

Committee Name and Date of Committee Meeting

Cabinet – 15 February 2021

Report Title

December 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)

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Ward(s) Affected

Borough-Wide

Report Summary

The report sets out the financial position as at the end of December 2020 and is based on actual costs and income for the first nine 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 5th financial monitoring report of 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 December 2020, the Council has a forecast year-end overspend of £22.2m on the General Fund, this is mitigated by planned savings the Council has been able to deliver in year, the government's provision of COVID-19 emergency support grant and Sales, Fees and Charges Income Compensation. As a result, the Council expects to deliver a balanced budget position or slight underspend at financial outturn 2020/21. However, it should be noted that the impacts of the latest national lockdown are still to be fully defined.

Recommendations

1. That the current General Fund Revenue Budget forecast of £0.5m underspend be noted.

2. That it be noted that actions will continue to be taken to ensure that a balanced financial outturn is delivered.
3. That the proposed use of the Rapid Testing Fund allocation as set out in Paragraphs 2.47 to 2.48 is approved.
4. That the Capital Programme update be noted.

List of Appendices Included

Appendix 1 – Initial Equality Screening Assessment

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.

December 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 fifth 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 nine months of the financial year.																																																				
2.	Key Issues																																																				
2.1	<p>Table 1 below shows, by Directorate, the summary forecast revenue outturn position.</p> <p>Table 1: Forecast Revenue Outturn 2020/21 as at December 2020</p> <table border="1"> <thead> <tr> <th>Directorate</th> <th>Budget 2020/21 £m</th> <th>Forecast Outturn 2020/21 £m</th> <th>Forecast Variance over/under (-) £m</th> </tr> </thead> <tbody> <tr> <td>Children and Young People's Services</td> <td>61.0</td> <td>68.7</td> <td>7.7</td> </tr> <tr> <td>Adult Care, Housing & Public Health</td> <td>79.1</td> <td>82.8</td> <td>3.7</td> </tr> <tr> <td>Regeneration and Environment Services</td> <td>43.5</td> <td>52.6</td> <td>9.1</td> </tr> <tr> <td>Finance and Customer Services</td> <td>18.7</td> <td>18.7</td> <td>0.0</td> </tr> <tr> <td>Assistant Chief Executive</td> <td>6.6</td> <td>6.6</td> <td>0.0</td> </tr> <tr> <td>Central Services</td> <td>24.4</td> <td>26.1</td> <td>1.7</td> </tr> <tr> <td>Directorate Forecast Outturn</td> <td>233.3</td> <td>255.5</td> <td>22.2</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Covid-19 support grant</td> <td></td> <td></td> <td>-18.9</td> </tr> <tr> <td>Covid winter support provision</td> <td></td> <td></td> <td>5.3</td> </tr> <tr> <td>Covid winter support grant</td> <td></td> <td></td> <td>-5.3</td> </tr> <tr> <td>Sales, Fees and Charges Income Compensation Claims</td> <td></td> <td></td> <td>-3.8</td> </tr> </tbody> </table>	Directorate	Budget 2020/21 £m	Forecast Outturn 2020/21 £m	Forecast Variance over/under (-) £m	Children and Young People's Services	61.0	68.7	7.7	Adult Care, Housing & Public Health	79.1	82.8	3.7	Regeneration and Environment Services	43.5	52.6	9.1	Finance and Customer Services	18.7	18.7	0.0	Assistant Chief Executive	6.6	6.6	0.0	Central Services	24.4	26.1	1.7	Directorate Forecast Outturn	233.3	255.5	22.2					Covid-19 support grant			-18.9	Covid winter support provision			5.3	Covid winter support grant			-5.3	Sales, Fees and Charges Income Compensation Claims			-3.8
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	Net Forecast Outturn			-0.5
	Dedicated Schools Grant			1.7
	Housing Revenue Account (HRA)			0.0
2.2	<p>The Council's overspend position (excluding government's COVID-19 support grants) at this point is largely due to two overall issues;</p> <ul style="list-style-type: none"> • Financial implications as a result of COVID-19 and the Council's response to the pandemic. • Delayed delivery of savings plans as a result of COVID-19. <p>As at December 2020, the forecast overspend of £22.2m is mitigated in part by the Government's provision of £18.9m of emergency funding to support the COVID-19 response. In addition to the emergency funding support, Government has introduced a co-payment mechanism for irrecoverable Sales, Fees and Charges income, with the Government covering 75% of losses beyond 5% of planned income. In effect this scheme will provide the Council with additional grant to support irrecoverable income losses on sales, fees and charges income. As a result, the Council expects to deliver a balanced budget position or slight underspend as at the financial outturn 2020/21, however, it should be noted that the impacts of the latest national lockdown are still to be fully defined.</p>			
2.3	<p>On 22nd October 2020, the Government also released individual council allocations of the £1bn COVID-19 "winter support" funding which had been announced on 12th October. The Council's allocation is £5.3m and it is assumed that this grant funding will be required for the purposes for which it has been provided – to prioritise the running of vital services and protecting the most vulnerable and public health across the winter period.</p>			
2.4	<p>There is one further period for a grant claim in relation to COVID-19 income loss compensation later in the financial year. Taking this into account but also recognising that the claims are subject to review and validation by Government, it is anticipated that these further payments of grant will cover any additional financial pressures brought about by the latest national lockdown, that could not be forecast at time of writing this report. Therefore, it is still anticipated that by the financial year-end the position will be broadly a balanced budget outturn.</p>			
2.5	<p>If this position can be achieved, then it enables the Council to reserve some budget provision into 2021/22 to support the delivery of next year's budget. This arises from the £4m budget contingency included within the 2020/21 budget, which is not required to be used under this anticipated position. In addition, savings accruing in central services budgets, arising mostly from Treasury Management activity are expected to reach £3.5m by the year-end and if not required to be set against any residual overspend, can also be reserved to support the 2021/22 budget. For the purposes of this financial monitoring position these are therefore assumed to be committed to carry forward into 2021/22.</p>			

