempt from the Press and Public
No

September Financial Monitoring Report 2017/18

1. Recommendations

1.1 That the current forecast overspend for 2017/18 of £4.012m 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 and the proposed re-profiling of expenditure 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 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 This report is the third financial monitoring report to Cabinet for 2017/18, which sets out a view of the forecast revenue budget financial position based on actual cost and income for the first half of the financial year and a forecast year end position.

2.3 Delivery of the Council's Revenue Budget, Medium Term Financial Strategy (MTFS) 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.

2.4 Control over spending is critical to a robust MTFS to avoid the impact of unplanned spending on the Council's reserves. The Council's current MTFS identified that, in response to declining 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 currently being reviewed and updated to report back to Cabinet.

2.5 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 when the Cabinet and Commissioners' Decision Making Meeting approved the financial outturn report for 2016/17, including a revised capital programme in light of the 2016/17 year end position.

2.6 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.

2.7 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.

3. Key Issues

3.1 Table 1 below shows by Directorate, the summary forecast revenue outturn position after management actions which have already been quantified and implemented.

Table 1: September 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	62,473	66,026	+3,553
Adult Care & Housing	62,087	67,153	+5,066
Regeneration & Environment Services	43,923	43,923	0
Finance & Customer Services	13,264	13,867	+603
Assistant Chief Executive	6,229	6,019	-210
Capital Financing, Levies and Central Services	16,850	11,850	-5,000
SUB TOTAL	**204,826**	**208,838**	**+4,012**
Public Health (Specific Grant)	16,734	16,734	0
Dedicated Schools Grant	106,312	113,532	+7,220
Housing Revenue Account (HRA)	84,564	84,107	-457

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, giving a total of £17.3m savings in 2017/18. The following amounts totalling £7.2m from that savings total 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.

- Children and Young People's Services £0.6m
- Adult Care and Housing £5.8m
- Regeneration & Environment Services £0.5m
- 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 has been 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 (£3.554m forecast overspend)

3.2 The September full year revenue forecast for Children's and Young People's Services is £3.554m over budget – an increase of £0.961m since the last report in July due mainly to a continuing increase in the number of children in care. The projected overspend is the product of a range of continuing pressures facing the service which are considered below. Further actions to mitigate the budget pressures are being developed by the service.

3.3 The Children's and Young People's Budget Sustainability proposals were presented to Cabinet in November 2016 as part of a wider report updating the Council's Medium Term Financial Strategy. The robustness of the strategy and the associated investment proposals were predicated upon a number of assumptions derived from what was understood about service demand levels in Rotherham at that time. The number of Looked after Children (LAC) in September 2016 was 443 and a rise to 460 was predicted by the end of the financial year. This assumption had the caveat that, if the number of children in care increased beyond the predicted level, then the result would be further pressure on social care budgets and a risk that the reported position, and associated financial projections in later years, would be adversely affected. The growth in placements over and above 460 contributed significantly to the £2.344m overspend position for the directorate in 2016/17 with the number of LAC increasing to 487 as at 31st March 2017.

3.4 The transformation initiatives associated with the investment in Children's Services are based on a need to continue to improve the quality of practice and outcomes for children and young people whilst preventing 52 children entering (or remaining in) care during this financial year. The future growth in placements estimated in September 2016 predicted that, with no preventative action, an additional 48 placements could be expected on top of the baseline position as at 1st April 2017. Given the starting point of 487 placements and a reduction of 4 during the year, the target to meet financial sustainability was 483. The LAC placement budget was finalised using zero based budgeting principles and was set to fund the costs of 480 placements. More recently, funds have been redirected into the placement budget to meet the predicted costs associated with a LAC cohort of up to 500.

3.5 The majority of the investment projects are now established. 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. This group provides assurance to the Children's Business Savings and Delivery Operational Group regarding the approved investment and associated savings. These projects are on target to deliver or exceed original the original target outcome (net reduction of 4 LAC) with a forecast net decrease in LAC numbers of 8 (without this intervention the number of children currently in care would have been 530).

