Rotherham Metropolitan Borough Council

Public Report
Overview and Scrutiny Management Board

Summary Sheet

Committee Name and Date of Committee Meeting
Overview and Scrutiny Management Board – 7 December 2017

Report Title
October Financial Monitoring Report 2017/18 and Update of the Council's Medium Term Financial Strategy to 2019/20

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 October 2017 and is based on actual costs and income for the seven months ending 31st October 2017 and forecasts for the remainder of the financial year. This is the fourth 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 October 2017 the Council has a forecast overspend on the General Fund of £4.594m, an increase of £0.6m over the £4.0m forecast overspend as at September. The main reason for this increase is a continuing rise in the projected overspend by the Children and Young People's Directorate of a further £0.434m, 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 currently has a forecast Budget overspend of £1.1m resulting in a net projected overspend for the Finance and

Customer Services Budget of £0.6m. In addition, the Adult Care and Housing forecast overspend has increased by £0.2m from £5.1m to £5.3m.

Offsetting these pressures, the Assistant Chief Executive's Budget projected underspend has increased by £34k to £244k, chiefly as a result of staffing savings mitigating other cost pressures. It is still anticipated that the review of Business Rates and Treasury Management will deliver £5m of savings against the Central Services budget this year.

The Regeneration and Environment Services projected budget outturn remains a break even position achieved through ongoing tight day to day budgetary control.

Management actions to address areas of overspend are also ongoing and the overall budget position will continue to be monitored closely. The current round of budget monitoring shows however, that the Council's Revenue Budget position has deteriorated by £0.6m since the previous monitoring report showing the position as at September.

The majority of the £24m budget savings approved within the 2017/18 budget are on target to be achieved. Within this target there are £11.9m of Directorate budget savings, which combined with a further £5.4m of 2017/18 Directorate budget savings agreed in previous budgets, gives a total Directorate savings target for 2017/18 of £17.3m. The current monitoring indicates that of this total, £6.8m of savings proposals are at risk of non-delivery in the manner approved by Council when the 2017/18 Budget was set (an improvement of £0.4m compared to September). These at risk proposals and the impact of mitigating actions are reflected in the current overspend projection. Cabinet approval will be sought for any budget savings which ultimately are proposed to be delivered differently on a permanent basis.

In order to balance the Revenue Budget for 2017/18 if expenditure cannot be contained within budgets by management actions or by identifying additional savings, the Council will need to call on its reserves. The use of £10.5m from the Council's reserves was approved as part of the 2017/18 Revenue Budget, in recognition of the timescales associated with developing future plans to achieve the significant additional budget savings required to stabilise the Council's Budget position for the financial years 2018/19 and 2019/20. This approach permitted the Council to use its current balance of reserves to mitigate the overall budget risk in the short term and to support a sustainable financial plan in the medium term before these reserves are reinstated in future years. The current financial climate, the risks associated with continuing reductions in Government funding and the resulting significant savings required by the Council mean that there is a need to maintain prudent levels of reserves and to avoid calling on them except in exceptional circumstances. Given this, it is essential that all services continue to develop mitigating actions and identify alternative savings to compensate for financial pressures and delays in delivering the full amount of savings proposed in the Revenue Budget.

The current forecast outturn position reflects the financial effects of the mitigating actions that have been identified and implemented to date and the progress made in re-establishing a balanced budget position will be reported regularly through these Financial Monitoring reports.

As indicated in the Budget and Council Tax report 2017/18, the summary Medium Term Financial Strategy has been reviewed, informed by the financial outturn for 2016/17 and taking into account current economic factors and latest financial planning estimates of the council tax base, council tax collection rates, business rates income and business rates appeals.

This review results in estimates of the MTFS Budget Gaps for the following two financial years of £15.1m in 2018/19 and £15.8m in 2019/20, a total of £30.9m over the two years.

