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 – 19 February 2018

Report Title
December 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 December 2017 and is based on actual costs and income for the period ending 31st December 2017 and forecasts for the remaining quarter of the financial year.

As at the end of December 2017 the Council has a net forecast overspend on the General Fund of £992k. This comprises a forecast overspend of £9.992m on Directorate/Service budgets, mitigated by £9m savings from Central Services budgets and funding. The forecast overspend on Directorate/Service budgets has increased by £398k from the position reported to Cabinet in December 2017. However, within this net increase is a significant increase of £1.5m in the forecast overspend for Children and Young People which is now forecast at £5.5m for the year. The increasing overspend is attributable to the continuing increase in the number of children in care which has increased by 43 (8%) since last reported and has risen by 18.3% since April.

This increase in the number of Looked After Children has also placed significant and unavoidable pressure on Legal Services within the Finance and Customer Services Directorate. The current forecast overspend for Legal Services is now £1.254m, an increase of £113k since the December report.

Countering the pressure on CYPS and related legal budgets the projected outturn position has improved in relation to Adult Care and Housing Directorate where the forecast overspend has reduced by £633k to £4.6m. In addition, Regeneration and Environment Services have moved from a projected break even position as last reported to a forecast surplus of £212k.

The Assistant Chief Executive's Budget projected underspend has increased by £193k to £437k, an increased underspend of £244k.

All Directorates are holding back on expenditure as much as possible for the remainder of the financial year to seek to eradicate the forecast overspend and ensure the delivery of a financial outturn within budget for 2017/18. If expenditure for 2017/18 cannot be contained within budgets by management actions or by identifying additional savings, the Council will need to make a further call on its reserves in order to balance the 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, the Revenue Budget for 2017/18 was set including the support of £10.5m from the Council's reserves.

There continues to be significant in-year pressure on the Dedicated Schools Grant (DSG) High Needs Block – the projected overspend has increased by £855k since the December monitoring report to the current projection of £8.075m. 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 to deliver the targeted deficit reduction by April 2019.

The HRA is now forecast to underspend and not require the planned transfer from HRA reserves. The changed position is mainly the result of delays in capital spending on cluster sites and the strategic acquisitions programme which will now take place in future years which reduced the planned Revenue Contribution to Capital spending in the current financial year.

The Council's overall Capital Programme for the current financial year is forecast to be £20.12m underspent, mostly due to slippage on capital schemes for which the spend will be re-profiled into 2018/19 and subsequent years.

Recommendations

1. That Cabinet note the current General Fund Revenue Budget forecast overspend for 2017/18 of £992k.

2. That Cabinet note 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 Cabinet note the current forecast outturn position on the approved Capital Programme for 2017/18.

4. That Cabinet agree the changes to the Business Rates Revaluation Support Scheme as set out in paragraphs 3.67 to 3.69 of the report.

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
October Financial Monitoring Report 2017/18 – 11 December 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
No

Council Approval Required
No

Exempt from the Press and Public
No

December Financial Monitoring Report 2017/18

1. Recommendations

1.1 That Cabinet note the current General Fund Revenue Budget forecast overspend for 2017/18 of £992k.

1.2 That Cabinet note 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 Cabinet note the current forecast outturn position on the approved Capital Programme for 2017/18.

1.4 That Cabinet agree the changes to the Business Rates Revaluation Support Scheme as set out in paragraphs 3.67 to 3.69 of the report.

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

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: December Cumulative - Forecast Revenue Outturn 2017/18

Directorate / Service	Annual Budget 2017/18	Forecast Outturn 2017/18	Forecast Variance (over (+) / under (-) spend) AFTER management actions
	£'000	**£'000**	**£'000**
Children & Young People's Services	62,439	67,890	+5,451
Adult Care & Housing	62,064	66,711	+4,647
Regeneration & Environment Services	44,028	43,816	-212
Finance & Customer Services	13,192	13,735	+543
Assistant Chief Executive	6,229	5,792	-437
Capital Financing, Levies, Central Services and Budget Review	16,874	7,874	-9,000
SUB TOTAL	**204,826**	**205,818**	**+992**
Public Health (Specific Grant)	16,734	16,734	0
Dedicated Schools Grant	106,312	114,387	+8,075
Housing Revenue Account (HRA)	84,564	82,930	-1,634