3.6 The current number of children in care as at the end of September 2017 is however, 522. An increase of 35 or 7% compared with the base figure of 487 and a further increase of 5 since July's monitoring. This increase to 522 equates to an in-year cost pressure of £1.846m (based on an average unit cost of £50k per LAC placement). This significant increase in the number of LAC is due entirely to the unforeseen and extraordinary impact of complex child protection work, the associated costs of which are substantial. The above forecast includes 39 children and young people in care who are directly linked to this work (including 10 new placements from 1st April).

3.7 It should be noted that the current forecasts do not incorporate any further growth in placements. It is currently estimated that this could exacerbate the latest position by between £1.6m and £2.3m million in this financial year depending on the number and timing of any further placements that could be necessary. In addition, any further increase in numbers above the latest position of 522 or a movement of existing placements to more expensive provision will result in further cost pressure on the social care budgets.

3.8 The latest full year forecast for Children's and Young People's Services is £3.554m over budget. This figure includes £1.846m in respect of the LAC placement budget as detailed above. The service continues to face a range of other pressures which are considered below. Further actions to mitigate the budget pressures are being developed by the service.

3.9 A number of budget savings options and considerations have been identified from within the recent budget review meetings. The Directorate is currently undertaking a challenging examination of potential efficiencies, recognising the need for these to be thoroughly reviewed discussed and considered to bring forward options for prompt implementation. Proposals 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 are expected to contribute towards addressing the forecast shortfall in the agreed saving for 2017/18 (£575k) in respect of the review of Business Support, Market Development (contract review) and Pooled Budgets.

3.10 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 is being implemented. It should be noted, however, 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.

3.11 A consequence of the unforeseen increase in the number of Looked after Children arising from complex child protection work has been an impact on savings that had been earmarked as a result of increasing in-house fostering capacity. The service will achieve targeted recruitment of additional in-house foster carers. These additional places will, however, need to be directed towards new placements, rather than enabling a step down from more expensive out of authority settings. As a corollary, the impact of the new LA fostering placements will be one of cost avoidance rather than of delivering budget savings.

3.12 There is a further additional pressure on the Child Arrangement Orders and Special Guardianship Orders budgets of £442k. These services offer continued therapeutic service support in line with specific needs and provide children with permanency within a family setting. Whilst using these services has a cost implication to Children's Services, it is significantly less than the cost of foster care or residential placement and the longer term benefit is that permanence for children will be achieved.

3.13 Expenditure on the Leaving Care budget also continues to rise above budgeted forecasts (£611k), due to a general rise in the number of care leavers, some of whom are supported in accommodation at high cost. There are now 230 care leavers (an increase of 8 since July) with 28 supported young people in accommodation as at the end of September.

3.14 There remains a 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 separate team has recently been established in order to take forward complex abuse investigation and associated interventions (£1.2m). It is expected that these costs will be funded through additional monies arising from a joint 'Fusion Centre' bid for Government funding, which is subject to approval, although the phasing has now been confirmed following further dialogue with the Department For Education with an allocation of £500k for the current year rather than the £750k previously reported.

3.15 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 £400k across the directorate to offset the Business Support Review savings target – the balance of £400k remains a cost pressure within social care at this time together with the £175k estimated shortfall in savings regarding the review of contracts (Market Development) and Pooled Budgets.

3.16 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.

3.17 Savings have been achieved within Children's Services arising from effective vacancy management within Early Help services and other non-social care budgets (£440k). 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).

