

Committee Name and Date of Committee Meeting

Cabinet – 23 December 2019

Report Title

October Financial Monitoring 2019/20 and Medium Term Financial Strategy update

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

Borough-Wide

Report Summary

The report sets out the financial position as at the end of October 2019 and is based on actual costs and income for the first seven 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 third in a series of monitoring reports for the current financial year which will continue to be brought forward to Cabinet on a regular basis.

As at the end of October 2019, the Council has a forecast year-end overspend of £4.1m on the General Fund.

The report also outlines an interim update to the Council's Medium Term Financial Strategy.

Recommendations

1. That the current General Fund Revenue Budget forecast of £4.1m overspend be noted.
2. That it be noted that actions will continue to be taken to mitigate the forecast overspend.

3. That the Capital Programme update be noted.
4. That approval be given to the utilisation of £250k of the Town Centre Development Capital Allocation as set out in Paragraphs 2.52 and 2.53.
5. That the interim update to the Council's Medium Term Financial Strategy be noted.

List of Appendices Included

None.

Background Papers

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

Consideration by any other Council Committee, Scrutiny or Advisory Panel

No

Council Approval Required

No

Exempt from the Press and Public

No.

October Financial Monitoring 2019/20 and Medium Term Financial Strategy update

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 third 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.

2.2 Table 1: Forecast Revenue Outturn 2019/20 as at October 2019

Directorate	Budget 2019/20 £m	Forecast Outturn 2019/20 £m	Forecast Variance over/under (-) £m
Children and Young People's Services	66.2	71.8	5.6
Adult Care, Housing & Public Health	77.4	78.7	1.3
Regeneration and Environment Services	43.3	44.8	1.5
Finance and Customer Services	16.0	15.8	(0.2)
Assistant Chief Executive	6.9	6.9	0.0
Central Services	11.3	7.2	-4.1
TOTAL	221.1	225.2	4.1
Dedicated Schools Grant			3.3
Housing Revenue Account (HRA)	83.0	81.6	-1.4

- 2.3 The following sections provide further information regarding the key reasons for forecast under or overspends within Directorates, and the progress of savings delivery.

Children and Young People Services Directorate (£5.6m forecast overspend)

- 2.4 Children and Young People Services are implementing a two-year budget recovery plan to reduce the budget pressures from previous years (£15.7m in 2018/19) and deliver budget savings.
- 2.5 The budget pressure at the end of October is £5.6m with an adverse movement of £0.7m from the July position reported to Cabinet in September. The Looked After Children number of 623 is below the budget profile of 624 for this period, but the placement mix of having too many placements in residential care continues to be the main reason for the budget pressures.
- 2.6 The direct employees budgets stands at £39.0m and is a combination of general fund, traded and grant funded services. The projected underspend at the end of October is £833k, of which £580k is a general fund underspend, a favourable movement of £114k this period. There are currently only 7 agency workers in children's social care at the end of October demonstrating continuing progress to reduce such reliance and to achieve and maintain a stable permanent workforce.
- 2.7 The staffing budget reflects the work undertaken to date on delivery of the Early Help and Social Care Pathways savings proposal and other staff savings across the CYPS directorate. Further proposals are currently being finalised to deliver the 2020/21 budget savings and contribute towards mitigating the current 2019/20 budget pressures.
- 2.8 A significant element of the CYPS non-pay budgets relates to placements which has a net budget of £31.2m with a current projected spend of £37.1m causing a financial pressure of £5.9m. The main financial pressures are on the projected costs of residential placements (£4.0m), Special Guardianship Payments (£1.0m), Direct Payments (£0.4m) offset by Parent and Baby assessment savings of (£0.4), plus a reduction in the estimated income from the Clinical Commissioning Group (£600k).
- 2.9 The residential placement pressures are due to a combination of 12 additional placements above the budget profile, an increase in the average net unit cost of residential placements, with the increase in unit costs due to the complexity of current children in residential and the reduction in estimated income from CCG.
- 2.10 The placement forecast assumes that from November 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:
- External residential placement admissions continue at a high level above forecast assumptions
 - Estimated admissions and discharges from care being in line with expectations

- The increase in in-house fostering enquires and net growth in foster carers placements are not in line with the estimated projections.
- Costs of placements increasing above inflationary expectations

2.11 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 £551k. 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.