2.6	<p>In December 2020 the Council had to provide Government with the latest view on the estimated financial impact of the COVID-19 response. The December COVID-19 return was submitted to Ministry for Housing, Communities and Local Government (MHCLG) on Friday 11th December within the MHCLG deadline and it projected an overall financial impact for the general fund in 2020/21 of £30.1m. The full impact is made up of;</p> <ul style="list-style-type: none"> • £14.6m of additional costs (£11.7m in the October return) • £6.7m non-delivery of savings (£6.8m in the October return) • £8.8m of income loss (£8.2m in the October return) <p>Total Impact £30.1m (£26.7m in the October return)</p> <p>Therefore, the overall estimated impact of COVID-19 on the 2020/21 revenue budget as per the December return is £30.1m, less COVID-19 support grant received to date of £18.9m, and SFC Income Compensation claims of £3.8m, leaving a net pressure of £7.4m. This net pressure differs from the Council's financial monitoring position as the December MHCLG return focuses solely on COVID-19 requirements and impacts, a net difference of £7.9m.</p>
2.7	<p>There are financial pressures and savings factored into monitoring that are not related to COVID-19, as such they are not required to be reported within the MHCLG returns. Crucially, planned savings the Council has been able to generate despite the pandemic and savings made as a result of the pandemic are not included within the MHCLG return but are factored into financial monitoring. In addition, the MHCLG return requires the Council to show the gross cost of Covid related service impacts, even though in several areas Government has provided grant funding to offset that expenditure. This has the impact of the MHCLG return showing a higher expenditure position when compared with the net position reported in financial monitoring. By way of example the Adult Care and Housing position in the MHCLG return was an impact of £11m, compared with £3.7m for financial monitoring. The differences relate to £5.3m of general placement underspends, shown in monitoring not in MHCLG return and £2m of Covid Health income where the income and costs linked to it are shown in monitoring but only the costs are required to be shown in the MHCLG return.</p>
2.8	<p>The forecast position will continue to be monitored closely and mitigations identified to ensure a balanced outturn position can be delivered. As indicated, it is anticipated at present that the Council will be able to deliver a balanced outturn position, or slight underspend, despite the risk of additional cost pressures that may arise as a result of the latest national lockdown. However, within this overall position is the impact of the non-delivery of savings of £6.7m 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 reprofiled into 2021/22 as part of the Councils budget report to Cabinet in February 2020, this represents a significant financial challenge for the authority.</p> <p>Table 2 sets out the position by Directorate.</p>