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

Dedicated Schools Grant

3.19 The Directorate is currently forecasting an over spend on its Dedicated Schools Grant (DSG) High Needs Block of £7.220m an increase of £760k since the last report. A report on the position further information and details will be considered by the Schools' forum in November followed by an update to the OSMB in December. 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

3.20 The service has developed a recovery plan which aims to mitigate as far as possible the in-year pressure of £7.220m and achieve the previously reported position of an overall cumulative deficit of £1.796m by April 2019. As reported, 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 (£5.066m forecast overspend)

3.21 Adult Care Services are currently forecasting an overall overspend of £5.235m in 2017/18. This is a reduction in forecast overspend by £76k since July. The forecast outturn position takes into account an allocation of £4.9m from the Additional and Improved Better Care Fund allocations announced in the 2017/18 Local Government Finance Settlement and Spring Budget Statement to assist in meeting pressures within the social care system. The forecast also includes a current anticipated shortfall of approximately £5.8m in delivering all of the 2017/18 budget savings in the current financial year (which are currently being re-profiled). Within Adult Care there are at present pressures relating to the assessment capacity which is being addressed by the introduction of a flatter structure within the teams whilst a realignment of the current pathways takes place. This is now scheduled for late October 2017 and will include strengthening procedures to ensure that demand management is robust, in order to divert, signpost and provide a customer focussed service.

3.22 Any change to an individual package of support, legally requires a reassessment of client need. Therefore the change to systems will take time if it is to be sustainable; and consequently a planned approach to implementing the changes will be required.

3.23 Due to historical practice a significant amount of budget is committed to 24-hour care - amounting to £30m out of an approximate £63m net budget. Work is required to understand how this historical pattern of spending will change. Either naturally, as a result of people no longer needing a service, or due to changes in practice moving clients (particularly people over the age of 65 years) from residential care to types of community accommodation.

3.24 The main budget pressures continue to be in respect of Direct Payments and Managed Accounts and Residential and Domiciliary Care across all client groups. There is a further pressure arising from anticipated delays in achieving budgeted savings due to further consultation with clients, carers and partners being required.

3.25 The most significant pressure on the Directorate budget relates to residential and nursing care budgets across all client groups – where an overspend of £2.7m (after the allocation of £3.4m from iBCF) is currently forecast. This includes budget savings of £4.2m relating to the reduction of high cost placements within the Learning Disability and Older People client groups, by the use of strength based assessments, and the use of alternative service provision within the community through engaging voluntary and independent providers.

3.26 As stated, the budget pressure in respect of Direct Payments and Managed Accounts is £0.6m (after the allocation of £500k iBCF). This is, however, a reduction in the overspend compared to the outturn for 2016/17, reflecting additional one-off grant funding and an overall reduction in the number of clients by 4% (47 clients) in the first 6 months of 2017/18.

3.27 A budget pressure of £1.1m in respect of the provision of Domiciliary Care for Older People is also forecast. This is attributable to a 12% increase in client numbers during the first 6 months of the current financial year, together with a recurrent income budget pressure in respect of income from fees and charges.

3.28 In addition to the above forecast overspends, there are further delays in achieving budget savings in Care Enabling within Extra Care Housing (£0.4m) and the review of Rothercare and Assistive Technology provision (£0.3m). These savings are being re-profiled to ensure that they are achieved and where that is not possible; plans are put in place to ensure savings are achieved from other projects or new pieces of work.

3.29 Neighbourhood Services' (Housing) latest forecast outturn positon is an underspend of £169k, mainly due to additional income from Furnished Homes and current staff vacancies within Neighbourhood Partnerships pending final recruitment to the recently agreed new Neighbourhood Working Model.

Adult Care & Housing – Recovery Strategy Update

3.30 Although the demand for residential placements is reducing, budget pressures remain due to the increasing cost of care packages. Unachieved budget savings carried forward from previous years are also an underlying pressure. These include: Continuing Health Care funding and a reduction in the level of client contributions to services after financial assessment.

3.31 One of the main budget saving measures identified is the continued review of out of area and high cost care packages across all services in order to identify opportunities to reduce costs and to pursue rigorously 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 were considered by Cabinet in July. Consultation is currently ongoing and will be completed in December.

