

Committee Name and Date of Committee Meeting

Cabinet – 20 July 2020

Report Title

May Financial Monitoring 2020/21

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)

Rob Mahon, Head of Corporate Finance
01709 254518 or rob.mahon@rotherham.gov.uk

Ward(s) Affected

Borough-Wide

Report Summary

The report sets out the financial position as at the end of May 2020 and is based on actual costs and income for the first two months of 2020/21 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 current financial year which will continue to be brought forward to Cabinet on a regular basis.

As at May 2020, the Council has a forecast year-end overspend of £6.2m after taking account of the governments provision of Covid-19 support grant of £16.2m. Without this funding the projected overspend would have been £22.4m on the General Fund.

Recommendations

1. That the current General Fund Revenue Budget forecast of £6.2m 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.

List of Appendices Included

Appendix 1 Council's Covid-19 Financial Monitoring return to MHCLG 19th June 2020.

Background Papers

Budget and Council Tax Setting Report 2020/21 to Council on 27th February 2020

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 2020/21

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 2020/21, setting out the projected year-end revenue budget financial position in light of actual costs and income for the first ten 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 2020/21 as at May 2020

Directorate	Budget 2020/21 £m	Forecast Outturn 2020/21 £m	Forecast Variance over/under (-) £m
Children and Young People's Services	60.3	65.2	4.9
Adult Care, Housing & Public Health	79.7	88.1	8.4
Regeneration and Environment Services	43.6	51.0	7.4
Finance and Customer Services	19.0	19.0	0.0
Assistant Chief Executive	6.6	6.6	0.0
Central Services	24.1	25.8	1.7
Directorate Forecast Outturn	233.3	255.7	22.4
Covid-19 support grant			16.2
Net Forecast Outturn			6.2
Dedicated Schools Grant			0.1
Housing Revenue Account (HRA)			0.0

The Councils overspend position at this point is largely due to two overall issues

- Financial implications as a result of Covid-19 and the Councils response to the pandemic.
- Delayed delivery of savings plans as a result of Covid-19.

Government has provided the Council with a grant of £16.2m to support the Covid-19 response and financial implications, taking that into account the Councils overspend is reduced to £6.2m.

2.2 In June 2020 the Council had to provide government a view on the estimated financial impact of the Covid-19 response. The June Covid-19 return was submitted to Ministry for Housing, Communities and Local Government (MHCLG) on Friday 19th June within the MHCLG deadline and it projected an overall financial impact for the general fund in 2020/21 of £24.4m (the return is appended to this report). The full impact is made up of;

- £9.1m of additional costs
- £7.6m of income loss
- £7.7m non-delivery of savings

Therefore, the overall estimated impact of Covid-19 on the 2020/21 revenue budget as per the June return is £24.4m, less Covid-19 support grant received to date of £16.2m, leaving a net pressure of £8.2m. This net pressure differs from the Councils financial monitoring position as the June MHCLG return focuses solely on Covid-19 requirements and impacts, a net difference of £2m. There are financial pressures and savings factored into monitoring that aren't related to Covid-19.

2.3 The forecast net overspend of £6.2m will continue to be monitored closely and mitigations identified where possible to reduce the overall impact. Whilst this represents a challenge it is anticipated at present that there will be further Government funding support and that the Council will be able to bring this budget back into line before the year end. However, the more pressing concern financially is the impact of the non-delivery of savings £7.7m arising from Covid-19. This non-delivery will need to be carried forward into 2021/22 and when added to the £8.6m of savings plans that were deferred to 2021/22 as part of the Councils budget report to Cabinet in February 2020, represents a significant financial challenge for the authority, to deliver total savings of £16.3m during 2021/22.

Additionally, the Council may continue to need to commit further expenditure in its response to the impact of Covid, above the level currently forecast within this report. This would include proposals to be considered by Cabinet for the Council to provide an extension of the measures put into place to support the adult social care market in Rotherham beyond the initial timescale which was envisaged for that support to apply to the end of June.

