Rotherham Metropolitan Borough Council

Public Report
Cabinet and Commissioners' Decision Making Meeting

Summary Sheet

Name of Committee and Date of Committee Meeting
Cabinet and Commissioners Decision Making Meeting – 9 July 2018

Report Title
May Financial Monitoring Report 2018/19

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

Executive Summary

This report sets out the financial position as at the end of May 2018 and is based on actual costs and income for the first two months of 2018/19 and forecast for the remainder of the financial year. Financial performance is a key element within the assessment of the Council's overall performance framework, and is essential to achievement of the objectives within the Council's Policy Agenda. To that end, this is the first in a series of monitoring reports for the new financial year which will continue to be brought forward to Cabinet and Commissioners on a regular basis.

As at May 2018, the Council has a forecast year-end overspend of £5.8m on the General Fund, after taking account of the £10m budget contingency approved within the 2018/19 budget and the actions currently underway to address budget pressures, particularly in Children's and Adult's social care.

Children's and Young People's Services Directorate continues to overspend against budget in 2018/19. Due to demand for services outstripping budget capacity the number of children in care is still increasing this financial year, up 23.3% (from 509 to 628) since May 2017 This is exacerbated by the number of high cost placements that have arisen from a combination of complex child protection cases and Operation

Stovewood. This increase in the number of Looked after Children also places significant pressure on Legal Services within the Finance and Customer Services Directorate. The current forecast overspend for Legal Services is £1.010m before mitigating actions.

Adult Care Services are currently forecasting an overall overspend of £6.221m. Residential and Nursing Care budgets across all client groups are under pressure due to a combination of increased client numbers, the rising cost of care packages, and delays in delivery of savings plans. A recovery plan has been developed to address previously undelivered savings and project plans are currently being finalised with the expectation that further savings will be identified from this activity.

Regeneration and Environment Directorate is forecasting a balanced budget, although it is facing challenges from a combination of declining business from the School Meals service, losses on PFI contracts, and challenges with delivery of budget savings.

Management activity is underway to identify areas of overspend and put mitigating measures in place, whilst maintaining service delivery. The overall budget position will continue to be closely monitored with provision of regular updates through these Financial Monitoring Reports.

Within the 2018/19 budget, new savings of £15.2m were required to achieve a balanced budget. This was in addition to £6.5m of savings that were approved in prior years for delivery in 2018/19, making a total savings requirement of £21.7m. Progress in delivery of these savings is reflected in the forecast overspends and supporting narratives of the Directorates. Currently all savings are either on track or mitigating actions in place with the exception of savings in Adult Social Care and a small amount in Children & Young People's Directorate. These positions are reflected in the financial monitoring forecast outturns and the Directorate narratives.

The forecast overspend should be set against a backdrop of the Council having successfully addressed cost pressures of £162m between the period 2011/12 to 2017/18, the requirement to save a further £21.7m in the current year, and to deliver a further £30m of efficiencies and savings in the following two financial years in order to meet the estimated Budget Gaps to 2020/21.

Recommendations

1. That Cabinet note the current General Fund Revenue Budget forecast overspend of £5.8m.

2. That Cabinet note that management actions continue to be developed and implemented to address areas of overspend and to identify alternative and additional savings to mitigate shortfalls in achieving planned savings in 2018/19.

3. That Cabinet note that the Capital Programme positon and Treasury Management key indicators for the first quarter of 2018/19 will be reported in the Financial Monitoring Report to Cabinet in September.

4. That Cabinet agree the changes to the Business Rates Revaluation Support Scheme as set out in paragraphs 3.11.1 to 3.11.3 of this report and that any further changes which may be required are delegated to the Strategic Director - Finance and Customer Services in consultation with the Cabinet Member for Corporate Services and Finance.

5. That Cabinet approve the virement of budget within Children's and Young Peoples Services of £500k to Special Guardianship Orders from the placements budget, as referenced in paragraphs 3.2.8 to 3.2.14 of this report.

List of Appendices Included
None

Background Papers
Revenue Budget and Council Tax Setting Report for 2018/19 to Council 28th February 2018

Consideration by any other Council Committee, Scrutiny or Advisory Panel
No

Council Approval Required
No

Exempt from the Press and Public
No

May Financial Monitoring Report 2018/19

1. Recommendations

1.1 That Cabinet note the current General Fund Revenue Budget forecast overspend of £5.8m.

1.2 That Cabinet note that management actions continue to be developed and implemented to address areas of overspend and to identify alternative and additional savings to mitigate shortfalls in achieving planned savings in 2018/19.