Dedicated Schools Grant

2.12 The High Needs Block (HNB) is £34.5m (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).

2.13 The forecast at the end of October 2019 shows an in-year pressure of £3.3m. The projections have been based on the DSG recovery plan assumptions and includes anticipated growth on EHCs numbers and the implementation of new developments linked to the SEND Sufficiency Strategy. The main pressures are linked to alternative provision, high cost external residential and Independent Sector placements £2.9m.

2.14 Both the Early Years and the Schools' block are expected to be broadly in line with allocations in 2019/20.

2.15 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.

Regeneration and Environment Directorate (£1.5m forecast overspend)

2.16 The latest outturn projections for the Directorate indicate a forecast pressure of £1.5m for this financial year. This projection includes the following specific budget issues :

2.17 Home to School Transport (£1.0m) as a result of demand led pressures. There are offsetting underspends (£0.5m) in Highways, Food Health and Safety and Trading Standards Teams, this gives rise to a net £0.5m pressure overall in Community Safety and Streetscene.

- 2.18 The report to Cabinet on 16th September 2019 identified new financial risks mostly within Rother Valley Country Park (RVCP) leisure activities. Budgeted turnover across income earning activity is lower than planned by £0.5m. In addition, the service received £0.2m less revenue than planned specifically because the lake at Rother Valley was closed for a prolonged period this summer. The closure was a consequence of unexpected adverse environmental conditions which prevented any water sports taking place. Consequently, a pressure of £0.7m is likely in Culture, Sport and Tourism.
- 2.19 Ongoing decline in Markets income (£0.3m) as a consequence of the overall decline in all forms of retail activity results in a pressure in Planning Regeneration and Transport. The timing of Property Savings (total approved £1m) will also adversely impact on the bottom line although over the medium term the budget gap will be removed as buildings are closed and savings are released.
- 2.20 The Directorate has £4.1m of savings to implement in 2019-20. Of this sum £0.6m of savings has been completed, leaving £3.5m in progress and while £1.8m of this remains on track for delivery in 2019/20, £1.7m will carry forward into 2020-21.
- 2.21 Home to School Transport (£0.3m) and Property savings (£0.5m) are taking longer than planned to deliver leaving a gap of £0.4m. Less than planned income (£0.4m) from leisure activity in Rother Valley introduced as savings for 2019/20 has also taken longer than expected to deliver. The Business Units at Beighton Link are expected to be finished in February 2020 and once commissioned, rental income from the investment is expected. A rent guarantee is in place to cover income risk post-commissioning. A part-year saving in 2019/20 will be achieved and then the full year savings (£0.3m) for 2020-21 is expected.

Adult Care and Housing (£1.3m forecast overspend)

- 2.22 The overall Directorate forecast is an overspend of £1.3m on general fund services. This is based on full delivery of savings identified by implementing the new target operating model and part year savings from the reassessment programme and review of Learning Disability services.
- 2.23 Adult Care Services are forecast to overspend by £2.3m, 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 net reduction was less than expected with around 250 more people in receipt of services than anticipated resulting in a cost pressure of £1.8m. People are presenting with increasingly complex needs and the average number of hours for a domiciliary care package is increasing.
- 2.24 The budget includes savings of £5.7m, of which £2.3m is estimated to be delivered giving a shortfall of £3.4m in 2019/20.

- 2.25 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). The current forecast includes the impact of the reassessments completed to date which show a deficit of £0.4m against plan.
- 2.26 My Front Door has been re-profiled for the amended In-House Services timeline. This is subject to the outcome of the Judicial Review. Other savings are on track to be delivered as planned.
- 2.27 Neighbourhood Services' (Housing) latest forecast is an overall underspend position due to additional fee income from the Furnished Homes scheme (-£0.3m) plus additional contributions from the HRA for advocacy and appeals.
- 2.28 A number of mitigating actions have been identified, including maximising the use of one-off resources, which are expected to bridge the savings shortfall this financial year and also cover some of costs of additional demand for services, resulting in a net overall forecast of £1.3m overspend for the Directorate.

Public Health (Forecast balanced budget)

- 2.29 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.
- 2.30 A Budget saving agreed as part of the budget setting process totalling £0.1m in respect Sexual Health contract is forecast to be fully achieved in year.