There continues to be significant in-year pressure on the Dedicated Schools Grant (DSG) High Needs Block – the projected overspend has increased by £140k in the past month to the current projection of £7.360m. Whilst at present this pressure does not directly affect the Council's financial position, it is imperative that the recovery strategy is implemented setting out clearly how this position will be resolved and avoiding 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.

A recovery plan intending 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 has been devised by the service. As reported previously, 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 spending in the Housing Revenue Account (HRA) is forecast to be £0.583m below budget, reducing the planned use of HRA reserves from £1.16m to £0.6m.

An in-year variance of £15.396m reduced spend on the 2017/18 Capital Programme is forecast, the majority of which relates to schemes which are re-profiled into 2018/19. The most significant variance is in respect of the Adult Care and Housing Capital Programme – where it is estimated that £10.821m of spending will be re-profiled into 2018/19 and later years of the Capital Programme, mostly to reflect delays on several major projects providing new housing. This revised and re-profiled Capital Programme position will continue to be closely monitored and any further revisions and adjustments required to the Programme will be reported within the next financial monitoring report to Cabinet.

Recommendations

Overview and Scrutiny Management Board are invited to review the recommendations and make any additional proposals for consideration by Cabinet at its meeting on 11 December 2017:

1. That the current General Fund Revenue Budget forecast overspend for 2017/18 of £4.594m be noted.

2. 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 the review of the Medium Term Financial Strategy and the updated estimates of the Budget Gaps for 2018/19 and 2019/20 be noted.

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

5. That the proposal to further extend Superfast Broadband across South Yorkshire be supported on a basis of being cost neutral to the Council and that Council be recommended to add the authority's share of the capital investment to the Capital Programme.

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
September Financial Monitoring Report 2017/18 - 13th November 2017
Unlocking Property Investment Beighton Link Report to Cabinet and Commissioners' Decision Making Meeting - 11th September 2017.

Consideration by any other Council Committee, Scrutiny or Advisory Panel
Cabinet and Commissioners' Decision Making Meeting

Council Approval Required
No

Exempt from the Press and Public
No

October Financial Monitoring Report 2017/18 and Update of the Council's Medium Term Financial Strategy to 2019/20

1. Recommendations

1.1 That the current General Fund Revenue Budget forecast overspend for 2017/18 of £4.594m be noted.

1.2 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 the review of the Medium Term Financial Strategy and the updated estimates of the Budget Gaps for 2018/19 and 2019/20 be noted.

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

1.5 That the proposal to further extend Superfast Broadband across South Yorkshire be supported on a basis of being cost neutral to the Council and that Council be recommended to add the authority's share of the capital investment to the Capital Programme.

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 fourth financial monitoring report to Cabinet for 2017/18, setting out the projected year-end revenue budget financial position in light of actual cost and income for the first seven months of the financial year.

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 The current 2017-2022 Capital Strategy and Capital Programme aligns the Council's capital investment plans with its strategic priorities and the available resources. The financial implications of the programme are reflected in the Council's Medium Term Financial Strategy (MTFS) and Treasury Management and Investment Strategy. Over the five year period covered by the approved programme, £281.9m will be invested in schemes across the borough including: £120.9m for regeneration and enhanced infrastructure schemes and £91.4m towards improving council housing.

2.5 The Council's Capital Strategy and Capital Programme was approved by Council on the 8th March 2017 and updated in July 2017 to take account of the position at the end of 2016/17. Expenditure plans for the current financial year were further revised at the November 13th Cabinet and Commissioners' Decision Making Meeting reflecting the position at the end of September 2017 to give an estimated outturn for 2017/18 of £81.8m, with £6.7m of planned spending re-profiled into the later years of the programme, chiefly 2018/19. The forecast changes in spending profile have now increased to £15.396m as set out in Table 2 at paragraph 3.46 of this report.

