

Committee Name and Date of Committee Meeting

Cabinet – 19 September 2022

Report Title

July Financial Monitoring 2022/23

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 July 2022 and forecast for the remainder of the financial year, based on actual costs and income for the first four months of 2022/23. 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 second 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 July 2022, the Council currently estimates an overspend of £11.4m for the financial year 2022/23. Whilst the core directorates services have a forecast year-end overspend of £7.4m on the General Fund, there is £4.0m of estimated unbudgeted cost resulting from the wider financial impact of the war in Ukraine, inflation, energy price increases excluding the estimated impact of the 2022/23 pay award. This additional financial challenge has been factored into the current forecast following a review of the impact of these pressures on the current year and Medium Term Financial Planning.

Whilst the energy price rises and inflation will impact the Council's costs in the provision of services there will be some mitigation in future years by increased core funding as business rates income is indexed to the rate of inflation. It is currently expected that the period of high inflation will last for around two years before returning

to a more normal level but the cost increase being experienced will raise the base cost of services on which future inflation is applied meaning a compounding impact.

As such the Council faces significant financial pressures that will need to be managed and mitigated through the Medium Term Financial Strategy and through significant use of the Council's reserves. There is no indication as yet as to whether additional funding will be provided to local authorities as part of the financial settlement for 2023/24.

Recommendations

That Cabinet:

1. Note the current General Fund Revenue Budget forecast overspend of £11.4m.
2. Note that actions will continue to be taken to reduce the overspend position but that it is expected that the Council will need to draw on its reserves to balance the 2022/23 financial position.
3. Note the Council's approach to use of the Homes for Ukraine funding, as detailed in section 2.42.
4. Note the updated Capital Programme.

List of Appendices Included

Appendix 1 Equalities Impact Assessment
Appendix 2 Carbon Impact Assessment

Background Papers

Budget and Council Tax 2022/23 Report to Council on 2nd March 2022
May Financial Monitoring Report to Cabinet on 11th July 2022

Consideration by any other Council Committee, Scrutiny or Advisory Panel

No

Council Approval Required

No

Exempt from the Press and Public

No

July Financial Monitoring 2022/23

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 second in a series of financial monitoring reports to Cabinet for 2022/23, setting out the projected year end revenue budget financial position in light of actual costs and income for the first four 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 2022/23 as at July 2022

Directorate	Budget 2022/23	Forecast Outturn 2022/23	Forecast Variance over/under (-)
	£m	£m	£m
Children and Young People's Services	65.9	70.2	4.3
Adult Care, Housing & Public Health	88.9	89.0	0.1
Regeneration and Environment Services	47.5	50.5	3.0
Finance and Customer Services	19.6	19.6	0.0
Assistant Chief Executive	7.5	7.5	0.0
Central Services	30.2	34.2	4.0
Directorate Forecast Outturn	259.7	271.1	11.4
Dedicated Schools Grant			0
Housing Revenue Account (HRA)			1.8

The Council's overspend position at this point is largely due to the following overall issues:

- Financial implications of the war in Ukraine, inflation and energy price increases.
- Placement pressures within Children and Young People's Services.
- Home to School Transport pressures within Regeneration and Environment.
- Pressures relating to the longer term recovery from Covid-19 on income generation within Regeneration and Environment.

As at July 2022, the Council currently estimates an overspend of £11.4m for the financial year 2022/23. Whilst the core directorates services have a forecast year end overspend of £7.4m on the General Fund, there is also £4.0m estimated overspend in relation to the wider financial impact of the war in Ukraine on inflation and energy price increases.

These financial challenges are being considered as part of the Council's ongoing Medium Term Financial Planning. Whilst the Council's Medium Term Financial Strategy did have reasonable cover for inflationary impacts and estimated pay award at the time of setting the 2022/23 Budget, the current rises are far above what the Council could have anticipated.