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 & future years £m
ACHPH	1.7	4.6	6.3
CYPS	2.3	4.0	6.3
R&E	1.0	0	1.0
Customer Services (R&E)	1.7	0	1.7
Total	6.7	8.6	15.3

The following sections provide further information regarding the Councils forecast outturn of £22.2m, before taking account of the COVID grant, the key reasons for forecast under or overspends within Directorates, and the progress of savings delivery.

Children and Young People Services Directorate (£7.7m forecast overspend)

2.9 Children and 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.

2.10 The budget pressure increased from September to November's financial monitoring by £1m, however, since then there has been no further increase in the overall forecast, as at the end of December this is £7.7m.

2.11 The Looked After Children number at the time of this budget forecast was 616, which is in excess of the budget profile of 557 for this period. The variance of 59 includes a number of LAC placements that are delayed in the court processes and inability to discharge children from care. The placement profile has now been increased to 604 at the end of this financial year from the original budget plan to reduce LAC numbers to 541 by 31 March 2021.

2.12 The direct employee budget is £34.9m and is a combination of general fund, traded and grant funded services. The projected overspend at the end of December is £1.72m, of which £1.47m relates to general fund. The £1.47m budget pressure is after applying budget savings of £3.97m in 2020/21 financial year. The staffing pressures are linked to delays in delivering budget savings across CYPS and the increased requirement for agency social workers to manage caseloads due to overall caseload numbers and staff turnover.

2.13	The staffing general fund forecast has reduced by £70k this period primarily due to delays in recruitment of agency staff in Children's Social Care. At the end of December there were 19 agency workers in children's social care, with approvals in place to increase to 33 agency workers based on caseload demands.
2.14	The staffing budget reflects the work undertaken to date on delivery of the Early Help and Social Care Pathways savings proposals and other staff savings across the CYPS directorate.
2.15	<p>A significant element of the CYPS non-pay budgets relates to placements which has a net budget of £31.0m with a current projected spend of £36.9m, an adverse movement of £128k in December.</p> <p>The £128k adverse main movement relates to an increase of £137k on supported accommodation with two high cost placements transferring from residential / emergency, £80k pressure on fostering placements this period due to forecast prolife not being achieved, offset by savings due to the number of Special Guardianship Orders being lower than anticipated.</p> <p>The financial pressure of £5.9m in the main relates to Residential placements £3.0m, Emergency placements £1.9m and Fostering placements £1.5m, offset by savings made on contracts, section 17 monies, mileage and other (£0.5m).</p>
2.16	<p>The placement forecast assumes that from January 2021 to March 2021, the revised 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:</p> <ul style="list-style-type: none"> • External residential placement admissions continue to reduce in line with the budget profile. • Use of block contract and in-house residential and in-house emergency provisions are maximised. • Estimated admissions and discharges from care being in line with expectations. • The increase in in-house fostering enquires and net growth in in-house foster carers placements are in line with the estimated projections for the rest of the financial year.
2.17	The other major budget pressure linked to the current number of Looked After Children this financial year is transport with a forecast overspend of £375k.
	Dedicated Schools Grant
2.18	The High Needs Block (HNB) is £40.0m (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).
2.19	<p>The High Needs Budget is 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.</p> <p>In December the budget pressure was £1.653m a favourable movement of £238k from the November forecast of £1.891m.</p> <p>The pressures relates to DSG contributions towards social care residential placements not reducing as planned, an increase in high cost Independent Sector Placements due to extension of placements due to COVID and an increase in demand above estimated increases in special schools.</p>
2.20	Both the Early Years and the Schools' Block are expected to be broadly in line with allocations in 2020/21.
2.21	<p>The key areas of focus to reduce High Needs Block spend are:</p> <ul style="list-style-type: none"> • 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 by the end of 2020/21. • Work with schools and academies to maintain pupils in mainstream settings wherever possible. • A review of inclusion services provided by the Council
Adult Care, Housing and Public Health (£3.7m forecast overspend)	
2.22	The overall Directorate forecast is an overspend of £3.7m on general fund services after taking account of the additional one-off budget support of £4.65m for 2020/21.
2.23	Included within the £3.7m forecast overspend is the Covid-19 impact for the service. COVID-19 is estimated to have a net cost impact of £6.7m after factoring in government grants provided to support Covid-19 related expenditure. This includes: £1.1m for personal protective equipment; £1.7m due to delayed budget savings and £3.9m of placement costs due to additional demand and the increased costs of providing care (reduced from £4.4m in September due to increased Health income).
2.24	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. It is now anticipated that the cost of these will transfer to the Council over the next few months. These are included in the cost of additional placements