3.32 Within adult care as the improvement continues, the focus is on two key areas; cost avoidance through strengthening the front door and focussed assessments and using enablement to maximise clients' independence. The budget overspend has continued to decrease, albeit at a low level, but this is alongside significant levels demand. The reduction in overspending despite high levels of demand demonstrates that some of the key actions and changes to practice and the pathway are taking effect.

3.33 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)

3.34 The forecast outturn for Public Health is to spend at 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 (forecast balanced outturn)

3.35 The Regeneration and Environment Directorate Management Team have reviewed the forecast outturn position following the September monitoring cycle and are forecasting that a balanced outturn position will be achieved. This latest monitoring cycle has identified net pressures of £0.345m for the Directorate. The Directorate Management Team are confident however, that a balanced position can be achieved through the continuation of the robust budget monitoring challenge process that has been put in place and ongoing tight day to day budgetary control. Careful financial management will be achieved through the management of vacant posts and by operating strict controls on non-essential spend.

3.36 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 being reported in respect of the Corporate Review of Land and Property (Savings reference: CCR2). The saving is dependent 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 had previously been assumed. Mitigating alternatives have therefore been put in place to meet these specific savings targets.

3.37 Across the Directorate, there are a number of overspends and underspends. The main forecast overspends within the Directorate are in summary: Facilities Management (£478k), in respect of saving CCR2, Street Scene Services (£219k), and Planning and Building Control (£93k). These forecast overspends are partly mitigated by forecast underspends in other areas – in particular in Regulation and Enforcement (£259k).

3.38 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 (£0.603m forecast overspend)

3.39 The Directorate is currently forecasting an overspend of £0.6m by year end after mitigating actions. This is attributable to significant pressures in Legal services (£1.126m) linked to the continuing increase in the number of Looked After Children and related child protection hearings. Locums and the temporary staffing support provided by Sheffield City Council are being used to help to manage the continuing increase in childcare cases. There is also an increase in adult care cases meaning that the total additional cost for legal staffing support has led to an anticipated overspend on staffing of c£500k by year end. In addition the £0.650m court related costs budget is projected to be £0.6m overspent as a result of additional fees in relation to child protection works.

3.40 These and other more minor pressures are being partly mitigated by a forecast recovery of Housing Benefit overpayments (£300k). Staff turnover in Revenues and Benefits has contributed £95k to the mitigation and delays in the implementation of the Financial Services restructure have contributed £122k. There are also significant vacancies being held in Customer, Information and Digital Services in order to manage cost pressure on IT contracts until this can be addressed. This projected position does not include any pressure on the schools trading account (£210k) which is hoped can be addressed by year end.

Assistant Chief Executive (£210k forecast underspend)

3.41 An underspend of £210k is forecast for the year by the Assistant Chief Executive's Directorate an increase of £145k compared to the position reported in July. Although the HR and Payroll Service has lost income from schools and academies, demand/income from disclosure and barring checks has reduced and the Design Studio has a £10k income shortfall, these pressures are more than offset by the reduced cost of Members' allowances and staff cost savings from vacancy control across the wider Directorate. In particular delays in recruitment to the Business & Innovation Team which had resulted in the need to use external support at additional cost have come to an end with the start a recruitment a projected saving of £96k has been identified.

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

3.42 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. 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 council tax and 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.

3.43 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.

3.44 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

3.45 The table below shows the September forecast outturn positon for the 2017/18 approved Capital Programme by Directorate, which currently shows a forecast in-year underspend of £6.676m, compared to an over commitment of around £1m in July, when the first 2017/18 monitoring report was prepared. The major variances are as follows:

- Adult Care and Housing (Housing Revenue Account) – Strategic Acquisitions - £4m underspend as a result of developer and Council new build schemes progressing more slowly than anticipated.

- Regeneration and Environment - £1.089m underspend mainly due to slippage on two capital projects.