Along with most Council's across the UK, the Council assumed a 2% pay award for 2022/23 in the Budget and Council Tax Report 2022/23. However, the current estimated pay claim (£1,925 on all NJC pay points from 1st April 2022 and 4.04% on allowances), potentially provides staff at the bottom of the pay scale with a 10.4% pay award, whilst it reduces to 1.1% for the top salary point. The bulk of the Council's staff are towards the lower end of the pay scale so will potentially receive a pay award well in excess of the 2% modelled within the Council's Medium Term Financial Strategy. As yet there is no indication from Government that any additional resources will be provided to local authorities for 2022/23 or within the financial settlement for 2023/24 to support the application of this potential pay award. The financial impact of this pay award is £6.5m greater than the budget assumed within the Council's Medium Term Financial Strategy.

- 2.2 The energy price rises and inflation will impact the Council's costs in the provision of services. However, some of this cost impact will be mitigated in future years by increased core funding as business rates income is indexed to the rate of inflation. The Bank of England is still expecting that the period of high inflation will last for around two years before returning to a more normal level but the cost increase being experienced will raise the base cost of services on which future inflation is applied meaning a compounding impact. As such, the Council will face significant financial pressures that will need to be managed and mitigated through the Medium Term Financial Strategy and the Council's reserves.
- 2.3 The current year forecast position will continue to be monitored closely and mitigations identified to enable a balanced outturn position to be delivered, though it's clear that the Council will need to call on reserves to achieve a balanced outturn position. There is significant volatility at present in the economy that makes projecting forwards the impact of inflation and energy prices challenging, as such the Council will need to keep focus on assumptions based

on these pressures. In addition, the Council will need to ensure that mitigating actions are taken to reduce the current directorate forecast outturns along with ensuring that savings plans are delivered on time to mitigate any knock on impact on future years Medium Term Financial Planning.

2.4 The following sections provide further information regarding the Council's forecast outturn of £11.4m, the key reasons for forecast under or overspends within directorates and the progress of savings delivery.

2.5 The Council is able to report further secured delivery of planned savings for 2022/23. The table below provides an update on the £11.5m of planned savings to be delivered over the medium term. £4.1m, almost a third of planned savings have been delivered already within 2022/23, an increase of £0.2m from May's Financial Monitoring position reported to Cabinet in July. This includes £971k for Early Help & Social Care Pathway (reductions in social care teams linked to reducing caseloads), £2.4m savings from reablement services and £119k delivery of increased income at Waleswood. CYPS have delivered £55k against their 2023/24 savings target. The R&E remaining position for savings to be delivered during 2022/23 is in respect of planned cost reductions on operational buildings.

Table 2: Planned delivery of £11.5m savings

Saving	2022/23	2023/24	2024/25 & Total FYE	Still to be delivered 2022/23	Total secured to date
	£0	£0	£0	£0	£0
ACHPH	2,800	2,800	2,800	400	2,400
ACHPH – One off saving	500	0	0	0	500
CYPS	971	4,739	7,411	0	1026
R&E	374	762	784	205	169
R&E Customer & Digital	200	500	500	155	45
Total Savings	4,845	8,801	11,495	760	4,140