Table 2 – Agreed Profile of Budget Savings and Cost Reductions by Directorate :

Directorate	2020/21 Savings Non-delivery £m	2021/22 Savings £m	Total Savings to be delivered in 2021/22 £m
ACHPH	2.3	4.6	6.9
CYPS	2.8	4.0	6.8
R&E	1.0	0	1.0
Customer Services (R&E)	1.6	0	1.6
Total	7.7	8.6	16.3

The following sections provide further information regarding the Councils forecast outturn of £22.4m, before taking account of Covid-19 support grant of £16.2m, the key reasons for forecast under or overspends within Directorates, and the progress of savings delivery.

Children and Young People Services Directorate (£4.9m forecast overspend)

- 2.4 Children & Young People Services continue to implement the budget recovery plan with budget savings of £10.2m phased £6.2m in 2020/21 and £4.0m in 2021/22 following the one-off additional budget of £4m provided for the 2020/21 financial year.
- 2.5 The budget pressure at the end of May is £4.9m and includes additional costs pressures due to the COVID pandemic which are estimated at £2.2m, £2.3m non-achievement of budget savings and Stovewood costs of £4.4 m. These pressures are being mitigated by the additional budget support of £4m.
- 2.6 The Looked After Children number is 606 which is behind the budget profile (592) for this period. The variance of 14 relates to 10 LAC who have no placement costs, the emergency placements is 3 above profile due to COVID placement issues and there are also variances to the fostering profile.
- 2.7 The direct employee budget is £33.9m and is a combination of general fund, traded and grant funded services. The projected overspend at the end of May is £0.95m, of which £0.74m are general fund pressures. The £0.74m budget pressure reduces to £0.34m after utilising the one-off budget support (£0.4m) and is after taking account of staffing budget savings of £3.97m in 2020/21. There were 5 agency workers in children's social care at the end of May.
- 2.8 The staffing budget reflects the work undertaken to date on delivery of the Early Help & Social Care Pathways savings proposals and other staff savings across the CYPS directorate.

- 2.9 A significant element of the CYPs non-pay budgets relates to placements which has a net budget of £26.3m with a current projected spend of £33.7m. The financial pressure is £7.4m before application of the additional budget support.
- 2.10 The main net financial pressures (£3.8m) are on the projected costs of Residential placements (£1.9m), Emergency placements (£1.0m) and Fostering placements £0.9m
- 2.11 The placement forecast assumes that from June 2020 to March 2021, 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 to reduce in line with the budget profile
 - 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 in line with the estimated projections for the rest of the financial year.
 - Costs of placements increasing above inflationary expectations
- 2.12 The other major budget pressure linked to the current number of Looked After Children this financial year is transport with a forecast overspend of £420k.

Dedicated Schools Grant

- 2.13 The High Needs Block (HNB) is £40.1m (including the £3.0m transfer from the schools block) and demand remains high 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 four-year period from a £1m reserve deficit at the end of 2015/16 to £19.8m deficit at the end of the 2019/20 financial year (£4.6m overspend in 2019/20).
- 2.14 The forecast at the end of May 2020 shows a balanced position (£103k underspend) based on the DSG recovery plan and includes anticipated growth on EHCs numbers and the implementation of new developments linked to the SEND Sufficiency Strategy.
- 2.15 Both the Early Years and the Schools' block are expected to be broadly in line with allocations in 2020/21.
- 2.16 The key areas of focus to reduce High Needs Block spend are:
- A review of high cost, external education provision to reduce spend and move children back into Rotherham educational provision.
 - Increase SEN provision in Rotherham linked to mainstream schools and academies, with further capacity becoming operational from September 2020.

- Work with schools and academies to maintain pupils in mainstream settings wherever possible.
- A review of inclusion services provided by the Council

Adult Care and Housing (£8.4m forecast overspend)

- 2.17 The overall Directorate forecast is an overspend of £8.4m on general fund services after taking account of the additional one-off budget support of £4.65m for 2020/21.
- 2.18 Covid-19 is estimated to have a cost impact of £8.4m. This includes: £1.1m for personal protective equipment; £2.1m due to delayed budget savings; and £2m of placement costs due to additional demand and the increased costs of providing care.
- 2.19 The NHS is currently funding people who are discharged from hospital. Ordinarily the cost of some of these packages would be funded by the Council. The Government has not published a date for the transfer of placements and costs to the Council. The forecast includes a contingency as the number and cost of these packages and the timing of any transfer is unknown.