	<p>(£3.9m). Each person needs to have an assessment which will determine their eligibility for LA or Health funding the outcome of which is not yet known.</p> <p>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. Re-provision costs are now expected to be lower in 2020/21 (£300k) due to the ongoing diversion of staff resources. Anticipated additional income has reduced as social distancing has prevented some of the tasks required from taking place.</p>
2.25	<p>Excluding the cost of COVID-19, the cost of care packages is forecast to be £3.3m underspent. This is due to savings on transforming care (£1.1m) and reductions in the number of older people placements of £2.1m some of which will be captured under the COVID-19 discharge packages. Mental health packages are forecast to overspend (£500k) due to additional residential packages and reductions in fees and charges. Learning disability services are forecast to underspend by £600k due to reduced staffing costs on in-house provider services and increases in health income for placements.</p>
2.26	<p>Staffing budgets are forecast to overspend by £400k due to low vacancy numbers.</p>
2.27	<p>Neighbourhood Services' (Housing) is forecast to underspend by £39k. This is due to additional income of £172k offset by additional homelessness costs due to COVID-19.</p>
2.28	<p>The latest Public Health forecast is an underspend of £69k. Demand led services are forecast to underspend by £120k. This is offset by additional staffing costs required to support the Council's response to COVID-19.</p>
	<p>Regeneration and Environment Directorate (£9.1m forecast overspend)</p>
2.29	<p>The latest outturn projection for the Directorate indicates a forecast pressure of £9.1m for this financial year. This is a standstill position compared with previous position reported to Cabinet in January. However, within the unchanged total forecast are two changes.</p>
2.30	<p>The December monitoring immediately preceded the Government announcement to enter a third national lockdown on January 4th. The reporting cycle will not therefore include the full impact particularly on income generating activities across the Directorate, this is still being assessed. In particular on income from School Meals, Parking, Green Spaces, Commercial Rents and Markets. On 15th January, the Council has made a claim under the National Leisure Recovery Fund to offset additional payments made to the Council's leisure services operator. In addition, the Directorate will review all outstanding debtors, in light of the ongoing impact on businesses due to the lockdown restrictions.</p>
2.31	<p>The previously reported sustained fall in the Directorate's income from fees and charges continues to be felt throughout the 2020/21 financial year, particularly in</p>