Finance and Customer Services (Forecast balanced budget)

- 2.31 The 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 relating to FCS Directorate. Recurring savings of £430k have already been identified and secured to date that are directly attributable to the programme and work is underway in order to secure the remainder. The entire value of the budget saving is expected to be delivered in year.
- 2.32 Within Customer, Information and Digital Services, there are financial pressures on Schools Connect Trading to reflect the continued loss of schools/academies subscribing to services, which is resulting in a forecast loss of £0.1m. The service will mitigate the cost pressures this year through vacancy control with plans to cease provision of the service from the new financial year. There is also a current high demand on Customer Services and temporary staff are being recruited to assist in managing this demand and reducing wait times for customers. This will be funded within the overall Customer, Information and Digital budget.
- 2.33 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 £0.2m underspend. However, the number of cases during the year remains volatile and will continue to be monitored closely. There are demand pressures across all parts of Legal Services but it is anticipated that this will be managed within the Legal Services budget.

Assistant Chief Executive (Forecast balanced budget)

- 2.34 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 attributable to the ACX Directorate. The entire value of the budget saving is expected to be delivered in year.
- 2.35 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.

Central Services (£4.1m forecast underspend)

- 2.36 Savings are being delivered from a range of activities within the treasury management strategy, including effective cash flow planning and monitoring, along with management of the loans portfolio to take advantage of the continuing low cost of short-term funds. These activities, together with a number of general efficiencies on centrally managed budgets are forecast to provide a £4.1m saving. There will also be costs associated with the recent flooding which are not contained within this monitoring report. This is currently being assessed.

Housing Revenue Account (HRA) (forecast £1.4m underspend)

- 2.37 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 £1.4m which will reduce the transfer from the HRA reserve from a budgeted £12.2m to £10.8m.
- 2.38 The forecast underspend relates to:
- additional income from rents due to a quicker turnaround of void properties and a reduction in forecast rent allowances (£0.5m);
 - £0.6m underspend on Repairs and Maintenance due to increased recovery of tenants repairs income and a reduction in forecast costs;
 - staff vacancies and savings on other employee costs (£0.3m);
 - £0.2m reduction in the cost of bad debt;
 - Increased cost of borrowing £0.2m
- 2.39 The HRA budget includes a revenue contribution to capital expenditure of £14.7m which is forecast in line with budget at this stage.

Capital Programme Update

2.40 The Capital Programme 2019/20 totals £124.385m split between the general fund £72.810m and HRA £50.575m, this has reduced overall by (£0.466m) from the position reported to Cabinet in September. The movement is based on the latest profiles of expenditure against schemes, factoring in slippage and re-profiles of (£1.227m), and the inclusion of the Town Centre Housing programme as approved at Cabinet in October - £0.761m for the current year (Total Project £34.452m).

2.41 The slippage and re-profile requirements are within the Regeneration and Environment & HRA programmes, they include

- The IHMS ROCC IT System that is used to manage housing repairs was expected to be completed in 2020/21, however the system installation and license purchases can now be completed in 2019/20. The accelerated expenditure can be accommodated within the HRA's available capital resources.
- College Road NPIF slippage of £0.600m. The main contract is now planned to be completed in April 2020 to ensure traffic signalling changeover works occur during the Easter holidays when traffic flows are at the lowest with the landscaping works to follow during the rest of 2020/21.
- Forge Island Flood defence slippage of £0.900m. The tender exercise is now complete for the first phase (the Wall) with the contractor starting on site the week commencing 30th Sep 2019. The contract will run into 2020/21 with an in-year forecast of £2m. The remaining budget is re-profiled into 2020/21.

2.42 The updated Capital Programme to 2022/23 is shown by Directorate in Table 2 below.

2.43 Additional grant funded schemes are added to the Capital Programme on an ongoing basis in accordance with the Financial and Procurement Procedure Rules. Grant schemes added since the report to Cabinet in September are listed below, with the only grant or contribution adjustment being a reduction in expected S106 contributions.

2.44 **Table 2: New Grant/HRA Funded Schemes**

Directorate/Scheme	2019/20 £M	Post 2019/20 £m
Regeneration & Environment		
S106 contribution for the new Waverley School reduced to reflect revised calculation.	0.000	(0.036)
Total Additions	0.000	(0.036)

2.45 The Council's HRA capital programme has increased by £33.861m following the inclusion of the Town Centre Housing Programme approved at Cabinet on 21 October 2019. The full budget for the project is £34.452m, however £0.591m was already built into the approved programme for preliminary site investigations and site surveys.