Children and Young People Services Directorate (£4.3m) forecast overspend

- 2.6 Children & Young People Services continue to implement the budget recovery plan with budget savings of £971k already delivered for 2022/23.
- 2.7 The budget pressure at the end of July 2022 is £4.3m, an increase of £0.7m on the May reported position. The movement reflects increased pressures linked to Post 19 transport (£200k) and agency costs in children's social care (although the Directorate are underspent overall on staff costs), along with increased pressures linked to costs on children's social care placements. The main pressures relate to placements (£3.9m), Children in Care & Post 19 Transport (£570k) and Section 17 monies (£170k), offset mainly by staff savings due to the level of vacancies across the directorate.
- 2.8 The Looked After Children numbers have increased from June 2022 by 9 from 546 to 555. This is below the original budget profile (557) for this period by 2 placements. However, the placement mix is showing higher than projected placements in external residential (1), emergency (5), Independent Fostering Agency (30), Leaving Care (13) offset by in-house fostering (37), in house residential (1) and no cost placements (13).
- 2.9 The LAC number of 555 includes 29 Unaccompanied Asylum Seeker Children which has risen from 14 in March 2022. This is having an impact on the ability to reduce the overall LAC numbers.
- 2.10 The direct employee budget is £37.7m and is a combination of general fund, traded and grant funded services. The projected underspend at the end of July is £24k, which includes a general fund projected underspend of £127k and an overspend of £103k against DSG and traded services.
- 2.11 The general fund projected underspend on staffing is £127k, this relates to staffing savings in Early Help & Education offset by pressures in Children's Social Care (due to agency workers), District Wide (mainly Safeguarding) and Commissioning & Performance. At the end of July there were 28.0 agency workers in CYPS, 21.5 across children's social care and 6.5 in Education Services.
- 2.12 A significant element of the CYPS non-pay budget relates to placements which has a net budget of £34.9m with a current projected spend of £38.8m, a projected overspend of £3.9m.
- 2.13 The £3.9m adverse projection relates in the main to £3.2m on external residential placements, £1m on Independent Fostering Agency placements and £0.6m in emergency, offset by savings on in-house residential £0.2m, leaving care £0.3m, in house fostering £0.2m and on guardianship allowances £0.2m.
- 2.14 The £3.2m residential pressure is due to a combination of the increase in placement costs (£0.8m), a reduction in the estimated residential step downs

(£1.7m) as well as a reduction in the contribution from Dedicated Schools Grant due to a reduction in education placements (£0.7m).

Dedicated Schools Grant (DSG)

- 2.15 The High Needs Block (HNB) is £51.6m (including the £3.3m 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. The High Needs Budget is based on the DSG recovery plan and includes anticipated growth of EHC numbers and the implementation of new developments linked to the SEND Sufficiency Strategy.
- 2.16 The Council has entered into a Safety Valve agreement with Government to enable the Council to reduce the DSG deficit reserve. The central DSG reserve now stands at £12.8m following receipt of £8.5m Safety Valve funding during 2021/22. The Council will receive to further payments to fully remove the DSG reserve deficit along with additional capital funding to ensure the Council is placed in a more sustainable position moving forwards.
- 2.17 The Council is currently on track to meet its Safety Valve Recovery plan with the High Needs Block outturn for the year a small forecast overspend of £16k (excluding Safety Valve funding). The pressures reflect demand for special school, resource units, top up funding and ISP's, offset by savings on external residential placements and transport.
- 2.18 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 by the end of 2021/22.
 - 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, (£0.1m) forecast overspend

- 2.19 The directorate is forecast to overspend by £0.1m. There are several pressures within Adult Care which are mitigated by additional income giving a small net underspend within Adult Care of £0.2m. Housing GF is forecast to overspend by £288k.

- 2.20 The cost of Adult care packages is forecast to budget. Although there has been an increase in the number of people in older people's residential and nursing care, there has also been a significant increase in Continuing Health Care income towards several Learning Disability placements, some of which have been backdated to previous years. The forecast assumes all current placements remain for the rest of the year although they may reduce. Overall movements in numbers will be closely monitored as the year progresses.
- 2.21 Staffing budgets are forecast to be £138k underspent due to vacancies.
- 2.22 Neighbourhood Services (Housing) is forecast to overspend by £288k. The key pressure is on homelessness, which is expected to overspend by £365k after accounting for grant income, though this is mitigated in part by savings due to staff vacancies that reduce the overall pressure.
- 2.23 Public Health is forecast to budget at this stage.