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 are 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 £5.4m
- Regeneration & Environment Services £0.5m
- Finance & Customer Services £0.3m

Although not being achieved by the means approved by Council when the 2017/18 budget 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 3.51) 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 (£5.451m forecast overspend)

3.2 A revenue overspend of £5.451m for the full year is now forecast for Children's and Young People's Services. This is an increase of £1.464m since the position reported to Cabinet in December. The increased overspend is chiefly attributable to the continuing rise in the number of children in care, which has risen by 43 (8%) to 576 since the last reported position and has increased by 18.3% since the start of this financial year. 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 investment proposals were predicated upon a number of assumptions derived from what was understood at that time about service demand levels in Rotherham. In September 2016 the number of Looked after Children (LAC) was 443 but this was predicted to grow to 460 by the end of March 2017. The assumptions noted that, an increase in the number of children in care beyond 460 would result in further pressure on social care budgets and would adversely affect the reported position and associated financial projections in later years. In the event there were 487 placements as at March 2017.

3.4 The transformation initiatives associated with the investment in Children's Services are based on the need to both continue to improve the quality of practice and outcomes for children and young people and to prevent 52 children entering (or remaining in) care during the current financial year. The estimates for future growth in placements made in September 2016 forecast that, with no preventative action, an additional 48 placements would be required over and above the forecast baseline position of 460 as at 1st April 2017.

3.5 Given the actual 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. The 2017/18 LAC placement budget was set to fund the costs of between 480 and 490 placements

3.6 The majority of the investment projects are now established. These projects continue to perform above baseline and have delivered, amongst other tangible benefits, an additional 14 placements and 5 additional foster placements for "step down" above forecast levels. Without these initiatives the in-year budgetary pressure would have been significantly greater by around £3m.

3.7 As at the end of December the number of children in care is however 576 an increase of 43 over the number reported for October and an increase of 89 or 18.3% above position at the start of this financial year. Alongside this, the average unit cost of a LAC placement has risen by over 10% above the budget provision made for 2017/18. This is a consequence of an increase in the use of care placements for children with more expensive and complex needs. As a result, the in-year cost pressure attributable to a higher number of placements and the increase in unit costs has grown to £3.194m – an increase of £1.012m since the October monitoring report. Of this pressure, £2.542m (80%) relates directly to complex child protection work, the associated costs of which are substantial.

3.8 Any further increase in numbers above the current level of 576 between now and the end of March; a variation in the forecast start dates of the additional placements; or a movement of existing placements to more expensive provision will result in further cost pressure on the social care budgets.

3.9 A budget pressure remains arising 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 (£700k). In addition, a separate team has recently been established in order to take forward complex child protection work and associated interventions (£415k). 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.

3.10 As noted above, the latest full year forecast for Children's and Young People's Services is an over spend of £5.451m, including the net budget pressure of £3.157m outlined in sections 3.7 and 3.9 above (that is demand over and above 'business as usual' in relation to the unprecedented increase in LAC placements, complex child protection work and CSE investigations and associated interventions).

3.11 It should be noted that December's report states that the forecasts at that time did not incorporate any further complex child protection placements (over the 39 then reported) and that additional placements could worsen the then reported overspend by an extra £2m. (i.e. on overspend of up to £5.987m in total) Although as reported above (section 3.2) the number of Looked After Children placements has increased by 43 since October, it is still considered that there remains potential for further placements and the associated deterioration in the overspend position.

3.12 The service continues to face other pressures totalling £2.294m, which are considered below with the additional actions being developed by the service to mitigate the budget pressures.

3.13 A consequence of the unforeseen increase in the number of Looked after Children resulting from complex child protection work and the associated interventions has been an impact on earmarked savings produced by increasing in-house fostering capacity. As reported previously, although the targeted recruitment of additional in-house foster carers will be achieved, these additional places will need to be directed towards new placements, rather than allowing 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.

3.14 The pressure on Child Arrangement Orders and Special Guardianship Orders budgets remains with a projected overspend of £466k. 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.

3.15 Expenditure on the Leaving Care budget also continues to rise above budget (£1m) as a result of a general rise in the number of care leavers supported, some of whom are in high cost accommodation. The number of care leavers is currently at a 12 month high with the numbers receiving support also at a yearly high.