1.3 That Cabinet note that the Capital Programme position and Treasury Management key indicators for the first quarter of 2018/19 will be reported in the Financial Monitoring Report to Cabinet in September.

1.4 That Cabinet agree the changes to the Business Rates Revaluation Support Scheme as set out in paragraphs 3.11.1 to 3.11.3 of this report and that any further changes which may be required are delegated to the Strategic Director – Finance and Customer Services in consultation with the Cabinet Member for Corporate Services and Finance.

1.5 That Cabinet approve the virement of budget within Children's and Young Peoples Services of £500k to Special Guardianship Orders from the placements budget, as referenced in paragraphs 3.2.8 to 3.2.14 of this 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 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.

2.3 This report is the first in a series of financial monitoring reports to Cabinet for 2018/19, setting out the projected year-end revenue budget financial position in light of actual costs and income for the first two months of the financial year. Reporting on the Council's Capital Monitoring will start with information from the June report and subsequent reports will include, in addition to revenue forecasts, details of capital spending and the projected capital outturn position.

2.4 The current position after two months shows a forecast revenue overspend of £5.8m after taking account of the £10m budget contingency approved within the 2018/19 budget and the actions being taken to address the cost pressures. Detailed work continues to identify further actions to significantly reduce this level of forecast overspend. This includes budget challenge sessions with the Leader, Cabinet Members, Chief Executive and Strategic Directors.

2.5 The Councils current MTFS has identified that further savings of £30m need to be identified in the next two financial years 2019/20 and 2020/21 to meet the estimated Budget Gaps. Budget Options to meet the Gaps are currently being drafted for consideration and consultation.

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: Forecast Revenue Outturn 2018/19 as at May 2018

Directorate / Service	Budget 2018/19	Forecast Outturn 2018/19	Forecast Variance over / under (-)
	£'000	**£'000**	**£'000**
Children & Young People's Services	57,420	67,016	9,596
Adult Care & Housing	59,453	65,674	6,221
Public Health	16,014	16,014	0
Regeneration & Environment Services	38,916	38,916	0
Finance & Customer Services	14,821	14,821	0
Assistant Chief Executive	6,805	6,805	0
Capital Financing, Levies, Central Services and Budget Review	18,646	18,646	0
SUB TOTAL	**212,075**	**227,892**	**15,817**
Budget Contingency (£4.8m budget, £5.2m reserves)	4,800	(5,200)	-10,000
TOTAL	**216,875**	**222,692**	**5,817**
Dedicated Schools Grant			2,950
Housing Revenue Account (HRA)	82,312	82,312	0

The following section (paragraphs 3.2 to 3.7) provide further information regarding the key reasons for forecast under or overspends within Directorates, and the progress of savings delivery.

3.2 Children & Young People's Directorate (£9.596m forecast overspend)

3.2.1 The full year revenue outturn forecast for Children's and Young People's Services is a projected over spend of £9.596m.

3.2.2 Demand on the service remains high and has continued to rise across all key areas which include children in need of help and protection and children requiring care. Demand seen at the front door through to children in care and in key service areas is significantly high when compared to our nearest and statistical neighbours with the number of looked after children ('LAC') significantly higher than our neighbours.

3.2.3 The increased overspend is chiefly attributable to this continuing rise in the number of children in care, which has risen by 119 (from 509) to 628 over the last year since May 2017, an increase of 23.3%, and increased by a net 12 (from 616) since the start of this financial year. The budget for 2017/18 was sufficient to fund 480 LAC based on an anticipated reducing reliance on out of authority and independent fostering agencies. Increased demand has meant that a net 148 LAC have entered care since that date with the Council having a statutory duty to find, and pay for, suitable placements for these children and young people.

3.2.4 It should be noted that the position has been exacerbated by a significant amount of placements that have arisen from the complex child protection work and Operation Stovewood. Further it has to be emphasised that Rotherham is not significantly out of step with many local authorities in experiencing a significant increase in the numbers of LAC.

3.2.5 A budget saving of £750k was agreed for a review of Business Support as part of the 2017/18 budget. To date £200k has been achieved from existing staff turnover leaving a balance to address (£550k). There is an ongoing review of business support across Children's Services to implement a long term and sustainable service in the future which will be completed in September (Phase 1) with Phase 2 already being planned for next financial year.