Regeneration and Environment Directorate (£3.0m) forecast overspend

- 2.24 The projection for the directorate indicates the forecast pressure has remained at £3.0m for this financial year, as reported as part of May's Financial Monitoring to Cabinet in July. The forecast reflects the impact of ongoing demographic pressures in Home to School Transport and the remaining economic impact of the recovery from the lockdown restrictions on some of the directorate's services. For example, a continuation of the increases in waste tonnages believed to be resulting from changes in patterns of work life balance, and the impact on income generation, in particular in Parking Services. The forecast outturn projection includes the following specific budget issues.
- 2.25 Community Safety and Street Scene (CSS) is forecasting an overall pressure of £2m. The most significant pressure continues to be in respect of Home to School Transport of £1.6m, due to ongoing demographic pressures leading to an increase in the number of new eligible passengers and fewer contractors in the market leading to increased prices. Addressing the challenge of the increased costs and demand, a range of solutions are being explored to influence demand and maximise savings opportunities, using improved cost data analysis to support plans to implement lower cost routes.
- 2.26 Parking Services is forecasting a pressure of £0.4m. The longer term recovery post pandemic, the ongoing economic impact on town centre footfall and the closure of the Forge Island car park for the cinema development, has led to a reduction in income from parking charges.
- 2.27 Waste Management is forecasting an overspend of £0.3m. Household waste tonnages continue to be above trend, also disposal charges have risen and commercial waste income has dipped, however, the service is continuing to see an improvement in recycling income, as the market stabilises. The forecast assumes best case assumptions for outturn tonnages and income.

- 2.28 Culture Sport and Tourism (CST) is forecasting an overall pressure of £0.3m. The service is still seeing reduced levels of forecast income compared to pre-pandemic levels at Rother Valley Country Park, Green Spaces, Theatre and the Music Service.
- 2.29 Planning, Regeneration and Transport (PRT) is forecasting an overall pressure of £0.7m. The major pressure is in Asset Management, with a forecast overspend of £0.6m. The forecast assumes income under recovery in Estates and Building Consultancy. Pressures in Facilities Management include rising property costs, including repairs and maintenance and fixtures and fittings.
- 2.30 A pressure of £0.1m is being reported in respect of Facilities Services, due to inflationary pressures on food prices in School Meals (basic food, consumables and materials costs could be expected to rise further) and the closure of Riverside House Cafe. A pressure of £0.1m is being reported in the RIDO service, largely due to a forecast shortfall on Markets income arising from the number of void stalls and the ongoing difficult trading conditions. However, grant income offsetting direct costs in other services in RIDO has helped partially mitigate the Markets service pressure.

Finance and Customer Services (balanced outturn position)

- 2.31 The overall directorate is reporting a balanced outturn position. Whilst there are some financial pressures within the directorate, the service will continue to make savings on ICT Contracts and Legal disbursements and deliver a balanced budget.
- 2.32 Within Customer, Information and Digital Services, the service continues to generate cost reductions on the renewal or removal of ICT contracts. The removal of the kiosks across the borough and the promotion of online and over the phone payment routes has seen further savings for the service as the cost of cash transportation has reduced (as less cash is needed) and transaction costs reduce as residents move to more efficient payment methods. The service has also incurred difficulties with recruitment, creating further temporary cost reduction.
- 2.33 Whilst Legal Services continue to face demand for legal support with child protection hearings and court case costs relating to Looked After Children, the level of demand is decreasing. In addition, the service is seeing reduced costs of legal disbursements and whilst the number of cases can fluctuate, overall it is on a downward trajectory.

Assistant Chief Executive (balanced outturn position)

- 2.34 The service is currently able to forecast a balanced outturn position. The service had experienced difficulties in recruitment during 2021/22, however most of the vacancies are either filled or expect to be filled during 2022/23. The HR service is projecting increased income generation from salary sacrifice schemes and external business from partnership arrangements.