3.16 Progress in achieving savings is managed through the Business and Savings Delivery Group which provides assurance in respect of the delivery of savings and the management of the associated financial risks and issues. Savings in this financial year are projected to be £1.6m from total savings of £2.2m. The shortfall is chiefly due to the saving to be delivered in the Directorate's Business Support function. The service is continuing with a robust approach in the evaluation of existing activities and working with the aim of providing a more efficiency and effective service, whilst not affecting the support provided to vulnerable children and their families. The savings review is expected to be completed early in the coming financial year. At this time, however, the balance of the savings of £600k remains a cost pressure within social care.

3.17 The additional staff required for the Children's Service Resourcing Team and associated support budget, are also a cost pressure (£200k). The team has been established to search for and recruit the best social care professionals. Whilst permanent recruitment continues to be successful, there has been a short term increase in the use of agency staff over the last quarter as an indirect consequence of placement demand (£200k).

3.18 Effective vacancy management within Early Help services and other non-social care budgets has achieved (£441k). The redistribution of Special Educational Needs and Disabilities (SEND) funding in respect of Education Psychology in respect of Education Psychology within the Education and Skills service has also led to revenue budget savings (£383k).

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

3.20 In order to mitigate pressures, recent budget review meetings have identified a number of budget savings options and considerations and a challenging examination of potential efficiencies that can be brought forward for immediate implementation is ongoing. Proposals are being actively pursued to identify savings in current financial year, having due regard for the continued safeguarding of vulnerable children. These include:

- Proposals 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 review of all continuing health care contributions from the CCG; a review of all placements with a view to accelerating discharges where possible whilst not impacting on safeguarding issues; and
- A range of other actions including further vacancy management and an ongoing review of all budget variances across all services.

These actions are expected to contribute towards addressing the continuing pressures within Children's Services detailed in this report, although the need for proposals to be thoroughly reviewed, discussed and considered must be recognised.

Dedicated Schools Grant

3.21 The Directorate is currently forecasting an over spend on its Dedicated Schools Grant (DSG) High Needs Block of £8.075m an increase of £855k since the December 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.

3.22 The service has developed a recovery plan which aims to mitigate as far as possible the in-year pressure of £8.075m 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 planned deficit reduction by April 2019 include:

- A revised Special School funding model;
- 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 which began in December 2017 and is still ongoing.

The Council has received a letter from the DfE with "in principle" agreement to move funding between blocks for 1 year. Further information has been sent to DfE and we are awaiting their final confirmation.

Adult Care & Housing (£4.647m forecast overspend)

3.23 The projected overspend for Adult Care and Housing has reduced by £633k from the £5.280m previously reported. Within the total Directorate overspend forecast of £4.647m, Adult Care Services are currently forecasting an overall overspend of £4.933m in 2017/18, a reduction of £531k from the position reported to Cabinet in December. The forecast outturn is after taking into account an allocation of £5.1m from the Additional and Improved Better Care Fund to assist in meeting pressures and providing sustainability within the social care system.

3.24 The forecast also includes a current anticipated shortfall of approximately £5.4m in delivering all the 2017/18 Budget savings in the current financial year. These are however in the process of being re-profiled for delivery over a longer time period. Within Adult Care pressures relating to the assessment capacity continue. As part of the improvement journey there will be a realignment of current structures and pathways. The planned 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".

3.25 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 the implementation of the changes is needed. 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.

3.26 The main budget pressure continues 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.

3.27 The most significant pressure on the Directorate budget, however remains residential and nursing care budgets across all client groups – where the current forecast overspend is £2.8m (after an allocation of £3.4m from iBCF) – a reduction of £220k since the last report. 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.

3.28 The budget pressure in respect of Direct Payments and Managed Accounts has reduced from £0.6m to £0.5m, after allocating £500k from the iBCF £100k less than last reported. This is however a reduction in the overspend in this area for the 2016/17 financial year and reflects both additional one-off grant funding and an overall reduction in the number of clients by 4% (47 clients) since April 2017.

3.29 The overall pressure on the Domiciliary Care budget remains at £0.9m however this takes into account the allocation of £1.1m from the iBCF. The overall overspend is attributable to 6% increase in client numbers during the current financial year, combined with recurrent budget pressure in respect of income from fees and charges.

3.30 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 budget 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.

3.31 The latest forecast outturn position for Neighbourhood Services' (Housing) is an underspend of £286k, an increased underspend forecast of £102k. The underspending is mainly due to additional income from Furnished Homes and current staff vacancies within Housing Options and Neighbourhood Partnerships pending final recruitment to the recently agreed new Neighbourhood Working Model.