3.2.6 Non-recurrent savings towards an approved budget saving for market management of £559k were made in 2017/18. Additional agreed savings of £241k in 2018/19 now mean that £800k of recurrent savings are required going forward in 2018/19. This saving originally would have come from effective commissioning of placements but requires a stronger buyer's market rather than the current situation of a seller's market to achieve (£800k).

3.2.7 The number of young people requiring support from the Leaving Care service has increased significantly in the last two years, the Government's new burdens pressures increasing the provision up to the age of 25 has also added to the issue. In addition unit costs for supported accommodation have increased from £26k to £40k due to market forces (£2,135k).

3.2.8 There has been an unprecedented growth in the number of LAC. LAC numbers have risen from 509 in May 2017 to 628 as of the end of May 2018 (+23.3% in a year). The increase in LAC numbers has continued in this financial year from a starting position of 616. This rise in LAC numbers has been compounded by the increasing complexity of children admitted to care requiring more expensive accommodation and rising prices due to market forces. As a result, the in-year cost pressure attributable to a higher number of placements and the increase in unit costs continues to increase. Of this pressure, a significant amount relates directly to complex child protection work, the associated costs of which are substantial. The number of Special Guardianship Orders ('SGO') is rising. Whilst there is a cost associated with these, this is more cost effective to many alternatives and provides a positive outcome for children and young people providing permanency within a family setting. Another factor of the growth in LAC is the market's ability to provide emergency placements and the cost of commissioned placements and supervising agency staff (£9,681k).

3.2.9 There remain staffing pressures in respect of the complex child protection team, advanced Social Worker posts and social care staffing in general (£1,209k). The main factors that are impacting on demand are the complex cases, improved social work practice intervention in legacy cases specifically with regard to neglect and the lead in time for investments to impact. Plans are in place to mitigate these pressures as summarised in paragraph 3.2.14.

3.2.10 Other pressures are in respect of Operation Stovewood costs (£200K) and costs above the level of Government funding.

3.2.11 To address these unprecedented demand issues the service is currently undertaking a targeted initiative - 'Right Child, Right Care' - which is profiled to result in an overall net reduction in LAC of 151 during 2018/19. It should be emphasised that this is not a drive to reduce the numbers of children in care in Rotherham per se but rather ensuring that there are the right children in the Council's care and in the right placements for their needs. However this intervention, if successful, will reduce placement spend by £7.5m full year effect. The in-year impact in 2018/19 is forecast to be significantly less – approximately £2m – and is dependent on the timing of discharges and the mix and associated unit cost of care placements. The impact of this is being kept under regular review.

3.2.12 Alongside this initiative, net admissions to care (i.e. admissions less care discharges) are forecast to increase by around 1.1% each month (based on last year's profiles). The current net increase since February 2018 is approaching 1.6% (monthly average) caused, in the main, by two outlier months in March and May with the issue being exacerbated by three large sibling groups coming into care (22 children) resulting in 32 new LAC in this financial year against a projection of 14, an additional net 18.

3.2.13 LAC numbers were forecast to have reduced to 599 by the end of May. The actual figure of 628 therefore reflects an adverse variance in LAC numbers of 29. However, a risk based approach was taken in assessing budget savings with some contingency being built in for performance delays and unavoidable LAC increases and, should future performance be aligned to the profiles incorporated within the ‘Right Child, Right Care’ initiative and net admissions are maintained as forecast (at 1.1%), there should be a saving made as predicted in year (£2m). This is reflected in this monitoring report. The profile of discharges from care and composition of the cohort is currently under review. Any subsequent changes to this saving following this review or subsequent changes in LAC numbers will be reported in a future monitoring report.