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: October 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	62,462	66,449	+3,987
Adult Care & Housing	62,088	67,368	+5,280
Regeneration & Environment Services	44,023	44,023	0
Finance & Customer Services	13,264	13,835	+571
Assistant Chief Executive	6,229	5,985	-244
Capital Financing, Levies and Central Services	16,760	11,760	-5,000
SUB TOTAL	**204,826**	**209,420**	**+4,594**
Public Health (Specific Grant)	16,734	16,734	0
Dedicated Schools Grant	106,312	113,532	+7,220
Housing Revenue Account (HRA)	84,564	83,981	-583

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 £6.8m 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. The projected shortfall for Adult Services has reduced by £0.4m since September.

- Children and Young People's Services £0.6m
- Adult Care and Housing £5.4m
- 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 3.44) 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 (£3.987m forecast overspend)

3.2 The full year revenue forecast for Children's and Young People's Services is now an overspend of £3.987m – an increase of £0.434m since the last report in September. This increase is due mainly to the continuing rise in the number of children in care (in October the number rose by 11 from the 522 reported in September). The projected overspend is the result 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. The strategy's robustness 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 but was predicted to grow to 460 by the end of March 2017. The assumptions were subject to the caveat that, should the number of children in care increase beyond 460, this would result in further pressure on social care budgets and would risk adversely affecting the reported position and associated financial projections in later years. The continued growth in placements since September 2016 over and above 460 projection contributed significantly to the Directorate's budget overspend 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 the current financial year. The estimates for future growth in placements made in September 2016 predicted that, with no preventative action, an additional 48 placements would be needed in addition to the baseline position as at 1st April 2017. Given the starting point of 487 placements at the end of 2016/17 and a projected reduction of 4 during the year, the financial sustainability target was set at 483 placements. Using zero based budgeting principles, the 2017/18 LAC placement budget was set to fund the costs of 480 placements

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 both the quality and efficacy of existing high cost packages of care. 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 in placements (net reduction of 4 LAC) with a forecast net decrease in LAC numbers of 8.

3.6 As at the end of October the number of children in care is, however 533, an increase of 11 over the number reported for September and an increase of 46 or 9.4% over the 487 at the start of the financial year. Based on an average unit cost of £50k per LAC placement, the in-year cost pressure due to the higher number of placements has risen by £336k to £2.182m since September. As previously reported, this increase 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 up to £2 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 533 or a movement of existing placements to more expensive provision will result in further cost pressure on the social care budgets.

3.8 There remains a budget pressure resulting from the increased costs to meet the support needs of work (from both locality social work and initial screens) related to Child Sexual Exploitation (CSE) and Operation Stovewood, an active National Crime Agency (NCA) operation which is incomparable with any other recent or historic investigation (£724k). In addition, a separate team has recently been established in order to take forward complex child protection work and associated interventions (£486k). The Council has received a commitment from the Department for Education to provide some support for the additional demand on children's social care services and it is expected that £500k will be received this year to contribute towards these costs.

3.9 The latest full year forecast for Children's and Young People's Services is an overspend of £3.987m. This figure includes the net budget pressure of £2.892m outlined above in relation to the unprecedented increase in LAC placements, complex child protection work, CSE investigations and associated interventions. The service continues to face a range of other pressures which are considered below with the further actions to mitigate the budget pressures being developed by the service.

3.10 The recent budget review meetings have identified a number of budget savings options and considerations. A challenging examination of potential efficiencies is underway, recognising the need for these to be thoroughly reviewed, discussed and considered so that the Directorate can bring forward options for immediate implementation. Proposals are being actively pursued to identify savings in current financial year, having due regard form the continued safeguarding of vulnerable children. These 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. For example the October claim for £77k incorporated an improvement in the number of identified outcomes;

- 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 will generate further efficiencies and deliver better outcomes for children in care. It should be noted however that this will 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:

- A continuing review of all budget variances across the Directorate to determine which expenditure can be stopped, scaled back or delayed to mitigate the impact of the in-year service pressures; and

- 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 predominantly within Business Support (£573k) as outlined in Paragraph 3.14 below.