Adult Care & Housing – Recovery Strategy Update

3.32 Although the overall demand for residential placements is reducing, budget pressures continue as a result of the increasing cost of care packages. There is also an underlying pressure from some 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.

3.33 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 finished at the end of December and a report on the findings and options for future delivery of services will be considered by Cabinet in May 2018.

3.34 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.

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3.35 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)

3.36 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.

Regeneration and Environment Services (forecast £0.212m underspend)

3.37 In the last monitoring report to Cabinet for October the forecast for Regeneration and Environment Services was a balanced outturn position. Reviewing the forecast the Directorate Management Team has revised the outturn projection to an underspend of £212k. Continuing the robust budget monitoring challenge process that has been put in place in Regeneration and Environment Services and maintaining the ongoing tight day to day budgetary control, including the management of vacant posts and the operation of strict controls on non-essential expenditure has resulted in a projected underspend of £212k

3.38 The forecast underspending relates to several non-recurring items including:

- A reduction of £80k in the provision for dilapidations in respect of a historic claim
- Confirmation of £60k income from the HRA in relation to the Advocacy and Appeals service; and
- Updated income forecasts for the Building Consultancy Service which now indicate a surplus of £259k against budget;

Against these additional income forecasts however, there remain budget pressures and projected overspends within:

- Facilities Management (£544k) in respect of the savings referred to below – an increase of £38k since October; and
- Street Scene Services (£306k) a rise of £53k since the last monitoring report to Cabinet, due in the main to increased demand for Home to School Transport:

3.39 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.

3.40 It should be noted that the current Directorate forecast position excludes any pressure which may be incurred on the Winter Maintenance budget. Expenditure in this area is weather dependent and at this stage is highlighted as a risk.

Finance & Customer Services (£0.543m forecast overspend)

3.41 The Directorate forecast overspend has reduced by £28k to £543k since the December report. Significant pressures remain in Legal Services from the continued growth in the number of Looked After Children the related child protection hearings (a projected increase of 54% this year) and court fees and costs. As recruitment to the childcare staff structure proposed by Peer Review continues, an interim arrangement using locum solicitors and Sheffield City Council is in place. In addition, a Peer Review of legal support to Adult Social Care has identified the need for additional legal staffing resource including a locum solicitor this year which with interim cover for planned sickness absence has been factored into the projected outturn. The projected overspend in Legal Services resulting from these pressures has increased by £113k to £1.254m including £0.7m in respect of court fees etc. and it is estimated that should there be a further increase in the number of childcare proceedings the resulting legal costs would add around £100k to the overspend. There are also pressures in respect of Statutory Costs where the forecast overspend has increased by £16k to £40k as a result of the volume of statutory and planning notices. Pressures are partly offset by an underspend in relation to the Business Unit.

3.42 The CIDS budget is also under pressure as a result of a £255k shortfall in income principally in respect of reduced school take up of Schools Connect Trading service and a £50k shortfall due to non-contribution from Liquidlogic partly offset by receipt of £52k non-budgeted income within Commercial Services and Digital Change. In addition the service has to fund £300k ICT contracts, mainly for the periodic renewal of Microsoft licenses for which no budgetary provision was made in the MTFS. These and other pressures have been offset due to delayed or non-recruitment to vacant posts throughout the service.

3.43 Other services within the Directorate are forecasting underspends totalling £291k mostly by means of vacancy control and strong controls on discretionary spend.

3.44 In addition, the forecast saving of £300k from the income which the Council retains from the Government arising from recovery of Housing Benefit overpayments, is mitigating the overall pressure on the Directorate.

Assistant Chief Executive (£0.437m forecast underspend)

3.45 The forecast underspend in the Assistant Chief Executive's Directorate is now £437k an increase of £193k since the last report to Cabinet. The underspend is chiefly attributable to continuing vacancy management across the Directorate and staffing savings including delaying filling vacant posts in the Business and Innovation team saving £78k. These savings across the wider Directorate combined with the reduced cost of Members' allowances and associated costs, £30k additional income from the Salary sacrifice scheme and underspending on the infrastructure and corporate initiatives budget have offset the continuing pressure on HR and Payroll Services £205k due mainly to reducing income from schools and academies.