3.2.14 Besides the £2m cost reduction through the ‘Right Child, Right Care’ work described above, there are agreed management actions of a further £3.721m to offset the above demand management pressures of £14.672m. These plans remain broadly on track to deliver and include:

- Smart, relationship based commissioning with local independent fostering agencies and some residential providers in Rotherham to deliver savings when compared with the alternative in Out of Authority provision (£200k);
- A regional agency agreement will be implemented from 1st June (£200k);
- A continuing drive to reduce the use of agency within social care will deliver savings (£200k). Current levels of agency within social care is now 57, a reduction of 6 since April’s figure of 63 and 16 lower than May 2017;
- Revised arrangements for emergency placement cover, with the recruitment of permanent casual staff to reduce the reliance on commissioned agency staff (£425k);
- A review of workforce costs;
- A net increase of 20 placements with in-house foster carers (£500k). There has been 3 foster carer approvals in this financial year to date and there are 15 further assessments in process;
- A further movement of LAC from foster care to Special Guardianship Orders (£60k);
- Business Support Review savings (£200k). Phase 1 of the review will be adopted in September 2018 and will deliver staffing efficiencies of approximately £400k p.a. (including on costs), with £200k during the 2018/19;
- A comprehensive review of spend associated with Operation Stovewood continues (£200k), with a view to either reduce capacity or secure additional income; and
- Improved market management procedures (£800k). A proposal to deliver savings through a commitment that no young person will remain in a residential home beyond their 17th birthday, with a move on to semi-independent accommodation, will save in the region of £130k per young person.

3.2.15 The year end forecast is therefore as shown below

	£000s
Demand management issues (see para 3.2.5 to 3.2.10 above)	14,672
LAC placements (see para 3.2.13 above)	(2,000)
Other mitigating actions (see para 3.2.15 above)	(3,721)
Other pressures (see 3.2.16 below)	645
Total	**9,596**

3.2.16 There is a pressure within Early Help as a result of the move in the implementation date for the whole service review to February 2019 (£204k). Whilst it is hoped that this may be offset in year, this is reported as a pressure in this monitoring round. There is also additional, unbudgeted grant income with regard to unaccompanied asylum seeker Children's grant (£240k). There remains a pressure in respect of Child Arrangement Orders, predominantly due to the increase in LAC (£379k), together with a pressure with regard to transport provision which will be covered by the corporate review of the service (£285k).

3.2.17 Budget review meetings continue and have identified a number of further budget savings options and considerations for this financial year. 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 the current financial year, having due regard for the continued safeguarding of vulnerable children. These high level options may deliver significant further savings in this financial year if agreed.

3.3 Dedicated Schools Grant

3.3.1 The Directorate is currently forecasting an over spend on its Dedicated Schools Grant (DSG) High Needs Block of £2.950m. Both the Early Years and the Schools' block are expected to be broadly in line with allocations in 2018/19. At the end of 2017/18 the outturn position showed an overall deficit of £9.687m on the non-delegated DSG, comprised as follows:

- Early Years Block: £0.032m Underspend
- Schools Block: £0.328m Underspend
- High Needs Block: £10.047m Overspend

3.3.2 The service has developed a recovery plan which aims to mitigate as far as possible the in-year pressure of £2.950m on the High Needs Block and a reduction in the overall cumulative deficit by April 2019. As reported in previous monitoring, the key areas of focus which will deliver the targeted 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; and
- A review of inclusion services provided by the Council.

3.4 Regeneration and Environment Directorate (Forecast balanced budget)

3.4.1 In 2018/19 the Regeneration and Environment Directorate has approved savings of £3.827m to deliver in addition to savings requirements from previous years. This is a challenging position for the Directorate, and in order to meet this challenge, the Directorate will continue the tight financial discipline that enabled it to outturn within budget in 2017/18. Early indications highlight some significant pressures, many of which arise from delays in delivery of savings.

3.4.2 The major pressures are as follows:

- Facilities Management (£787k). The 2018/19 budget includes a £1m saving on property arising from service reviews within other Council services. A pressure of £560k is being reported in respect of this saving, as a result of delays in concluding the service reviews. The savings are expected to be achieved in the long term, but the timing of the savings being achieved has been delayed. In addition, a pressure of £140k is being reported in respect of a saving to let office space at Riverside House, as a result of the proposed tenant withdrawing. Pressures are also being reported on other buildings being managed by the Service.
- Catering service (£650k. This arises from a number of factors:- restrictions on increasing income on services provided to PFI schools; in addition, there is a continuing impact of the loss of contracts resulting from academy conversions, where academy chains have alternative provider arrangements in place.
- Street Scene Services (£208k). This is mainly in respect of continuing additional demand pressures on Home to School transport, which was also a pressure in 2017/18.
- Regulation and Environment (£172k), principally as a result of a £152k pressure on Licensing. This is in respect of additional legal costs and Counsel fees, forecast under recovery of income against the budget and additional vehicle testing costs.