Delivery of savings have been delayed as Covid-19 has diverted staff resource to support work related to the pandemic and away from planned transformational activity. Anticipated additional income has reduced as social distancing has prevented some of the tasks required from taking place.

- 2.20 Excluding the cost of Covid-19, the cost of care packages is forecast to be £0.4m underspent. This is due to savings on transforming care.
- 2.21 Staffing budgets are forecast to overspend by £0.4m due to low vacancy numbers.
- 2.22 Neighbourhood Services' (Housing) is forecast to breakeven.

Public Health

- 2.23 The latest forecast is an overall breakeven position.

Regeneration and Environment Directorate (£7.4m forecast overspend)

- 2.24 The latest outturn projections for the Directorate indicate a forecast pressure of £7.4m for this financial year. As with all areas of the Council the Directorate's financial position has been significantly impacted by the ongoing lockdown restrictions imposed by the Government. Even so, the directorate prioritises continued delivery of normal everyday services within the bounds of what is possible under 'lockdown'. In the circumstances, delivery of savings is one area where deferred activity is more likely.

- 2.25 Lockdown immediately impacted on many of the Directorate's income earning activities, leading to a rapid and sustained drop in receipts. Income from Theatres, Green Spaces, Markets and Parking amongst others, ceased almost immediately. At the timing of writing this report, lockdown restrictions have started to be eased. However, the speed and the extent of recovery of the directorate's income from fees and charges is unclear. Of the directorate's £7.4m forecast pressure, £5.5m relates to lost income. It is unclear given the crisis what the final pressure will be in 2020-21, signs are the figure could increase yet further, however work is urgently underway to identify how that can be prevented.
- 2.26 Further, the pandemic has meant that progress to achieve previously agreed revenue budget savings has been delayed. The lockdown has enabled the Council to make savings in some areas, for example by temporarily closing Council buildings, but any savings are far outweighed by the additional costs and lost income arising from the lockdown.

The forecast outturn projection includes the following specific budget issues :

- Community Safety and Street Scene (CSS) is reporting an overall pressure of £0.6m. The most significant pressure in this Service is in respect of Parking income, a £0.5m income shortfall is currently being reported. However, pressures are also arising in Community Services, Waste and Transport. The deliverability of Transport savings in 2020/21 is being reviewed, for example social distancing changes the assumptions on taxi/bus usage.
- Culture Sport and Tourism (CST) has been severely impacted by the temporary closure of facilities and is reporting an overall pressure of £2.9m. The pressure is made up of a forecast full year loss in respect of Leisure facilities (£1m), loss of income from 'Green Spaces' (£1.4m) and Theatres (£0.5m). The Green Spaces Service, which includes the Borough's Country Parks and Facilities, is forecasting a pressure of up to £1.4m. Temporary closures of parks and all other leisure sites for all of spring and into the summer has prevented any trading activities taking place. Forecasts assume an extended period of much lower income resulting in a forecast pressure of £0.8m but the final figure will be entirely dependent upon the speed and extent of the trading recovery when facilities reopen. An additional £0.5m pressure within Theatres is expected after the site closed. Losses are partly mitigated by expenditure savings, as a result of the prolonged closure but this is included in the forecast. Staff savings in Libraries of £0.2m will assist to offset overall pressure in CST.
- Planning Regeneration and Transport (PRT) is forecasting an overall pressure of £2.8m. The largest pressure in this Service is in the School Meals service of £1.3m, as a result of lost income of £2.1m resulting from school closures and significantly reduced pupil attendance where schools remain open, only partly offset by reduced expenditure on food.

- A pressure of just under £0.5m is being forecast on Markets income, arising from the closure, and the likely ongoing difficult trading conditions, as town centre footfall is expected to take several months to return to pre-lockdown levels.
- There is a delay to delivery of savings within Facilities Management (£0.6m), largely as a result of delays in the timing of property savings, i.e closure of buildings. Whilst this impacts on the overall position new savings of £0.3m are planned for in 2020-21 and are in progress to be implemented.