Central Services & Budget Review – (£9m saving)

3.46 As part of updating the Council's Medium Term Financial Strategy, which was reported to Cabinet in December, a thorough review has been undertaken of all the Council's Central Services Budgets and Provisions, Corporate Funding and Accounting and Apportionments, including classification of expenditure between revenue and capital and between HRA and General Fund.

3.47 The Government also announced on 20th December 2017, provisional details of how Councils would be compensated for new business rates reliefs introduced by the Government in 2017/18.

3.48 Further reviews will take place as part of finalising the Council's financial outturn and statement of accounts for 2017/18 and determining the final position on the Council's provisions and requirements for liabilities for bad debts, insurance claims and other potential commitments.

3.49 Subject to that further review, alongside finalising costs for the year for voluntary redundancies and depending on the actual amount of capital receipts achieved, it is anticipated that total savings of around £9m can contribute to the Council mitigating budget pressures and towards delivery of a balanced financial outturn for 2017/18.

3.50 This is principally made up of :

- Business Rates income and grants £4m
- Treasury Management activity £2.5m
- Reviews of accounting, apportionments and capitalisation £2.5m

3.51 The ongoing impact of the budget reviews is factored into the updated budget gaps within the MTFS as reported to Cabinet in December 2017 and within the budget risk provision for the 2018/19 budget as described in the Budget and Council Tax 2018/19 report on this same Cabinet agenda.

Capital Programme

3.52 As a result of a detailed review of the profiling of Adults Care and Housing schemes the December report forecast outturn positon for the 2017/18 approved Capital Programme indicated an in-year underspend of £15.4m, which required re-profiling into later financial years. The table below shows the revised programme budgets and latest forecasts of outturn expenditure by Directorate programme, followed by an explanation of the changes.

Table 2 : Capital Programme as at December 2017

A) General Fund

Directorate	Current Year 2017/18		
	Budget £'000	**Forecast £'000**	**Variance £'000**
Children & Young Peoples Service	8,087	7,402	-685
Adult Care & Housing	4,614	4,535	-79
Finance & Customer Service	5,270	3,067	-2,203
Regeneration & Environment	32,992	23,299	-9,693
TOTAL	**50,963**	**38,303**	**-12,660**

B) HRA

Directorate	Current Year 2017/18		
	Budget £'000	**Forecast £'000**	**Variance £'000**
Adult Care & Housing	32,842	25,382	-7,460
TOTAL	**32,842**	**25,382**	**-7,460**

C) Total

Directorate	Current Year 2017/18		
	Budget £'000	**Forecast £'000**	**Variance £'000**
Children & Young Peoples Service	8,087	7,402	-685
Adult Care & Housing (inc HRA)	37,456	29,918	-7,539
Finance & Customer Service	5,270	3,067	-2,203
Regeneration & Environment	32,992	23,299	-9,693
TOTAL	**83,805**	**63,685**	**-20,120**

Children and Young People's Services – (Forecast £0.685m Variance)

3.53 The projected variance relates to the re-profiling of budget in to future years in respect of a number of projects to increase school places/maintain school buildings (£589k) and a number of other minor variances to school schemes totalling (£96k).

Adult Care and Housing – (Forecast £7.539m Variance)

3.54 The major variances to the Housing schemes, resulting in the underspend, are set out below;

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 forecast to be re-profiled over four financial years. This means that the original 2017/18 forecast 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.

Finance and Customer Services – (Forecast £2.203m Variance)

3.55 December monitoring of the other Directorate Capital projects has highlighted the need to re-profile £2.203m of planned expenditure into future years. The reasons for this slippage include the review of customer and Council requirements and delays in the roll out of Office 365. The projects re-profiled include:

- Telephony system replacement £1.243m;:
- Computer refresh £0.530m;
- Replacement of server equipment £0.200m;
- Network Equipment refresh £0.081m;
- ICT Digital Strategy £0.089m; and
- Storage area network replacement £0.060m.

Regeneration and Environment – (Forecast £9.693m Variance)

3.57 The overall Regeneration and Environment programme for 2017/18 £32.992m has been increased with the inclusion of the Rother Valley Country Park Caravan Site invest to save project of £0.383m, which was approved at Cabinet in November and has been profiled over the next three years 2017/18 - 2019/20.