3.4.3 In order to try to mitigate these pressures the Directorate Management team will continue to keep a tight control on budgets, limit officers to essential spending and have identified some non-recurring underspends including:

- Holding vacant posts where this can be done without significantly impacting on service delivery;
- Additional income in Building Consultancy;
- Windfall income and use of one–off balances where obligations have been fulfilled.

It is envisaged that these actions will enable the Directorate to deliver a balanced budget by year end.

3.5 Adult Care & Housing (£6.221m overspend)

3.5.1 Adult Care Services are currently estimating a forecast overall overspend of £6.221m in 2018/19 after allocation of £5.9m of the additional Better Care Funding of £10.104m and based on current plans and actions.

3.5.2 Whilst there were no new budget savings for Adult Care agreed within 2018/19 budget setting, there are £3.224m of savings agreed in previous years to take effect in 2018/19 in addition to the £7.346m in 2017/18. In addition the services faces recurrent budget pressures (net overspend in 2017/18 was £4.059m).The forecast overspend includes an anticipated shortfall of £5.771m in delivering the accumulated budget savings within the current financial year.

3.5.3 The main budget pressures continue to be in respect of: Residential and Domiciliary care and the provision of Direct Payments/Managed accounts across all client groups, this includes pressures from anticipated delays in achieving budgeted savings due to further consultation with clients, carers and partners.

3.5.4 There continues to be a budget pressure in respect of Direct Payments/ Managed Accounts (£0.700m, after allocation of £700k iBCF). Overall numbers receiving a direct payment continue to reduce however the average cost of care packages is increasing.

3.5.6 The main pressure on the Directorate budget relates to residential and nursing care budgets across all client groups – where an overspend of £3.7m (after allocation of £4m from iBCF) is currently forecast.
This forecast includes budget savings of £4m in respect of reducing high cost placements within Learning Disability and Older People client groups by introducing strength based assessments and use of alternative service provision within the community by engaging voluntary and independent providers.

3.5.7 There is also a forecast budget pressure of £1.8m in respect of the provision of Domiciliary Care (after allocation of £1.7m iBCF). This is attributable to a continued increase in client numbers and average cost of care packages due to more complex client needs. There also remains a recurrent income budget pressure in respect of income received from fees and charges.

3.5.8 In addition to the above forecast overspends, there are further delays on achieving budget savings in respect of Care Enabling within Extra Care Housing (£0.3m) and the review of Rothercare and Assistive Technology provision (£0.6m). An external review of the future provision of the Rothercare services is currently being concluded. There are also initial pressures within Assessment and Care Management (£0.370m) in respect of vacancy management and the use of agency and consultancy as part of the Adults Improvement programme.

3.5.9 Neighbourhood services' (Housing) latest forecast is a balanced budget.

Adult Care – Recovery Strategy

3.5.10 Adult Care recognises that the primary pressures centre on previously undelivered savings. As a result, a suite of high level project plans have been developed to address the savings challenge covering:

1) Review of Learning Disability Services – My Front Door
2) Right sizing care packages
3) Propose the decommissioning of in-house residential homes which will include the re-provision of an intermediate care offer
4) Resource/Operating Models

Digital Transformation, Work Force Development and the Intermediate Care and Reablement Pathways will be enablers to these. This will be in line with the Rotherham Integrated Health and Social Care Place plan priorities

The project plans underpinning activity are currently under development with final detailed versions to be completed shortly. Work completed to date provides confidence that the May forecast of £6.221m overspend will be reduced further. In addition, new savings options will be identified and fall out of this activity to meet the 2019/20 and 2020/21 requirements.

3.5.11 Savings of £10.570m were agreed as part of the 2016/17 and 2017/18 budget process. £1.924m of these savings have been delivered in 2017/18 as planned and a further £1.253m have been implemented or are on track to be delivered in 2018/19. This leaves a balance of £7.393m still to be delivered. In addition there are additional demand pressures which increase the savings required in order to balance the overall budget.

The main reasons for the delayed delivery of savings are the complexity, rather than volume of new cases (including transition) - the overall customer base has been relatively static. Also, historical assessment practice across all cohorts; in terms of over reliance on residential care, poor application of self-directed support and over provision of care hours.