Finance and Customer Services (balanced forecast position)

- 2.31 The overall Directorate is forecasting a balanced budget position. Whilst there are financial pressures, as detailed below, the service will use vacancy management to control these financial pressures and deliver, at least, a balanced budget position. The service does need to deliver the remaining savings in relation to the Customer and Digital Programme, (£0.1m), work continues with the programme to identify further areas where the Council can operate more efficiently and effectively, making use of the improved digital technologies available to services.
- 2.32 Within Customer, Information and Digital Services, there are financial pressures from ceasing the Schools Connect Trading service, reflecting the loss the service was making (£0.1m overspend) due to the continued loss of schools/academies subscribing to services. The service also has a pressure within the corporate mail and print service following a centralisation of print services, the print service had an income shortfall (£0.1m). Now the budgets have been centralised the service will be better placed to control print usage and implement a strategy to minimise print whilst promoting digitalised service provision. The service will mitigate the cost pressures this year through vacancy control.
- 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.

Assistant Chief Executive (balanced forecast position)

- 2.34 The Assistant Chief Executive's Directorate are a balanced budget position. The service does need to deliver savings in relation to the Customer and Digital Programme, (£0.2m), work continues with the programme to identify further areas where the Council can operate more efficiently and effectively, making use of the improved digital technologies available to services.
- 2.35 Though the work to deliver the savings target will continue, the service is currently able to forecast a balanced budget position due to use of vacancy control.

Central Services (£1.7m forecast overspend)

- 2.36 Within Central Services budgets there is a planned transfer of £4.3m to reserves as per the Councils reserves strategy detailed within the Councils budget report to cabinet in February 2020. At present these reserve transfers are still forecast to be carried out. There is also a budget contingency of £4m and with the ongoing uncertainties around the financial impact of Covid-19 this will be reviewed on a monthly basis. There are agreed savings to be delivered from Central Services as the £1.7m customer services saving relating to R&E services has been budgeted here. At present it is unlikely this saving will be delivered in year and as such has been forecast as an overspend.
- 2.37 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 will be monitored closely to try to mitigate the forecast overspend.

Housing Revenue Account (HRA)

- 2.38 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 a balanced position. However, there is a forecast pressure on income (+£136k) which is being offset by an underspend on expenditure (-£136k).
- 2.39 The forecast overspend on income relates to the closure of Communal Facilities due to Covid (+£112k). There is also an anticipated reduction in income received from Aids and Adaptations (+£25k) as only emergency works are currently being undertaken due to the pandemic. This is being offset by a forecast underspend within Supervision and Management due to lower superannuation contributions and vacant posts.
- 2.40 The HRA budget includes a revenue contribution to capital expenditure of £13.387m which is forecast to budget at this stage plus a contribution from the HRA reserve of £9.324m in order to balance the overall budget.

Capital Programme Update

- 2.41 The Capital Programme 2020/21 totals £171.209m split between the general fund £111.129m (higher than normal due to reflecting the Council's Future High Streets Fund bid) and HRA £58.080m, this has increased overall by £5.045m from the position reported to Cabinet on 23 March 2020. The movement is based on the latest profiles of expenditure against schemes, following the 2019/20 outturn position, factoring in slippage from 2019/20 of £4.771m and additional funding of £0.274m. The total slippage from 2019/20 was £6.384m, £4.721m moving into 2020/21 and a further £1.612m re-profiled across 2021/22 to 2023/24.

The slippage into 2020/21 is higher than the reported outturn underspend for 2019/20, as the underspend on the overall programme for that year, also factors

in overspends on projects. Therefore, the overall programme underspend would have been greater, had those projects not overspent.

The additional funding of £0.274m relates to the Councils Holmes Tail GOIT pumping station and linked highway bridge. It has been agreed with the partner organisation on this scheme, that they will contribute this sum towards the delivery of the project outcomes, in recognition of the benefit they will also derive from the works.

- 2.42 The Site Cluster scheme had an overspend against the 2019/20 budget at the year end and is forecast to overspend overall against the 2020/21 budget profile. Therefore, the budget for Site Clusters has been increased for 2020/21 by £1.883m. However, for 2020/21 the total capital programme will not change as projected underspends/slippage will be utilised to cover the in-year requirement, with those underspends needing to be re-provided for in 2021/22.