3.58 Currently the R&E programme forecast outturn position for 2017/18 is £23.299m. This is a forecast in-year reduction of £9.693m. The majority of this in year underspend is to be re profiled into future years. The major re profiling changes are as follows:

3.59 **Transportation & Highways**

Slippage on a number of schemes totalling £1.3m has been re-profiled into 2018/19.

3.60 **Investment & Economic Initiatives –** the Town Centre Investment scheme has been delayed and it is now anticipated that there will be no expenditure incurred in the current financial year with £6.439m to be profiled into future years.

3.61 **Corporate Property Unit –** A commercial property review is being undertaken to determine priorities in this area. Pending the outcome of the review £2.67m capital provision is re-profiled into future years.

General Fund Capital Receipts Position as at 31st December 2017

3.62 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 to progress. This process will generate future capital receipts which, by utilising the capital receipts flexibilities introduced from the 1st April 2016 can be used to support the revenue budget, through investments in transformational projects that generate future revenue savings.

3.63 As indicated in section 3.48 above, The 2017/18 Revenue Budget includes the planning assumption that Capital Receipts of up to £2m will be used to fund the costs of transformational projects which will be capitalised. To date £1.2m of Capital Receipts have been secured and the current forecast is that £1.5m of receipts will be achieved for the whole year. The position will be continuously reviewed and where possible sites will be brought forward for early disposal before 31st March.

Housing Revenue Account (HRA) – (Forecast £1.634m underspend)

3.64 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 to £1.634m. In light of this the budgeted use of HRA reserves in 2017/18 of £1.16m will now not be required and there will, instead, be a forecast net transfer to reserves which will be available to support future years' expenditure.

3.65 This surplus is chiefly attributable to a reduction of £2.130m in the planned Revenue Contribution to Capital as a result of a delay in the cluster sites and strategic acquisitions programme which means that the planned expenditure will now fall into future financial years. There are also staff vacancies within 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.

Business Rates Revaluation Support

3.66 In the Spring Budget 2017, three new local Business Rates relief schemes were announced by the Government – Supporting Small Businesses, Support for Pubs and Revaluation Support. Cabinet agreed Rotherham's schemes for Supporting Small Businesses and Support for Pubs based on Government guidance for those schemes. However, the Government did not provide any detailed guidance for Revaluation Support but gave each Council a fixed amount of grant to be distributed to businesses based on locally developed criteria. Rotherham Council have received £365k for 2017/18 and Cabinet agreed Rotherham's criteria for distributing the grant in November 2017.

3.67 The criteria was developed using a calculation method based on the current make-up of Rotherham's Business Rates payers and the information available at the time, designed to offer the maximum support possible to businesses up to the £365k grant allocation. Subsequent changes to some Business Rates accounts and new information obtained which affects some businesses qualification for relief means that a substantial amount of the grant allocation will not now be awarded based on the current scheme criteria.

3.68 It is therefore proposed that the following amendments are made to the Revaluation Support Scheme :

- The rateable value threshold for businesses to be able to qualify for the relief is increased from £100,000 or less to £300,000 or less
- The maximum award of relief for a business property is increased from £5,000 to £25,000

4. Options considered and recommended proposal

4.1 With regard to the current forecast revenue overspend of £992kManagement 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.

4.2 The use of £10.5m reserves was approved in setting the 2017/18 Revenue Budget in order to allow time for 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 having a balance of reserves which could mitigate overall budget risk in the short term and 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 a further impact on the Council's reserves.

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 commenced formally on 6th December 2017.

6. Timetable and Accountability for Implementing this Decision

6.1 Strategic Directors, Managers and Budget Holders will ensure continued tight management and close 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 with the position as at the end of February will be considered by Cabinet in March 2018.

7. Financial and Procurement Implications

7.1 Current budget forecasts have identified a projected overspend of £992k 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, as reserve levels are affected by unplanned spending, the non-delivery of planned savings and expenditure in excess of budgets this financial year will have implications for the level of reserves held by the Council. 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 realise 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 The currently projected levels of Capital receipts to be used flexibility to support transformational projects within the Council £1.5m are £0.5m 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 currently reported level of 576 for the current financial year. Any further increase in numbers above this level: or a variation in the forecast start dates of the additional placements; or a movement of existing placements to more expensive provision will result in further cost pressure on the social care budgets.

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 broadly 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	
Director of Legal Services	Dermot Pearson	
Head of Procurement (if appropriate)	N/A	
Head of Human Resources (if appropriate)	N/A	

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