2.46 **Table 2: Updated Capital Programme 2019/20 to 2022/23**

Directorate	2019/20 Budget £m	2020/21 Budget £m	2021/22 Budget £m	2022/23 Budget £m	Total Budget £m
General Fund Capital					
Children and Young People's Services	12.508	11.081	5.680	4.508	33.777
Assistant Chief Executive	0.627	0.210	0.210	0.210	1.257
Adult Care & Housing	4.764	5.993	11.976	4.005	26.737
Finance and Customer Services	7.072	4.828	1.775	1.775	15.450
Regeneration and Environment	45.840	44.831	23.181	6.355	120.206
Capitalisation Direction	2.000	2.000	2.000	0.000	6.000
Total General Fund Capital	72.810	68.943	44.821	16.853	203.428
Total HRA Capital					
	51.575	46.718	34.678	22.275	155.246
Total RMBC Capital Programme					
	124.385	115.661	79.499	39.128	358.674

Forecast position of Capital Programme 2019/20

2.47 The £124.385m of capital expenditure is funded as shown in the Table 3 below.

2.48 **Table 3: Funding of the approved Capital Programme**

Funding Stream	2019/20 Budget £m
Grants And Contributions	30.656
Unsupported Borrowing	33.929
Capital Receipts	6.225
Capital Receipts - Flexible Use	2.000
Total Funding - General Fund	72.810
Grants And Contributions	2.815
Unsupported Borrowing	0.235
Housing Major Repairs Allowance	18.306
Capital Receipts	13.046
Revenue Contribution	17.173
Total Funding – HRA	51.575
Total	124.385

2.49 A further update to the capital programme is proposed in relation to use of the

Town Centre Development capital allocation in relation to the Forge Island Development.

- 2.50 Under the Water Framework Directive (WFD), the Environment Agency (EA) will seek a planning condition on the Forge Island development requiring the construction of a fish pass. Securing a planning condition will mean providing a fish pass is mandatory and the cost will therefore comprise part of the development. The total cost is estimated at £650,000. The EA and Council officers have entered into discussions to identify other possible solutions for providing fish passage and the EA has agreed that if the Council provides funding of £250,000 prior to the Forge Island development starting on site, the works will be delivered by the EA. The remainder of the cost will be met by the EA and the Don Catchment Rivers Trust. This will result in a net cost reduction to the Council in the region of £400,000 and it will deliver infrastructure which has become essential to progress the Forge Island development. Cabinet are recommended to agree to the Council making this contribution, funded from the Town Centre Development capital allocation.

Capital Receipts

- 2.51 The Council is continuing to undertake a comprehensive review of its assets and buildings portfolio with the aim of rationalising both its operational and non-operational asset holdings. This may contribute future capital receipts which are earmarked to support the revenue budget, in accordance with the Council's approved flexible use of capital receipts strategy.
- 2.52 To date General Fund capital receipts of £2.741m have been generated as shown in Table 4 below. These receipts form part of the Council's Capital Reserves. Although loan repayments of £2.720m have been received in 2019/20, this cannot be used to support the revenue budget as only those receipts by the disposal of property, plant and equipment can be used in that way.

2.53

Description	Total as at 31 st October 2019
	£m
4b Beighton Link	0.021
Sub-Total - Useable In-Year Capital Receipts	0.021
Repayment of Loans	2.720
Total Capital Receipts	2.741

Table 4 – General Fund Capital Receipts Received in 2018/19

- 2.54 The forecast for useable capital receipts is between £1.650m & £2.647m and includes surplus property disposals which are subject to Cabinet approval. These receipts are made up of a small number of disposals and therefore any changes to these could impact on these forecasts significantly.

Medium Term Financial Strategy Update

- 2.55 The Council's Medium Term Financial Strategy (MTFS) to 2021/22 was approved at the Council Budget Meeting in February 2019. The Strategy noted the Government's intention to carry out a Spending Review during 2019 and indicated that the MTFS would be reviewed in the light of the outcomes of the Spending Review.
- 2.56 Subsequently, the Government announced that the Spending Review would be delayed until 2020 along with the Government's Fair Funding Review of Local Government finances and the planned move to 75% local retention of Business Rates.
- 2.57 In place of the proposed 3-year Spending Review, the Government published a 1-year Spending Round on 4th September 2019 which provided the Government's outline proposals for public sector funding for 2020/21. For Local Authorities, these outline proposals would be firmed up within the Local Government Finance Settlement for 2020/21 which was due to be announced in the first week of December 2019. However this has been delayed until after the outcome of the General Election on 12th December.
- 2.58 The Spending Round 2019 broadly confirmed the Council's funding assumptions included within the MTFS 2020/21 to 2021/22 as approved at Council in February. Those assumptions were based on an expectation of core Government funding for the two years being maintained at least at the level of funding provided for 2019/20. This expectation being taken from Government announcements and indications of an "end to austerity".
- 2.59 In addition to the Spending Round replicating 2019/20 levels of funding into 2020/21, there was further funding for Social Care announced and indicative allocations for individual councils have been released since, in advance of the Local Government Finance Settlement for 2020/21. The indicative allocation for the Council is £8.393m. This includes the 2019/20 Social Care grant of £2.298m which was initially announced as for one year only. Therefore, the additional amount of funding over and above MTFS assumptions is the continuation of the £2.298m level of funding from 2019/20, plus a new allocation of £6.095m, being £8.393m in total.
- 2.60 All other MTFS assumptions have been reviewed and updated where required with key adjustments made to recognise the estimated impact on pension costs of the McCloud judgement made by the Supreme Court in Summer 2019, and a revised view on the amount and funding source of the provision for staff severance costs.
- 2.61 Finally, a review of the Council's treasury management strategy has concluded that the current strategy of effective cash flow and loans management, taking advantage of competitive short-term interest rates, can be maintained throughout 2020/21. This approach will provide approximately £3m support to next year's budget.
- 2.62 Whilst there are other potential variables from MTFS assumptions to be