	those areas (Theatres, Green Spaces, Markets and Parking) reliant on visitors and paying customers. 'Lockdown 3' restrictions losses could increase yet further, although wherever possible everyday services are being provided.
2.32	<p>Previously agreed revenue budget savings have been delayed. The lockdown has generated 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.</p> <p>The forecast outturn projection includes the following specific budget issues:</p>
2.33	<p>Community Safety and Street Scene (CSS) is reporting an overall pressure of £2.1m. The most significant pressure in this Service is in respect of Waste, £1.3m. Waste disposal costs are £952k over budget, resulting from extra tonnages being collected from the kerbside, as people spend more time at home, as a result monthly tonnage increases in excess of expectations are to continue for the rest of the year, the green waste disposal contract has also increased by £290k following retendering. Although a £605k income shortfall is being reported in Parking Services as a result of COVID-19 and Transport are reporting a £432k overspend as a result of the difficulty in delivering savings in 2020/21, plans are in place to support recovery if the Council are to see this from Spring 2021. Offsetting savings of £201k are being reported in the Community Safety and Regulation service due to vacancies.</p>
2.34	<p>Culture Sport and Tourism (CST), has been severely impacted by the temporary closure of facilities and the slow recovery, and is reporting an overall pressure of £3.4m. There is a forecast pressure of £1.3m in respect of the Council's Leisure Centre facilities. Following effective local and provider led lobbying a National Leisure Recovery Fund managed by Sport England on Central Government's behalf has been established. The Council has submitted an expression of interest into the fund and moved forward to the claim stage, there is strong competition for the fund.</p> <p>The Green Spaces Service, which includes the Borough's Country Parks and Facilities, is forecasting a pressure of £1m. The temporary closure of parks and all other leisure sites for all of spring and into the summer prevented any trading activities taking place over that period, but there has been a small improvement in the forecast since the facilities reopened but again this can quickly fall back with the new lockdown in place. A £453k pressure in respect of Theatres is being reported after the Council took the difficult decision to close the facility for the entire financial year.</p> <p>Income losses across parks and green spaces were hoped to grow but the anticipated revival in income ended with the new lockdown. While some operations including concession are still operating the full impact is having to be re-assessed with result likely in February monitoring. The forecast includes a pressure of £212k in Registrars, as a result of weddings being rearranged into 2021 and other pressures across income generating services impacted by Covid totalling £400k.</p>
2.35	<p>Planning Regeneration and Transport (PRT) is forecasting an overall pressure</p>

	<p>of £3.6m. The largest pressure in this Service is in the School Meals service of £2.2m. The pressure might be expected to grow unfavourably again by at least £500k before the year end. Lost income of £3.1m is now being assumed, only partly offset by reduced expenditure on food of £900k. Changes in local schools provision including the definitions on who may attend in school during lockdown 3 is having a further marked unfavourable effect on cost of meals provision</p> <p>A pressure of £428k is being forecast on Markets income, arising from the closure of the Markets and the ongoing difficult trading conditions. Similarly, a pressure of £283k is being reported in Estates in respect of income from commercial rents.</p> <p>A reduction in planned income of up to £250k is being reported in respect of Planning and Building Control income as a result of the economic downturn impacting significantly on the number of planning applications and building control inspections.</p> <p>A pressure of £384k is being reported in respect of Facilities Management, mainly as a result of delays in the timing of property savings to be achieved from closure of buildings. Whilst this impacts on the overall position new savings of £300k are planned for in 2020-21 and are in progress to be implemented.</p>
	Finance and Customer Services (balanced forecast position)
2.36	<p>The overall Directorate is reporting 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 current service forecast is a £212k underspend but there are still risks within that forecast position hence a balanced position being reported. These risks relate in the main to technical adjustments for bad debt provision on Housing Benefits, an area that can fluctuate significantly. The £600k savings from the Customer and Digital Programme have now all been delivered.</p>
2.37	<p>Within Customer, Information and Digital Services, there are financial pressures from ceasing the Schools Connect Trading service, reflecting the loss the service was making, £100k 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 of £100k. 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.</p>
2.38	<p>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 £400k underspend. However, the number of cases during the year remains volatile and will continue to be monitored closely.</p>
	Assistant Chief Executive (balanced forecast position)