Public Health (Forecast Balanced budget)

3.5.12 The Public Health ring fenced specific grant was further reduced by a further £430k to £16.304m for 2018/19.

3.5.13 The latest forecast is an overall balanced budget which includes a transfer from the Public Health Grant reserve of £441k in order to achieve a balanced budget. There are some forecast pressures within Drugs and Alcohol and Tobacco control but these are being offset by underspends within Children’s obesity and staff vacancies with the Public Health team.

3.5.14 Budget savings agreed as part of the budget setting process totalling £0.653m are forecast to be fully achieved in year.

3.6 Finance & Customer Services (Forecast Balanced Budget)

3.6.1 The Directorate is currently forecasting an overspend of £1.010m as a result of the ongoing pressures on Legal Services. Significant challenges exist within this department from the continued growth in the number of Looked After Children, the related child protection hearings, and court fees and costs. Investment of £529k was made into the service for 2017/18 following recommendations of The Lincolnshire Peer Review. However, recruitment to vacancies within the department is proving difficult and, in the interim, there is heavy reliance on locum solicitors alongside a temporary arrangement with Sheffield City Council, which comes at a premium cost.

3.6.2 Further to this, a Peer Review of legal support to Adult Social Care has identified the need for additional legal staffing resource in this area. This is compounded with the need for cover for sickness absence. It is envisaged that the financial pressures will not diminish until the current resourcing problems are resolved, and should there be a further increase in the volume of social care proceedings the resulting legal costs would increase the overspend. Work is ongoing to identify ways of reducing demand for legal advice, coupled with a review of the management structure within the department, with the aim of better controlled use of resources.

3.6.3 The following steps are being undertaken to manage demand on the team and to control and mitigate against the current anticipated overspend:

i. Permanent Recruitment - This is the first priority given it provides the cheapest staffing solution and removes the dependency on higher cost support from Sheffield CC and the use of locum solicitors. There is a rolling recruitment exercise for childcare solicitors and paralegals with the assistance of the HR Resourcing Team. One permanent solicitor joined the Team in May and discussions are ongoing to permanently recruit 2 existing locum solicitors. There are currently 2 applicants for permanent solicitor posts who are being assessed.

ii. Temporary Recruitment – In the short term, until the service is able to recruit permanently to all posts, they are continuing to attempt to recruit locum child care solicitors. However, due to the national shortage of candidates, as an alternative, they are piloting the use of a recently recruited locum childcare legal executive. This is in order to end the highest cost option of support from Sheffield CC as soon as possible and reduce the current dependency on locum staff.

iii. In the medium term, exploring the development of the position of paralegal through training/qualifications in order to take on higher level work which should alleviate the need for the current number of child care solicitors and the resultant costs.

iv. Exploring with CYPS opportunities to reduce demand for support from Legal Services such as attendance at pre-proceedings meetings, which is anticipated to lead to reductions in the use of counsel and associated costs. An additional internal challenge has also been introduced I relation to the use of counsel.

3.6.4 There are also pressures in respect of Statutory Costs where the forecast overspend is currently projected at £20k as a result of the volume of statutory and planning notices. Work has commenced within the directorate to identify where these costs can be reduced or avoided.

3.6.5 Within Customer Information and Digital Services there are cost pressures as a result of delays in implementation of a number of historic savings decisions. A complete review of Digital Services management and staffing structures is underway alongside a revised Digital Strategy and consideration of current commitments and service demand. Until the original proposals are implemented or alternatives are agreed, this pressure is being absorbed by delayed or non-recruitment to vacant posts throughout the service, resulting in a balanced budget.

3.6.6 Loss of income from Schools Traded Services following conversion of schools to academies is creating a pressure of £140k within Financial Services. A review is underway to review charges and assess the viability of the current offering of services to schools and academies. The overspend in this area is currently offset by a projected over-achievement of income of £100k from the recovery of Housing Benefit overpayments, along with forecast reduced costs for pension charges relative to former employees and vacancy control.

3.6.7 The Directorate continues to explore all options to reduce costs and identify mitigating actions to ensure a balanced budget by the financial year-end.

3.7 Assistant Chief Executive (Forecast Balanced Budget)

3.7.1 Vacancies within Business and Innovation Team are offset by planned expenditure on external resources, whilst reduced income within HR is offset by savings made from contract renegotiation of the existing HR & Payroll System. A delay in delivery of savings within the Management Support Team will be met from savings elsewhere across the Directorate.