finalised as part of budget setting e.g. council tax base, business rates growth and appeals provision etc, it is anticipated that the impact of any of these variables can be managed within the overall MTFS position.

- 2.63 As a result of these funding and other changes, there is some capacity within the 2020/21 budget to compensate for timing issues with the delivery of the two year budget savings. However, the approach remains that the agreed two-year budget savings will be delivered in full from 2021/22 onwards, either in the way originally agreed or with approved alternative savings as may be required from individual services.
- 2.64 The headline MTFS has been updated on this basis and extended to 2022/23. Based on financial planning assumptions drawn from the Spending Round and other Government announcements, a balanced budget is maintained throughout the MTFS period and also includes some provision to finance Capital Programme investment options which will be put to Cabinet and Council for consideration in February 2020 within the Budget and Council Tax 2020/21 report.
- 2.65 That report will also include an update of the MTFS in further detail, once the Local Government Finance Settlement for 2020/21 is announced and when the details of the Council Tax Base and Business Rates income are completed.
- 2.66 A full further review of the MTFS will then be undertaken later in 2020 once the Government has completed its 3-year Spending Review and announced details of the impact of the Review on Local Government funding, along with the Fair Funding Review of Local Government finances and the transition to 75% local retention of Business Rates.
- 2.67 The outcome of the interim MTFS review, specifically with regard to maintaining a balanced budget position for 2020/21 and beyond is described below for each Directorate. Details will be finalised and reported within the further MTFS update and budget proposals to be submitted within the Budget and Council Tax 2020/21 report.

Adult Care, Housing and Public Health

- 2.68 The Directorate has £9.7m of savings to deliver within the two-year budget plan. In addition, there were some savings from previous years which are now integrated within the plan, which taken together requires a total of over £12m of savings to be delivered from the Directorate. The current position with regard to delivery of these savings is as follows.
- 2.69 The new Target Operating Model was implemented as planned in October 2019.
- 2.70 There are some timing issues associated with the delivery of savings from reassessments of care packages along with updates to the anticipated level of savings to be achieved. The profile of in-house transformation savings has also been amended and is subject to the outcome of the Judicial Review.
- 2.71 A range of mitigating actions has been identified to offset some of the impact of

these issues but there is still a need to acknowledge the expected remaining impact within the 2020/21 budget. Further decisions may then need to be made on the savings delivery from 2021/22 onwards to ensure delivery of the full amount of savings from that point onwards.

2.72 In addition to the delivery of agreed savings, there are levels of increasing demand for Adult Care services which need to be addressed within the budget. The budget for 2020/21 and MTFS is therefore proposed to be updated to reflect the latest estimate of the impact of :

- A trend of a general increase in demand for Adult Care services
- Adult Transitions
- Re-setting the Public Health base budget now that the interim budget support from the public health reserve is completed

2.73 The proposed budget will also include the impact of the transformation of services and support for people with a learning disability as agreed by Cabinet in May 2018 and the option of associated re-provision of services at Conway Crescent.

Children & Young People's Services

2.74 The Directorate has £10.0m of savings to deliver within the two-year budget as part of a wider budget recovery plan. The wider recovery plan contained cost reduction measures to reduce the level of overspend within CYPS (£15.7m in 2018/19) to an agreed revised base budget which included further investment in CYPS of £9.5m in 2019/20 reducing to £7.5m in 2020/21 and ongoing.