3.11 A consequence of the unforeseen increase in the number of Looked after Children arising from complex child protection work and the associated interventions has been an impact on savings that had been earmarked as a result of increasing in-house fostering capacity. As reported previously, although 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 consequence, the impact of the new LA fostering placements will be one of cost avoidance rather than of delivering budget savings.

3.12 The Child Arrangement Orders and Special Guardianship Orders budgets remain under pressure with the projected overspend increasing by £8k to £450k. 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 alternative foster care or residential placement.

3.13 Expenditure on the Leaving Care budget also continues to rise above budgeted forecasts (£700k). The overspend is due to a general rise in the number of care leavers, some of whom are supported in accommodation at high cost. There are now 237 care leavers (an increase of 7 since September) with 36 supported young people in accommodation as at the end of October – an increase of 8 since last reported.

3.14 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 £1.586m across the Directorate over 70% of the target. The balance of £573k remains a cost pressure within social care at this time. Plans to mitigate this position are outlined in paragraph 3.10 above.

3.15 The additional staff required for the Children's Service Resourcing Team and associated support budget, which is currently unbudgeted (£200k) are also a cost pressure. 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.

3.16 Savings of £445k have been achieved within Children's Services due to effective vacancy management within Early Help services and other non-social care budgets A redistribution of Special Educational Needs and Disabilities (SEND) funding within the Education and Skills service in respect of Education Psychology has also led to revenue budget savings of £383k.

3.17 Forecast spending on other Services within the Directorate including School Improvement continues to be broadly in line with budgets.

Dedicated Schools Grant

3.18 The Directorate is currently forecasting an over spend on its Dedicated Schools Grant (DSG) High Needs Block of £7.360m an increase of £140k since September's report. The schools' block is expected to underspend by £28k. 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.

3.19 The service has developed a recovery plan which aims to mitigate as far as possible the in-year pressure of £7.360m on the High Needs Block 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 (£5.280m forecast overspend)

3.21 Adult Care Services are currently forecasting an overall overspend of £5.464m in 2017/18, an increase of £229k from the previous report. The forecast outturn is after taking into account an allocation of £5.4m from the Additional and Improved Better Care Fund to assist in meeting pressures and providing sustainability within the social care system. The forecast also includes a current anticipated shortfall of approximately £5.4m in delivering all of the 2017/18 budget savings in the current financial year, which are in the process of being re-profiled for delivery over a different time period. Within Adult Care pressures relating to the assessment capacity continue. There will be a realignment of current structures and pathways which is part of the improvement journey. The changes also include strengthening procedures to ensure that demand management is robust, in order to divert, signpost and provide a customer focussed service, particularly at the front door.

3.22 As changes to individual packages of support, legally require a reassessment of need, achieving sustainable change to systems will take time; and consequently a planned approach to implementing the changes is required.

3.23 Historically a significant amount of budget has been committed to 24-hour care - £30m from a net budget of approximately £63m. Understanding how this 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 under the age of 65 years) from residential care to a range of community accommodation, will require work.

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. Anticipated delays in achieving budgeted savings due to the requirement for further consultation with clients, carers and partners have added to pressures.

3.25 The most significant pressure on the Directorate budget, however is in respect of residential and nursing care budgets across all client groups – where the current forecast overspend is £3.0m (after the allocation of £3.4m from iBCF). 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 The budget pressure in respect of Direct Payments and Managed Accounts is now £0.6m, after allocating £500k from the 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 3% (38 clients) since April 2017.

3.27 The pressure on the Domiciliary Care budget has reduced from £1.1m to £0.9m; however this takes into account the allocation for £0.810m from the iBCF. The reduction in the forecast overspend is attributable to a small reduction of 2% to 10% in the increase in client numbers during the current financial year, together with a recurrent income budget pressure in respect of income from fees and charges.