The majority of the forecast underspend has been re-profiled into 2018/19 and further details are set out within the Directorate commentary below.

Directorate	Current Year 2017/18		
	Budget £	Forecast £	Variance £
Adult Care & Housing	40,970,502	37,736,810	-3,233,692
Children & Young Peoples Services	8,770,967	8,149,620	-621,347
Finance & Customer Services	3,444,844	3,269,844	-175,000
Regeneration & Environment	35,273,402	32,627,915	-2,645,487
Total	**88,459,715**	**81,784,189**	**6,675,526**

Directorate Programme Commentaries

3.46 **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).

3.47 The Adult Care and Housing (ACH) Capital Programme 2017/18 forecast outturn is £37.737m, which represents a projected in-year reduction of £3.224m, however within the Programme a number of budge pressures are being reported as follows:

- **Aids and Adaptations** (£0.352m pressure) – HRA there is an overspend of £0.477m currently forecast on public sector adaptations. Demand for this service has increased by 30% compared to last year. In part this can be explained by the need to catch up following the assessment back-log previously reported. There has however, also been a significant increase in the cost of some adaptations during the year. A forecast underspend of £0.125m on private sector adaptations is partly offsetting this overspend. Further work investigating the reasons for the overspend and to identify mitigating actions is being undertaken by the Service. The outcome of this work will be reflected in the next monitoring report.

- **General Fund** - the Furnished Homes capital budget allocation for current and future years was reduced on the expectation of lower take up of the service as a consequence of welfare reform. Due to delays in the implementation of these government reforms, however, demand for this service has continued to increase. The Capital Programme Budget for Furnished Homes for this financial year and the next two years is £720k per annum. The service provides furniture, white goods and carpets to council house tenants enabling them to move into their new council home quickly, thus reducing void periods and improving the sustainability of tenancies. It should be noted that the scheme currently operates at a surplus which is reflected in Neighbourhood Services' revenue budget position. Without an increase in the 2017/18 budget, the service will be unable to provide new furniture for new tenants, resulting in the scheme ceasing for new subscribers. It is therefore proposed that £486k be re-profiled from the 2018/19 budget into 2017/18 to address the current level of demand and that future years' budgets be reviewed as part of the revised Capital Strategy that will be considered as part of the Annual Budget Setting Report that is presented to Council for approval in March.

- **Strategic Acquisitions** (£4.0m underspend) – Offsetting the identified pressure on the HRA capital programme it is proposed that £4.0m of the Strategic Acquisitions Budget be re-profiled to 2018/19 reducing the 2017/18 budget to £3.846m. This follows a detailed review of the programme and takes account of the fact that the developer schemes at Waverly and Kiveton Park are progressing more slowly than originally programmed, leaving £0.554m to be re-profiled. In addition, the start on site of the construction of new Council bungalows at Catherine Avenue Swallownest and St. Mary's Drive Treeton has slipped from the original June 2017 date until the end of October. This is as a consequence of a longer than expected procurement exercise and the requirement for more detailed drawings, which will require £0.301m to be re-profiled. Finally, it is proposed that the £3.145m of unallocated budget for this year be re-profiled to fund a potential 65 S106 acquisitions at Waverley North Anston and Aston in 2018/19.

3.48 **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 and Young People'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.

3.49 The CYPS programme forecast outturn for 2017/18 is £8.150m, which represents a forecast in-year reduction of £621k compared with the position last reported in July. This change represents the re-profiling into 2018/19 of expenditure on the project to adapt homes to enable families to provide foster care places.

3.50 Early Years Capital Grant totalling £0.131m has been repaid to the Department for Education as High Greave school has decided not to proceed with part of the Thrybergh CC Satellite project. In addition, when the remaining projects in the programme are complete, the Authority will be required to repay grant in respect of projects where actual expenditure is lower than the original funding allocation.