2.75 In summary therefore, the CYPS budget plan required delivery of £10m savings and £8.2m of cost reduction measures to be delivered by 2020/21 in order to deliver CYPS services within the updated budget envelope.

2.76 Similar to ACHPH, there are some timing issues with completing the delivery of savings/cost reduction measures within CYPS, principally in relation to the numbers and costs of residential placements. There is also a significant level of savings to be delivered in 2020/21 from the Early Help and Social Care Pathway.

2.77 The timing of completing the full package of savings and cost reduction measures requires some acknowledgment of impact within the 2020/21 budget, but within maintaining a position that the full level of savings and cost reductions will be achieved from 2021/22 onwards.

Regeneration & Environment

2.78 The Directorate has £4.6m of savings to deliver within the two-year budget including savings brought forward from previous years.

2.79 Current year financial monitoring indicates budget pressures of £2.9m from a

combination of shortfall in delivery of some savings and service demand pressures, with mitigating actions being taken to reduce the forecast overspend to £1.5m.

- 2.80 Consistent with the approach to other Directorates, it is proposed to address the demand issues associated with Home to School Transport within the budget for 2020/21 and ongoing.
- 2.81 A further budget adjustment is proposed for Markets Services recognising Members wishes to maintain the service and that the income budget as currently set for the service is not achievable in the medium term.
- 2.82 Other significant budget issues within the Directorate e.g. Waleswood Caravan Park operating budget, Property Services savings, would continue to be managed within the overall Directorate budget pending the achievement of savings as planned or the identification of alternative savings/cost reduction measures.

Assistant Chief Executive

- 2.83 The Directorate is on track to achieve all savings within the two-year budget including those from the Customer Services, Efficiency and Digital Programme.

Finance & Customer Services

- 2.84 The Directorate is on track to achieve all savings within the two-year budget including those from the Customer Services, Efficiency and Digital Programme.

Customer Services, Efficiency and Digital Programme

- 2.85 Savings from ACX (£252k) and FCS (£563k) are on track to be delivered. Work to identify and deliver the savings from R&E (£1.65m) is underway but may require a timing adjustment for the profile of delivery of the savings. This will be firmed up as part of finalising the budget in advance of submitting the Budget and Council Tax 2020/21 Report to Cabinet and Council in February.
- 2.86 Cabinet are asked to note the interim update to the Council's Medium Term Financial Strategy and that whilst a small number of adjustments will be required to the budget it is anticipated that the overall budget plans approved as part of setting the Budget and MTFS will be delivered over the medium term and that there are not currently expected to be any new savings required for 2020/21. A further update will be included within the Budget and Council Tax 2020/21 report.

3. Options considered and recommended proposal

- 3.1 With regard to the current forecast overspend of £4.1m at this stage of the 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

4.1 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

5.1 Strategic Directors, Managers and Budget Holders will ensure ongoing tight management and close scrutiny of spend this financial year.

5.2 Financial Monitoring reports are taken to Cabinet meetings during the year. The next Financial Monitoring Report with the position at the end of November 2019 will be considered by Cabinet in January 2020.

6. Financial and Procurement Advice and Implications

6.1 There is currently a projected overspend of £4.1m as set out in Section 2 of this report.

6.2 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 review and the identification of alternative options.

6.3 The interim update to the Council's Medium Term Financial Strategy indicates that a balanced budget can be maintained for 2020/21 and across the MTFS period. Whilst there is some capacity within the MTFS going forward to provide for the timing impact of delivery of some budget savings, the maintenance of a balanced budget is predicated on all approved savings being delivered in full by 2021/22, either as originally approved or with approved alternative savings, together with actions completed to eradicate or mitigate against the impact of other budget pressures.

6.4 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 Spending Round 2019 provides information on the Government's intentions for public sector funding for 2020/21 only. The interim review of the MTFS is based on indications within the Spending Round and other Government announcements for funding from 2021/22 onwards. The MTFS will need further review during 2020 when details are announced of the 3-year Spending Review, the Fair Funding Review of Local Government finance and the proposed move to 75% local retention of Business Rates.

13. Accountable Officers

Graham Saxton, Assistant Director – Financial Services
Rob Mahon, Head of Corporate Finance

Approvals obtained on behalf of Statutory Officers:-

	Named Officer	Date
Chief Executive	Sharon Kemp	12/12/19
Strategic Director of Finance & Customer Services (S.151 Officer)	Judith Badger	12/12/19
Head of Legal Services (Monitoring Officer)	Bal Nahal	12/12/19

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