3.28 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) continue. To address them 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 The latest forecast outturn position for Neighbourhood Services' (Housing) is an underspend of £184k, a small increase of £15k on September's projection. The underspending is 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 overall demand for residential placements is reducing, budget pressures remain in consequence of the increasing cost of care packages. Unachieved budget savings carried forward from previous years including; Continuing Health Care funding and a reduction in the level of client contributions to services after financial assessment also remain an underlying pressure.

3.31 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 has been one of the main budget saving measures identified. As part of this, 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. The consultation will continue until the end of December.

3.32 As the improvement continues, the focus within Adult Care remains on two essential areas; cost avoidance through strengthening the front door and focussed assessments and using enablement to maximise clients' independence. Although the forecast budget overspend has increased from September due to service demand, some of the key actions and changes to practice and the pathway are beginning to take effect in spite of continuing high levels of demand.

3.33 Further investment, as approved by Council in December 2016, 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 by the use of the balance on the Public Health grant reserve.

Regeneration and Environment Services (forecast balanced outturn)

3.35 Following the October monitoring cycle the forecast outturn position has been reviewed by the Regeneration and Environment Directorate Management Team and it is forecast (as it was in September) that a balanced outturn position will be achieved. Net pressures of £0.409m for the Directorate were identified during monitoring – an increase of £64k from the previous month, however, the Directorate Management Team remain confident that a balanced position can be achieved by maintaining the robust budget monitoring challenge process that has been put in place and continuing tight day to day budgetary control, including the management of vacant posts and the operation of strict controls on non-essential expenditure.

3.36 Savings of £4.89m were agreed for 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. This 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. Potential savings (such as the review of Corporate Transport, including Home to School Transport) have been identified by other reviews, however, these will take longer to deliver than had previously been assumed. Mitigating actions to deliver alternative savings are being worked through to ensure that savings targets are met.

3.37 There are a number of overspends and underspends across the Directorate. Summarised briefly the chief projected overspends within the Directorate are:

- Facilities Management (£506k) in respect of the savings referred to above – an increase of £28k from September;
- Street Scene Services (£253k) a rise of £35k, due in the main to increased demand for Home to School Transport – which is a demand led service:

and

- Planning and Building Control (£92k).

These forecast overspends are in part offset by projected underspends in other areas – in particular in Regulation and Enforcement £317k and Network Management £120k.

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

Finance & Customer Services (£0.571m forecast overspend)

3.39 The Directorate forecast overspend has improved by £32k to £571k since September, chiefly as a result of reductions in the anticipated use of locums and external resources to carry out legal work. There remain however, significant pressures in Legal Services linked to the continuing increase in the number of Looked After Children and related child protection hearings and court fees and costs – as growth of 48% over last year is projected in the number of childcare proceedings. In addition, a review of legal support to Adult Social Care has identified the need for additional legal staffing resource.

3.40 These pressures give rise to a £1.141m projected overspend in Legal Services including £0.682m in respect of court fees and the costs of counsel, expert witnesses and process servers. Locums and the temporary staffing support provided by Sheffield City Council are being used to help to address the increase in caseload whilst recruitment to the childcare team progresses.

3.41 These and other more minor pressures are mitigated in part by the forecast recovery of £300k in Housing Benefit overpayments. In addition, vacancy control within the Revenues and Benefits service combined with lower than anticipated costs of collection have contributed £107k. Vacancy management in other Financial Services has also resulted in a £123k projected underspend to offset the pressures above. A projected underspend of £97k in the Business Unit due to savings from contract negotiations/terminations in print and post and vacancy management is also mitigating the projected overspend. 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.

Assistant Chief Executive (£0.244m forecast underspend)

3.42 The forecast underspend in the Assistant Chief Executive's Directorate has increased by £34k since September to £244k. Although the pressure on HR and Payroll Services due to reducing income from schools and academies and from disclosure and barring checks continues, the forecast year end position has improved by £11k in the past month. Delaying filling vacant posts in Policy and Partnerships until the new financial year as part of vacancy management has increased the projected underspend for the service by £15k to £98k. These additional savings combined with the reduced cost of Members' allowances and staff cost savings from vacancy management across the wider Directorate offset the projected underachievement of income targets.