2.39	The Assistant Chief Executive's Directorate are forecasting a balanced budget position. The service needs to deliver savings of £200k in relation to the Customer and Digital Programme and 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. As with all directorates COVID-19 has impacted the forecast position. For Assistant Chief Executive's Directorate the main impacts are the costs of implementation and management of the Community Hub, £400k. It is possible that further costs will be incurred in the provision of the Community Hub as the new national lockdown continues.
2.40	Though the work to deliver the savings will continue, the service is currently able to forecast a balanced budget position due to use of vacancy control. It is anticipated that the savings will be fully achieved during the current year.
	Central Services (£1.7m forecast overspend)
2.41	There are agreed savings to be delivered from Central Services as the £1.7m customer services saving to be delivered from Regeneration and Environment Services has been budgeted for here. It is unlikely this saving will be delivered in year and as such has been forecast as an overspend.
2.42	Central Services budget holds the planned transfer of £4.3m to reserves as per the Council's reserves strategy detailed within the Council's budget report to Cabinet in February 2020. Within the anticipated financial outturn described in this report, this £4.3m transfer to reserves will take place. Central Services also holds the budget contingency of £4m and as indicated earlier in the report, based on the current anticipation of a balanced financial outturn, this contingency is not expected to be used in 2020/21 and is planned to be carried forward into 2021/22 to support the delivery of next year's budget.
2.43	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 anticipated to deliver savings of £3.5m by the end of the financial year. Again as indicated earlier in this report, it is also planned to carry forward these savings to support the 2021/22 budget
	Housing Revenue Account (HRA)
2.44	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 is forecast to underspend by £710k before the transfer from reserves.
2.45	There is a forecast underachievement of income which relates to: the closure of Communal Facilities due to COVID-19 £150k; reduced interest on balances

	<p>£240k; reduction in income from Aids and Adaptations £150k as only emergency works were carried out for a period of time due to the pandemic; reduced garage and dwelling rents £120k; and other income variances of £190k. This is being offset by a forecast underspend within Supervision and Management due to lower superannuation contributions and vacant posts as well as savings on supplies and services e.g. court costs (£750k) and lower debt costs (£130k). There are increased costs to maintain new build housing until these are sold or let (£170k). R&M is forecast to underspend by £700k largely due to lower numbers of planned and responsive repairs due to COVID-19. The level of former tenant rent arrears has fallen and the cost of providing for bad debt has reduced by £150k.</p>
2.46	<p>The HRA budget includes a revenue contribution to capital expenditure of £13.4m (which is forecast to budget at this stage) plus a contribution from the HRA reserve of £9.3m to balance the overall budget. The transfer from reserve is forecast at £8.6m to reflect the forecast underspend which will bring the HRA back to a balanced position.</p>
	<p>Rapid Testing Fund</p>
2.47	<p>On 23 December, the Government announced an extra £149 million grant nationally to support the rollout of Lateral Flow Device (LFD) testing in care homes. The main purpose of this funding is to support the setup, training and implementation of additional rapid testing of staff in care homes, and to support testing visiting professionals. The fund is only intended to support additional rapid testing using LFDs. The Council has been allocated £741k.</p> <p>The Council has facilitated the distribution of the specified 80% of the Rapid Testing Fund as per the guidance. This is recorded via the Record of Officer Executive Decision from the Strategic Director of Adult Social Care.</p> <p>Local authorities must use 20% (£148k) of the fund to support the care sector to operationally deliver rapid testing, but this can be allocated at the Council's discretion.</p>
2.48	<p>It is proposed to utilise the 20% discretionary element as follows:</p> <ul style="list-style-type: none"> - Supporting care homes or other providers that are currently experiencing an outbreak to ensure that they have the resources needed to administer the LFD tests and equipment that they need to increase LFD testing. - Support smaller homes to implement LFD testing, as they may face relatively higher costs compared to large homes, and to enable other settings such as home care, supported living and extra care that are eligible to rollout LFD testing. <p>The discretionary element will be allocated based on an assessment of the emerging risks and in line with the wider testing strategy.</p>
	<p>Capital Programme Update</p>

2.49 The Capital Programme 2020/21 now totals £125.286m split between the General Fund £73.537m and HRA £51.749m. This is a reduction of £13.814m to the position as at the end of November reported to Cabinet on 25th January 2021, the majority of which relates to the reprofiling of schemes due to delays caused mainly from COVID-19. The movement is based on the latest profiles of expenditure against schemes, both new and revised grant allocations (£519k), factoring in new borrowing of (£175k), and slippage and re-profiles of (£14.508m).