On review of the HRA programme for 2021/22 the underspends and slippage identified to cover the Site Clusters overspend will not need to be re-provided in full. Therefore, the 2021/22 HRA capital programme has been increased by £0.867m, for the re-provision of budgets for those schemes used to support Site Clusters in 2020/21.

- 2.43 The proposed updated Capital Programme to 2023/24 is shown by Directorate in Table 3 below.

- 2.44 **Table 3: Proposed Updated Capital Programme 2020/21 to 2023/24**

Directorate	2020/21 Budget £m	2021/22 Budget £m	2022/23 Budget £m	2023/24 Budget £m	Total Budget £m
General Fund Capital					
Children and Young People's Services	17.817	8.618	4.508	5.573	36.516
Assistant Chief Executive	0.255	0.210	0.210	0.210	0.885
Adult Care & Housing	4.578	6.523	12.624	6.130	29.855
Finance and Customer Services	9.582	3.008	3.124	10.523	26.236
Regeneration and Environment	78.897	56.412	43.821	41.036	220.166
Capitalisation Direction	2.000	2.000	-	-	4.000
Total General Fund Capital	113.129	76.771	64.287	63.471	317.658
Total HRA Capital	58.080	55.925	44.178	43.198	201.381
Total RMBC Capital Programme	171.209	132.695	108.465	106.669	519.038

Funding position of Capital Programme 2020/21

2.45 The £99.689m of capital expenditure is funded as shown in the Table 4 below.

2.46 Table 4: Funding of the approved Capital Programme

Funding Stream	2020/21 Budget £m
Grants and Contributions	52.532
Unsupported Borrowing	53.386
Capital Receipts	5.032
Capital Receipts - Flexible Use	2.000
HRA Contribution	0.178
Total Funding - General Fund	113.129
Grants And Contributions	10.214
Unsupported Borrowing	-
Housing Major Repairs Allowance	29.952
Capital Receipts	3.998
Revenue Contribution	13.917
Total Funding - HRA	58.080
Total	171.209

Capital Receipts

2.47 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.

2.48 To date no General Fund capital receipts have been generated. Although loan repayments will be received during the financial year, these 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.

- 2.49 The detailed disposal programme is currently being updated and so coupled with the COVID19 situation, it is very difficult to forecast. Therefore, at this stage the forecast for useable capital receipts is between £0.500m & £2.000m 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.

3. Options considered and recommended proposal

- 3.1 With regard to the current forecast net revenue budget overspend of £6.2m, further management actions continue to be identified with the clear aim of bringing expenditure into line with budgets. This includes holding back all spend, where possible and safe to do so, for the remainder of the financial year. It should again be noted that the Council has received £16.2m from government to manage the additional financial pressures that authorities are facing as a result of Covid-19. Whilst the Council has a £4m budget contingency to support the 2020/21 budget all possible actions are being undertaken to minimise any call on this provision.

4. Consultation on proposal

- 4.1 The Council consulted extensively on budget proposals for 2020/21. Details of the consultation are set out in the Budget and Council Tax 2019/20 report approved by Council on 17th February 2020.

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 Financial Outturn report for 2020/21 will be taken to Cabinet in July 2021.

6. Financial and Procurement Advice and Implications

- 6.1 The Council's net overspend position is detailed within the report along with the estimated impact of Covid-19. This position will need to be monitored closely along with a strategic review of progress with the delivery of savings targets for 2020/21. If budget and planned savings and spend reductions are not delivered as intended to an extent that cannot be contained within the budget contingency reserve, there will be a further 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.

6.2 The update to the Council's Medium Term Financial Strategy, within the Budget and Council Tax 2020/21 report approved by Cabinet and Council in February 2020, indicates that a balanced budget can be maintained across the MTFS period to 2022/23, excluding the impact of Covid-19. 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.

6.3 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

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	26/06/20
Strategic Director of Finance & Customer Services (S.151 Officer)	Judith Badger	26/06/20
Head of Legal Services (Monitoring Officer)	Stuart Fletcher	26/06/20

Report Author: Rob Mahon, Head of Corporate Finance

This report is published on the Council's [website](#).