

Committee Name and Date of Committee Meeting

Cabinet – 08 July 2019

Report Title

May Financial Monitoring Report 2019/20

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

Yes

Strategic Director Approving Submission of the Report

Judith Badger, Strategic Director of Finance and Customer Services

Report Author(s)

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Ward(s) Affected

Borough-Wide

Report Summary

The report sets out the financial position as at the end of May 2019 and is based on actual costs and income for the first two months of 2019/20 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 on a regular basis. The next report will also include an update on the Capital Programme.

As at May 2019, the Council has a forecast year-end overspend of £4.5m on the General Fund.

Recommendations

That Cabinet:

1. That the current General Fund Revenue Budget forecast of £4.5m overspend be noted.
2. That it be noted that actions will continue to be taken to mitigate the forecast overspend.

List of Appendices Included

None.

Background Papers

Revenue Budget and Council Tax Setting Report 2019/20 to Council on 27th February 2019.

Consideration by any other Council Committee, Scrutiny or Advisory Panel

Overview and Scrutiny Management Board

Council Approval Required

No

Exempt from the Press and Public

No

May Financial Monitoring Report 2019/20

1. Background

- 1.1 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.
- 1.2 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.
- 1.3 This report is the first in a series of financial monitoring reports to Cabinet for 2019/20, 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.

2. Key Issues

- 2.1 Table 1 below shows, by Directorate, the summary forecast revenue outturn position.

Table 1: Forecast Revenue Outturn 2019/20 as at May 2019

Directorate	Budget 2018/19 £m	Forecast Outturn 2019/20 £m	Forecast Variance over/under (-) £m
Children and Young People's Services	65.4	69.7	4.3
Adult Care, Housing & Public Health	74.7	76.4	1.7
Regeneration & Environment Services	42.9	42.9	0.0
Finance and Customer Services	15.9	15.9	0.0
Assistant Chief Executive	6.9	6.9	0.0
Central Services	15.3	13.8	-1.5
TOTAL	221.1	225.6	4.5
Dedicated Schools Grant			2.3
Housing Revenue Account (HRA)	82.0	81.9	-0.1

- 2.2 The following sections provide further information regarding the key reasons for forecast under or overspends within Directorates, and the progress of savings delivery.
- 2.3 **Children and Young People Services Directorate (£4.3m forecast overspend)**

- 2.3.1 Children and Young People Services are implementing a two-year budget recovery plan to reduce the budget pressures from previous years (£15.6m in 2018/19) and deliver budget savings.
- 2.3.2 The budget pressure at the end of May is £4.3m, and whilst the Looked After Children number of 650 is just below the budget profile for this period, the placement mix of having too many placements in residential care is leading to budget pressures.
- 2.3.3 The direct employees budgets stands at £39.2m and is a combination of core and grant funded services. The projected underspend at the end of May is £245k of which £44k is a general fund underspend, with underspends of £109k on DSG related services and £92k on traded service. There are eight agency workers in children's social care at the end of May, which is on target with the agency reduction plan.
- 2.3.4 The staffing budget reflects the work undertaken to date on delivery of the Early Help & Social Care Pathways savings proposal and other staff savings across the CYPS directorate. Further proposals are currently being developed to deliver the 2020/21 budget savings and contribute towards mitigating the current 2019/20 budget pressures.
- 2.3.5 A significant element of the CYPS non-pay budgets relates to placements which has a net budget of £30.4m with a current projected spend of £34.2m. The financial pressure of £3.8m is due to pressures on residential placements (£3.2m) and a reduction in the estimated income from the Clinical Commissioning Group (£600k). The placement forecast assumes that from June 2019 to March 2020, the placement budget assumptions (placement reductions and transitions to lower cost placement types) will be achieved for the rest of the financial year. There are several risks linked to achievement of this placement budget profile which are:
- Impact of delays in implementing the fostering strategy which is a key aspect of the financial recovery plan.
 - Estimated admissions and discharges from care being in line with expectations.
 - Costs of placements increasing above inflationary expectations.
- 2.3.6 The £3.2m residential pressures are due to being 11 placements above profile (£2.2m) and an increase in the average net cost of residential placements (£1m) which is due to the increase in complexity of children in residential care.
- 2.3.7 The other major budget pressures have also been incurred linked to the current number of Looked After Children this financial year. Transport has a forecast overspend of £530k whilst section 17 & 23 payments are projected to overspend by £65k. Detailed spend analysis is being undertaken to monitor section 17 and 23 payments with a task and finish group in place and undertaking work to support a reduction in spend.