3.51 In addition, Cabinet and Commissioners' Decision Making Meeting are asked to note that a project is to be added to the approved Capital Programme for 2018/19. The project will be fully funded from a Section 106 contribution of £60,892 and will provide additional accommodation at Bramley Sunnyside Junior School. An unused modular classroom is to be relocated at the junior school in respect of ancillary accommodation for space for interventions, small groups and working with pupils with special educational needs, to enable the school to meet the demands of the pupil population following an increase in the school's published admission number in 2013 from 80 pupils per year group to 90.

3.52 **Finance and Customer Services**

The Finance and Customer Services programme 2017/18 forecast outturn is £3.270m, which represents a forecast in-year reduction of £0.175m compared with the July position. The total planned expenditure over the remaining years of the programme is £5.099m. 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.

3.53 **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, with £6.439m earmarked in the 2017/18 Capital Programme for the Town Centre Investment programme. In addition, a £5m Growth Fund is included in this year's Capital Programme. The majority of this funding has been identified for the acquisition of investment properties at Beighton Link, approval for which was granted at the Cabinet and Commissioners Decision Making Meeting of 11th September 2017.

3.54 The R&E programme forecast outturn position for 2017/18 is £32.628m, which represents a forecast in-year reduction of £2.645m. The majority of this in year underspend is to be re-profiled into 2018/19. The major re-profiling changes are as follows:

- Holmes Tail Goit Pumping Station - £1.089m – Delays to the signing of the legal agreement.
- A630 Sheffield Parkway Re-widening - £0.661m – Discussions ongoing with DfT on the most cost effective engineering solutions which are impacting on the original programme timetable.
- Waverley Link Road - £0.419m – Discussions ongoing with DfT as to whether this scheme will proceed.
- Treeton St. Helen's Churchyard - £0.430m – Works now to commence in 2018/19.

3.55 In addition, the timescale for the delivery of other elements of the 2017/18 programme, including the Operational Buildings Capital Investment Programme and the Town Centre Investment Programme, is being reviewed which may lead to further re-profiling of budgets into 2018/19.

3.56 **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 30th September £1.1621m 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. Currently this budget is earmarked for expenditure on voluntary severance costs

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 to Gulliver's.

Housing Revenue Account (HRA) – (Forecast -£0.457m underspend)

3.57 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 underspend for the current financial year means that the budgeted use of HRA reserves for 2017/18 (£1.16m) will now be £457k less than planned. The surplus is mainly due to staff vacancies with the Supervision and Management section of the HRA, plus additional income from the revised management and administration charges for Leasehold properties.

4. Options considered and recommended proposal

4.1 With regard to the current forecast revenue overspend of £4.012m:

- 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, £7.2m 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. Additional use of reserves in the current financial year will have implications for the authority's overall financial resilience and could result consequent pressure on future years' budgets. It is therefore important that reserves are not called upon 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 8 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 will be considered by Cabinet in January 2018.

7. Financial and Procurement Implications

7.1 There is currently a projected overspend of £4m as set out within section 3 of this report. This includes a current shortfall in delivery of £7.2m of the total amount of budget savings agreed for 2017/18, net of mitigating actions and savings.

7.2 It is inevitable that to the extent that planned savings are not delivered and expenditure exceeds budgets in year, there will be implications for the level of reserves held by the Council, as unplanned spending impacts on reserves. 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 budgets.

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 Current spending forecasts for Children and Young People's Services do not incorporate the potential cost of any further Looked After Children placements (up to 70 have been identified) that could cost between £1.6m and £2.3m million in this financial year depending on the number and timing of placements.

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.

14. Accountable Officer(s)

Graham Saxton, Assistant Director – Financial Services
Anne Ellis, Finance Manager

Approvals obtained from:-

	Named Officer	Date
Strategic Director of Finance & Customer Services	Judith Badger	20/10/2017
Assistant Director of Legal Services	Neil Concannon	25/10/2017
Head of Procurement (if appropriate)	N/A	
Head of Human Resources (if appropriate)	N/A	

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