The overall increase to the overall Capital Programme 2020/21 to 2023/24 is an increase of £22.491m, predominantly as a result of the new capital investment proposals of £20.615m to be approved as part of the Council's Budget Report on the same agenda. The total new borrowing as shown in the table below, is £21.972m, as it includes the following two amendments to the capital programme;

- Increase budget provision for Town Centre New Housing project, £1.217m
- Provision for a CYPS invest to save scheme, £140k, for the procurement of vehicles to support the in house children's residential provision.

	Total Increase £m	2020/21 Impact £m	Post 2020/21 Impact £m
Revised Grant and Funding Estimates	0.519	0.519	0.000
New borrowing	21.972	0.175	21.797
Slippage / reprofiling	0.000	-14.508	14.508
Total	22.491	-13.814	36.304

2.50 New borrowing of £21.972 has been added to the capital programme across the directorates as per the table below, details of these investments are contained within the Councils Budget Report on the same agenda.

New Capital Borrowing 2020/21 to 2023/24	Capital Investment Proposals	Invest to Save / Support for existing pressures	Total
	£m	£m	£m
Children & Young Peoples Services	0.015	0.140	0.155
Regeneration and Environment	19.000	0.000	19.000
Adult Care and Housing	1.600	1.217	2.817

	Total	20.615	1.357	21.972												
2.51	<p>The slippage and re-profile requirements are within the HRA, Regeneration and Environment, Finance and Customer Services & Children and Young Peoples Services, they include</p> <ul style="list-style-type: none"> The three sites town centre housing development (Henleys site. Millford House and Sheffield Road) has been reprofiled and an additional funding request has been made of £1.217m shown above to be approved as part of the budget setting process. This additional request has been made due to the implications of the flooding in November 2019 and the ongoing Covid 19 pandemic. The extreme flooding caused movement in the existing retaining wall at the rear of Millford House. This structural issue had to be rectified before any construction could productively take place. A provision has also been identified for additional covid 19 precautions that could be required as the construction work moves from an outdoor environment to an indoor environment. In identifying, resolving and re-planning the project to account for these issues the spend profile has slipped. The most significant reprofiling within Regeneration and Environment are on Century Phase II and the fleet management vehicles purchase. The former is due to delays in securing the funding with SCR and the latter has been impacted due to COVID and issues with the vehicle specification. Within Children and Young People's services the slippage relates to two SEND projects which are now due to commence in February and will run into the next financial year. The slippage within Finance and Customer services all relates to IT related projects, mainly around the ICT digital strategy and licence costs. 															
2.52	<p>New 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 or reduced since the November Cabinet report are listed below:</p> <table border="1"> <thead> <tr> <th>Directorate/Scheme</th> <th>2020/21 £M</th> <th>Post 2020/21 £m</th> </tr> </thead> <tbody> <tr> <td colspan="3">Regeneration & Environment</td> </tr> <tr> <td>New grant from SCR Active travel Emergency fund for pedestrian improvements and Broom Valley Road Closure.</td> <td>0.155</td> <td>0.00</td> </tr> <tr> <td colspan="3">Adults and Community Housing</td> </tr> </tbody> </table>				Directorate/Scheme	2020/21 £M	Post 2020/21 £m	Regeneration & Environment			New grant from SCR Active travel Emergency fund for pedestrian improvements and Broom Valley Road Closure.	0.155	0.00	Adults and Community Housing		
Directorate/Scheme	2020/21 £M	Post 2020/21 £m														
Regeneration & Environment																
New grant from SCR Active travel Emergency fund for pedestrian improvements and Broom Valley Road Closure.	0.155	0.00														
Adults and Community Housing																

	An additional allocation for Disabled Facilities Grant from the Department of Housing, Ministries and Local Government.	0.364	0.00
	Total	0.519	0.000

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

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	12.415	13.842	4.508	6.573	37.338
Assistant Chief Executive	0.424	0.210	0.210	0.210	1.054
Adult Care & Housing	4.824	6.611	12.653	6.130	30.218
Finance and Customer Services	6.876	5.648	3.204	10.523	26.251
Regeneration and Environment	46.998	72.070	52.553	24.646	196.267
Capitalisation Direction	2.000	2.000	0.000	0.000	4.000
Total General Fund Capital	73.537	100.381	73.128	48.082	295.128
Total HRA Capital					
	51.749	62.324	44.811	42.964	201.848
Total RMBC Capital Programme					
	125.286	162.705	117.939	91.046	496.976

It should be noted that current spend against this revised profile is still low for this point in the year. The capital programme for 2020/2021 was an ambitious target and the unprecedented times faced for the majority of this year has inevitably caused delays to projects. It is anticipated that the programme will reduce further due to slippage as the year progresses.