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

3.43 The forecast underspend of £5m in respect of additional business rates income (£3m) and savings from the treasury management strategy (£2m) on the Corporate and Central services Budget remains unchanged. The underspending is the result of reviewing the Government's estimates of business rates income included in the Finance Settlement and reassessing the Council's treasury strategy to maximise the benefit from low interest rates on short-term loans.

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. £1.161m of capital receipts has been secured to date and currently a total of £1.8m is anticipated by the end of the financial year.

Capital Programme

3.45 The September forecast outturn positon for the 2017/18 approved Capital Programme indicated an in-year underspend of £6.7m. During October a further detailed review of the profiling of Adult Care and Housing (ACH) schemes has been undertaken has identified £7.3m of expenditure – chiefly on new housing provision - requiring re-profiling into later financial years.

3.46 The table below shows the revised programme budgets as at October and current forecasts of outturn expenditure by Directorate programme.

Table 2 : Capital Programme as at October 2017

Directorate	Current Year 2017/18		
	Budget £'000	Forecast £'000	Variance £'000
Adult Care & Housing	40,971	30,150	-10,821
Children & Young Peoples Services	8,771	8,087	-684
Finance & Customer Services	3,444	3,270	-174
Regeneration & Environment	35,273	31,556	-3,717
Total	**88,459**	**73,063**	**-15,396**

3.47 Further details of variances to the Housing schemes are set out below :

3.48 Strategic Acquisitions:

- The Site Clusters programme is a scheme to deliver 217 new dwellings on 7 HRA sites. The original anticipated start on site date was June 2017; this has now been revised to the end of October 2017 requiring the scheme to be re-profiled over four financial years. This means that the original 2017/18 Budget of £9.482m is reduced to £3.930m with future years re-profiled accordingly.

- The Little London scheme, with a budget of £1.7m to allow properties to be brought into the ownership of the Council is re-profiled from 2017/18 to 2018/19 to retain the original purpose of the scheme should the investment works by the current owner of the properties to bring them back into lettable condition not be completed.

- £0.072m of re-profiling into 2018/19 for the Monksbridge demolition of 3 properties and reinstating land at 44-48 Monksbridge ,which has been delayed in part by a required referral to allow a detailed options paper to be produced. This will ensure that all options have been considered. The project is funded by Regional Housing Board Grant ring fenced within the Capital Programme.

Capital Programme – Superfast Broadband Phase II Proposal

3.49 Following discussions between the four South Yorkshire Councils and Sheffield City Region, a proposal is being developed for further extension of Superfast Broadband accessibility across South Yorkshire in order to make fibre broadband available to as close to 100% coverage as technically possible.

3.50 The total cost of the proposal is £4.3m of which £0.8m of external funding is secured, leaving a £3.5m match funding requirement for the South Yorkshire Councils to contribute.

3.51 The funding of the proposal revolves around £3.5m of National Product Investment Funding being used by SCR to replace borrowing costs within the existing Passenger Transport Executive capital programme and the cost savings released being used to reduce the PTE levy payable by the councils. This proposal allows the councils to utilise the levy savings to fund the financing costs of the £3.5m capital investment in broadband match funding on a cost neutral basis.

3.52 Rotherham Council's share of the levy reduction would be £45k which is sufficient to fund the annual financing costs of the Council's £670k capital share of the broadband proposal.

3.53 Cabinet are asked to support the proposal on this basis and recommend to Council that the scheme is added to the capital programme.

3.54 **General Fund Capital Receipts Position as at 31st October 2017**
The comprehensive review of the Council's assets and buildings portfolio with the objective of rationalising both operational and non-operational asset holdings is continuing. This process will generate future capital receipts which, by utilising the capital receipts flexibilities introduced from the 1st April 2016 can support the revenue budget, through investments in transformational projects that generate future revenue savings.