2.4 Dedicated Schools Grant

- 2.4.1 The High Needs Block (HNB) is £34.3m (including the £2.8m transfer from the schools block) and remains under significant pressure due to rising numbers of children supported in specialist provision and the rising costs of Education Health Care (EHC) plans. Consequently, the central DSG reserve has changed over a three-year period from a £1m reserve deficit at the end of 2015/16 to £15.1m deficit at the end of the 2018/19 financial year (£5.1m overspend in 2018/19).
- 2.4.2 The forecast at the end of May 2019 shows an in-year pressure of £2.3m based on minimal anticipated growth and therefore if the pressures on EHCs continue to grow at current rates this will incur further financial pressures.
- 2.4.3 Both the Early Years and the Schools' block are expected to be broadly in line with allocations in 2019/20.
- 2.4.4 The key areas of focus to reduce the current High Needs Block pressures are:
- A revised Special School funding model;
 - A review of high cost, external education provision to reduce cost and move children back into Rotherham educational provision;
 - Develop additional SEN provision in Rotherham linked to mainstream schools and academies;
 - Work with schools and academies to maintain pupils in mainstream settings wherever possible;
 - A review of inclusion services provided by the Council

2.5 Regeneration and Environment Directorate (Forecast balanced budget)

- 2.5.1 The Regeneration and Environment Directorate is forecasting a balanced budget position.
- 2.5.2 The Regeneration and Environment Directorate has approved savings of £1.7m to deliver in 2019-20, however when taking into account savings brought forward from previous years, the total is £4.2m to deliver in 2019/20. 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 with an underspend of £0.1m in 2018/19.
- 2.5.3 The first budget monitoring cycle has highlighted some uncertainties and pressures. At this point in the financial cycle it is anticipated that mitigating actions within the Department will ensure that the budget remains in balance overall.
- 2.5.4 A number of understood and previously reported pressures are included within the forecast. These are delays in the delivery of savings from previous years including Corporate Property (£0.7m) and Corporate Transport Unit (£0.3m), but it also includes demand led cost pressures in Corporate Transport (£0.8m), Development and Building Control (£0.1m) and in Markets (£0.3m). In addition, within RIDO, the timing in the commissioning of investment property will result in an in-year pressure of £0.3m (this is the

Beighton Link development). For 2019-20, the Rother Valley Country Park Caravan Park is now operational. Achieving the budgeted income carries some risk because the facility is a new operation in the market.

2.6 Adult Care and Housing (£1.7m forecast overspend)

- 2.6.1 The overall general fund Directorate forecast is an overspend of £1.7m for the first budget monitoring report of 2019-20. This assumes full delivery of savings identified by implementing the new target operating model, part year savings from re-assessments/right size care packages and some savings from the review of Learning Disability services.
- 2.6.2 Adult Care Services are forecast to overspend by £1.7m, largely as a result of demand for services. In 2018/19 there were c.640 people who required a new service and c.800 ended service. This reduction was less than expected with around 250 more people in receipt of services than anticipated. People are presenting with increasingly complex needs; and the average number of hours for a domiciliary care package is increasing.
- 2.6.3 The budget includes savings of £5.668m, of which £3.127m is estimated to be delivered giving a shortfall of £2.541m in 2019/20. A number of mitigating actions have been identified, including maximising the use of one-off resources, which are expected to bridge the gap this financial year.
- 2.6.4 Some of the forecast savings are lower than originally planned and will take longer to deliver. The reassessment savings have been re-profiled based on the reassessments delivered in 2018/19, and the forecast activity over the next three financial years (2019/20 to 2021/22). My Front Door has been re-profiled for the amended In-House Services timeline. Other savings are on track to be delivered as planned.
- 2.6.5** Neighbourhood Services' (Housing) latest forecast is an overall balanced position. There is a small anticipated overspend within Strategic Housing and Development staffing budget due to lower than anticipated staff turnover, however, this is offset by a forecast underspend within the Adaptations team due to a staff vacancy.

2.7 Public Health (Forecast balanced budget)

- 2.7.1 The Public Health ring fenced specific grant was reduced by a further £0.4m to £15.9m for 2019/20.
- 2.7.2 The latest forecast is a balanced position. This includes a budgeted transfer from the Public Health Grant reserve of £0.2m in order to set a balanced budget.
- 2.7.3 A budget savings agreed as part of the budget setting process totalling £0.056m in respect Sexual Health contract is forecast to be fully achieved in year.