3.8 Central Services (Forecast Balanced Budget)

3.8.1 As highlighted in previous financial reports to Cabinet and Council over the past year 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. Savings from these reviews fed into the updated Medium Term Financial Strategy reported to Cabinet in December 2017 and into the Budget Report 2018/19 to Cabinet and Council in February 2018. Central Services budgets as re-set following those reviews are forecast to outturn within budget in 2018/19.

3.9 Capital Programme and Treasury Management

3.9.1 The March 2018/19 Budget Report included the Councils Capital Programme. Capital budgets and spending plans are currently being updated to reflect under/over-spends in 2017/18 for ongoing projects. The Capital Programme position for the first quarter of 2018/19 will be reported to Cabinet in September.

3.9.2 Treasury Management Strategy is integral to the management of the Capital Programme and to the overall budget strategy. This strategy has associated Prudential Indicators (PIs) which the Prudential Code (the statutory framework within which the treasury function has to operate) requires the Council to approve and monitor. It is intended that the position for the first quarter of 2018/19 will be reported with the first capital monitoring.

3.10 Housing Revenue Account (HRA) – (Forecast Balanced Budget)

3.10.1 The Housing Revenue Account is a statutory ring-fenced account that the Council has to maintain in respect of the income and expenditure incurred in relation to its council dwellings and associated assets. The HRA forecast outturn is a balanced budget. This includes a budgeted revenue contribution to capital expenditure of £9.970m plus a contribution of £4.528m from the HRA reserve to provide a balanced budget.

3.11 Business Rates Revaluation Support

3.11.1 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.

3.11.2 Any grant which is not distributed to businesses will be clawed back by the Government and following reviews of grant applications against the original criteria, which indicated less than expected take-up of the grant, revised criteria were agree by Cabinet in January 2018.

3.11.3 A balance of grant still remains available for award. The Council can award grants for 2017/18 up to 30th September and further changes to the criteria for allocating the grant have been drawn up.

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

- For 2017/18 the minimum net increase in charge for businesses to be able to qualify for the relief is reduced from 7.5% to 6.5%
- For 2018/19 the maximum award of relief for a business property is increased from £1,000 to £2,000
- For 2019/20 the maximum award of relief for a business property is increased from £500 to £1,000

3.11.5 It is further recommended that, having regard to the cut-off date for allocating grants of 30th September, delegated authority is provided to the Strategic Director – Finance and Customer Services in consultation with the Cabinet Member for Corporate Services and Finance to make any further changes to the criteria as deemed appropriate in order to ensure that as much of the £365k grant as possible is made available to support local businesses.

4. Options considered and recommended proposal

4.1 With regard to the current forecast overspend of £5.8m, further 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.

4.2 However it is inevitable that if planned savings are not delivered and a balanced budget cannot be maintained for 2018/19, there will be an impact on the Councils reserves.

4.3 With the current financial climate, effective and careful use of reserves is ever more critical to the Councils ability to maintain a robust balanced budget.

5. Consultation

5.1 The Council consulted extensively on budget proposals for 2018/19. Details of the consultation are set out within the Budget and Council Tax 2018/19 report approved by Council on 28th February 2018.

6. Timetable and Accountability for Implementing this Decision

6.1 Strategic Directors, Managers and Budget Holders will ensure ongoing tight management and close scrutiny of spend this 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 June 2018 will be considered by Cabinet in August 2018.

7. Financial and Procurement Implications

7.1 There is currently a projected overspend of £5.8m as set out in Section 3 of this report.

7.2 It is inevitable that, where the budget and planned savings are not delivered as intended, there will be an impact on the Council's reserves, as any expenditure in excess of budget impacts reserves levels. Control over spending is therefore critical to a robust Medium Term Financial Strategy. All savings are being closely monitored and tracked, with all areas at risk of shortfall subject to review to identify alternative options.

7.3 Failure to achieve planned savings and to contain expenditure within the agreed budget for this financial year will have further implications for financial years 2019/20 and 2020/21, where the MTFS identifies a further £30m as being required to balance the budget.

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.

14. Accountable Officer(s)

Graham Saxton, Assistant Director – Financial Services
Nikki Kelly, Finance Manager

Approvals obtained from:-

	Named Officer	Date
Strategic Director of Finance & Customer Services	Graham Saxton	19.06.2018
Assistant Director of Legal Services	Stuart Fletcher	22.06.2018
Head of Procurement (if appropriate)	N/A	
Head of Human Resources (if appropriate)	N/A	

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