3.55 The 2017/18 Revenue Budget includes the planning assumption that Capital Receipts of £2m will be generated in 2017/18 and will be used to fund the revenue costs of transformational projects. As at 31st October £1.161m of Capital Receipts have been secured. 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. The current forecast for the full year is that £1.8m of receipts will be achieved. The position will be continuously reviewed and where possible sites will be brought forward for early disposal in coming months.

Housing Revenue Account (HRA) – (Forecast -£0.583m underspend)

3.56 The Housing Revenue Account is a statutory ring-fenced account that the Council is required 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 this financial year has increased since last reported by £126k to £583k. In light of this the budgeted use of HRA reserves for 2017/18 (£1.16m) will be correspondingly less. The surplus is mainly due to staff vacancies with the Supervision and Management section of the HRA, a smaller increase in the provision for outstanding debt plus additional income from the revised management and administration charges for Leasehold properties.

Update of the Council's Medium Term Financial Strategy

3.57 Within the Budget and Council Tax 2017/18 report approved by Council on 8th March 2017, the summary MTFS showed estimated Budget Gaps of £18.8m for 2018/19 and £22.7m for 2019/20, a total Budget Gap of £41.5m over the two years

3.58 The report stated that the summary MTFS would be updated during 2017/18, informed by the actual financial outturn of 2016/17, latest views on funding forecasts and any economic and legislative changes.

3.59 This review has now been completed and in addition to the above has also taken into account latest financial planning estimates of the council tax base, council tax collection rates, business rates income and business rates appeals.

3.60 The updated estimates of Budget Gaps, compared with the previous estimates are shown below:

	2018/19 £m	**2019/20 £m**	**Total £m**
Budget Gaps per Budget Report 17/18	**18.8**	**22.7**	**41.5**
Changes to financial planning forecasts to council tax, business rates and indexation	-3.7	-6.9	-10.6
Updated Budget Gaps	**15.1**	**15.8**	**30.9**

3.61 The updated Budget Gaps will feed into the budget setting process for 2018/19 and the Budget and Council Tax report 2018/19, to be presented to Cabinet on 19th February 2018 and Council on 28th February 2018.

4. Options considered and recommended proposal

4.1 With regard to the current forecast revenue overspend of £4.594m:

- 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, £6.8m 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 £10.5m 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 financial strategy and delivery of a 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. The level of reserves and requirement for the use of reserves will be considered as part of the budget setting process for 2018/19.

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.

5.2 Consultation on the Budget for 2018/19 will formally commence on 6th December 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 February 2018.

7. Financial and Procurement Implications

7.1 Current budget forecasts have identified a projected overspend of £4.6m as set out within section 3 of this report. This includes a shortfall in delivery of £6.8m 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 this year, there will be implications for the level of reserves held by the Council, as reserve levels are affected by unplanned spending. Controlling spending to deliver planned budgets and savings is therefore critical, 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.

7.4 Following a detailed review of planned housing expenditure in the Adult Care and Housing section of the Capital programme the phasing of several schemes has been further revised moving £7.3m of expenditure from 2017/18 into 2018/19 and later years of the capital programme. It is anticipated that further reviews of other Directorate Programmes will be reflected in subsequent monitoring reports.

7.5 The currently projected levels of Capital receipts to be used flexibility to support transformational projects within the Council £1.8m are £0.2m less than had been assumed when the budget was set. However as indicated the position will be continuously reviewed and where possible sites will be brought forward for early disposal in coming months.

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 over and above the latest level of 533 which could add up to £2.0m to the overspend 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 small 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	22.11.2017
Assistant Director of Legal Services	Dermot Pearson	22.11.2017
Head of Procurement (if appropriate)	N/A	
Head of Human Resources (if appropriate)	N/A	

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