2.8 Finance and Customer Services (Forecast balanced budget)

- 2.8.1** The Finance and Customer Services Directorate is forecasting a balanced outturn position. Savings are being accrued within the Revenues and Benefits service but these will, in the first instance, contribute to the delivery of the 2019/20 saving for the Customer and Digital Programme across FCS and ACX Directorates.
- 2.8.2** Within Customer Information and Digital Services, there are pressures on Schools Connect Trading to reflect the continued loss of schools/academies subscribing to services, which is resulting in a forecast loss of £0.084m. The service will mitigate the pressures through vacancy control.
- 2.8.3** Whilst Legal Services faces continued demand for legal support with child protection hearings and court case costs relating to Looked After Children, legal disbursements are currently forecasting a balanced position. The number of cases during the year remains volatile and will continue to be monitored closely.

2.9 Assistant Chief Executive (Forecast balanced budget)

- 2.9.1** The Assistant Chief Executive's Directorate are forecasting a balanced outturn position. Savings are being accrued within the HR service but these will in the first instance contribute to the delivery of the 2019/20 saving for the Customer and Digital Programme across FCS & ACX Directorates.
- 2.9.2** There are pressures on the software licences budget but these are offset by vacancy control. Further, there are income pressures due to loss of consultancy business from schools and academies, however the over-achievement of income from salary sacrifice schemes has delivered a budget benefit.

2.10 Central Services (£1.5. forecast underspend)

- 2.10.1** A forecast underspend of £1.5m is projected, largely as a result of further savings from treasury management activity.

2.11 Housing Revenue Account (HRA) (forecast £0.1m underspend)

- 2.11.1** 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 overall HRA forecast is an underspend of £0.1m which will reduce the transfer from the HRA reserve from a budgeted £12.1m to £12.0m.
- 2.11.2** The forecast underspend relates to higher than anticipated staff turnover within Supervision and Management.
- 2.11.3** The HRA budget includes a revenue contribution to capital expenditure of £14.7m which is forecast to budget at this stage.

3. Options considered and recommended proposal

- 3.3 With regard to the current forecast overspend of £4.5m at this early stage of the new financial year, 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. Consultation on proposal

- 4.3 The Council consulted extensively on budget proposals for 2019/20. Details of the consultation are set out in the Budget and Council Tax 2019/20 report approved by Council on 27th February 2019.

5. Timetable and Accountability for Implementing this Decision

- 5.3 Strategic Directors, Managers and Budget Holders will ensure ongoing tight management and close scrutiny of spend this financial year.
- 5.4 Financial Monitoring reports are taken to Cabinet meetings during the year. The next Financial Monitoring Report with the position at the end of July 2019 will be considered by Cabinet in September 2019.

6. Financial and Procurement Advice and Implications

- 6.3 There is currently a projected overspend of £4.5m as set out in Section 2 of this report.
- 6.4 If budget and planned savings and spend reductions 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 both maintaining the robust Reserves Strategy and Medium Term Financial Strategy. All savings are being closely monitored and tracked, with all areas at risk of shortfall subject to identify alternative options.
- 6.5 Failure to achieve planned savings and to contain revenue expenditure within the agreed budget for this financial year will have further implications for financial years 2019/20 and 2020/21, in the context of the proposals set out in the Budget and Council Tax Report 2019/20.
- 6.6 There are no direct procurement implications arising from the report.

7. Legal Advice and Implications

- 7.1 No direct legal implications.

8 Human Resources Advice and Implications

- 8.1 No direct implications.

9 Implications for Children and Young People and Vulnerable Adults

- 9.1 The report includes reference to the cost pressures on both Children's and Adult Social care budget.

10 Equalities and Human Rights Advice and Implications

- 10.1 No direct implications.

11 Implications for Partners

- 11.1 No direct implications.

12 Risks and Mitigation

- 12.1 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.
- 12.2 The Budget and Council Tax 2019/20 report approved by Council in February 2019, set out proposals for a balanced budget over the next two financial years. However, details of the Government's Spending Review and Fair Funding Reviews are still awaited. The outcomes will need to be reflected in a revised Medium Term Financial Strategy and where appropriate, a revised budget strategy will be developed.

13 Accountable Officer(s)

Graham Saxton, Assistant Director – Financial Services
Paul Stone, Head of Corporate Finance

Approvals obtained on behalf of:-

	Named Officer	Date
Chief Executive	Sharon Kemp	24/06/19
Strategic Director of Finance & Customer Services (S.151 Officer)	Judith Badger	21/06/19
Assistant Director of Legal Services (Monitoring Officer)	Bal Nahal	20/06/19
Assistant Director of Human Resources (if appropriate)	N/A	N/A
Head of Procurement (if appropriate)	N/A	N/A

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