Funding position of Capital Programme 2020/21

2.54 The £125.286m of capital expenditure is funded as shown in the Table 4 below.

2.55	Table 4: Funding of the approved Capital Programme
	2020/21 Budget £m
Grants and Contributions	29.106
Unsupported Borrowing	37.863
Capital Receipts	4.391
Capital Receipts - Flexible Use	2.000
HRA Contribution	0.178
Total Funding - General Fund	73.537
Grants and Contributions	9.378
Unsupported Borrowing	-
Housing Major Repairs Allowance	23.197
Capital Receipts	5.786
Revenue Contribution	13.387
Total Funding - HRA	51.749
Total	125.286
	Capital Receipts
2.56	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.
2.57	In 2020/21 to date General Fund Capital receipts of £1.2m have been generated as shown in the table below. This is a significant improvement on both the position previously reported and earlier forecasts for this year. 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. From the £1.2m generated £1.1m is available for use to support the Councils revenue position through the current flexibility on the use of capital receipts, as planned for when the 2020/21 budget was set.

	Description	Total as at 30th November 2020 £m
	Galaxy Building	-0.015
	Land 36 Nelson Street	-0.018
	6 Dale Road	-0.008
	47 Allendale Road	-0.007
	Wath Town Hall	-0.090
	Hope Street	-0.019
	Land off Simmonite Road	-0.162
	Land at Whnney Hill	-0.141
	Lots A&C Laudsdale Rd E.H/thorpe	-0.020
	Lot 6 Kiveton Youth Centre	-0.102
	Lot 5 17 West Close Kimberworth	-0.166
	Land @ Newsam Rd Kilnhurst	-0.020
	Maltby Library	-0.382
	Total Capital Receipts (Excludin	-1.150
	Repayment of Loans	-0.028
	Total Capital Receipts	-1.178
2.58	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 £1.2m and £1.5m and includes surplus property disposals which are subject to Cabinet approval.	
3.	Options considered and recommended proposal	
3.1	With regard to the current forecast net revenue budget underspend of £0.5m, further management actions continue to be identified with the clear aim of ensuring a balanced budget position can be achieved, in recognition that there are still financial implications as a result of the third national lockdown that need to be fully understood.	
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 continues to be monitored closely. Control over spending remains 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	An interim update to the Council's Medium Term Financial Strategy was considered by Cabinet on 23rd November. This indicated that a balanced budget could be maintained for 2021/22 but that there was a forecast funding gap for 2022/23. Following the announcements of the Spending Review 2020 on 25 th November and the Provisional Local Government Finance Settlement on 17 th December, the MTFS has been updated further as part of finalising budget proposals for 2021/22. The final balanced budget proposals for 2021/22 are reported to Cabinet on the same agenda as this Financial Monitoring report, within the Budget and Council Tax 2021/22 report, for Cabinet to consider and make recommendations to the Council meeting of 3rd March 2021. The updated forecast funding gap for 2022/23 is £2.4m.
6.3	The report also seeks approval for how governments new Rapid Testing Fund will be utilised in Rotherham. The main purpose of this funding is to support the setup, training and implementation of additional rapid testing of staff in care homes, and to support testing visiting professionals. The Council has been allocated £741k.
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
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	01/02/21
Strategic Director of Finance & Customer Services (S.151 Officer)	Judith Badger	27/01/21
Head of Legal Services (Monitoring Officer)	Bal Nahal	27/01/21

Report Author: Rob Mahon, Head of Corporate Finance

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