Central Services (£10.5m) forecast overspend

- 2.35 There are some significant financial challenges that were not evident at the time of setting the 2022/23 Budget, such as the war in Ukraine and its impact on the significant rise in energy prices and inflation. It is currently estimated that the impact of inflation and in particular energy price increases will be £4m above available budget. In addition, the Local Government Pay Claim 2022/23 has now been considered by national employers and is being put to NJC Trade Unions. The offer includes an increase of £1,925 on all NJC pay points from 1st April 2022 and 4.04% on allowances. If approved, at the lowest spinal column point that the Council uses, this would be a 10.4% pay rise, reducing down to 1.1% for the most senior role. The financial impact of this pay award is £6.5m greater than the budget assumed within the Council's Medium Term Financial Strategy which assumed a 2% pay award for 2022/23, as the outcome remains uncertain it has not been factored into the current outturn position.
- 2.36 These financial challenges are being regularly reviewed as part of the Council's ongoing Medium Term Financial Planning. Whilst the Council's outturn position for 2021/22 placed the Council in a stronger position and more able to manage the impact rather than needing to consider making cuts in services, it is clear that the Council will need to utilise reserves to manage these impacts. The energy price rises and inflation will impact the Council's costs in the provision of services. However, some of this cost impact will be mitigated in future years by increased core funding, for example business rates income is indexed to the rate of inflation. It is currently expected that the period of high inflation will last for around two years before returning to a more normal level. As such, the Council will face short term financial pressures that will need to be managed and mitigated through the Medium Term Financial Strategy and the Council's reserves.
- 2.37 The Council currently anticipates that the financial impact of these pressures on the Council's 2022/23 budget will be £4.0m, with a significant pressure over the period of 2023/24 to 2024/25. Though the economic position is very volatile at present requiring this position to be under regular review. The forecast impact is based on assumptions around the potential impact of inflation and energy prices, areas that are to a large degree outside of the Council's control and influence.
- 2.38 The Central Services budgets are made up of a number of corporate budgets for levies and charges such as the Integrated Transport Levy (ITA), PFI Financing, and Treasury Management. A list of the main budget areas within Central Services was provided as part of the Council's Budget and Council Tax Report 2022/23, approved at Council 2nd March 2022. The costs within this area are largely fixed costs, set out prior to the start of a financial year, not specific to a particular Directorate and are therefore not controllable by the directorates and thus held centrally. For example, the cost of levies for 2022/23 was set at £11.8m at the outset of 2022/23. These wider Central Services budgets are forecast as balanced budgets.

Housing Revenue Account (HRA)

2.39 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 currently forecast to overspend by £1.8m.

2.40 The overspend largely relates to increases in energy costs which has an impact on building running costs as well as the District Heating scheme. The unit cost charged to DH tenants is fixed whilst wholesale gas and electricity prices are higher than anticipated. The forecast includes under recovery of dwelling rent and garage income.

2.41 The HRA budget includes a contribution to HRA reserve of £2.037m. The transfer to reserve is forecast at £0.277m to reflect the forecast overspend which will bring the HRA back to a balanced position.

Homes for Ukraine Funding

2.42 Councils have a critical role to play in the success of the Homes for Ukraine scheme and are uniquely placed to support local communities to offer people from Ukraine the warmest possible welcome to the UK. The Homes for Ukraine scheme was launched on 14 March 2022 by the Secretary of State for Levelling Up, Housing and Communities.

2.43 This Scheme is open to Ukrainian nationals who were residents in Ukraine prior to 1 January 2022 and also to their immediate family members (for example spouse/partner and children under 18) who may be of other nationalities, to be sponsored to come to the UK.

2.44 The government issued guidance which set out a range of responsibilities for local authorities under the Homes for Ukraine scheme including carrying out property standards checks, accommodation suitability, safeguarding assessments, DBS checks on sponsors, initial welfare checks on new arrivals, payment of a £200 initial subsistence payment to guests and a monthly £350 'thank you' payment to hosts. Councils should also provide support for school admissions, accessing welfare benefits and work, homelessness, bank accounts and community integration.

2.45 The government is providing funding at a rate of £10,500 per person to Councils to enable them to provide support to families to rebuild their lives and fully integrate into communities. Initially, the Council had to incur costs in advance of funding being provided but Government have now began to make the required funding allocations.

2.46 This funding comes with a number of conditions attached that dictate certain roles that the Council has to carry out but also flexibility for the wider wrap around support that will need to be provided. The fund will match the tariff offered under the first year of the Afghan Citizens Resettlement Scheme (ACRS) and Afghan Relocations and Assistance Policy (ARAP), although the role of Councils will be

different. For example, Councils will not be asked to source initial accommodation under this scheme as this will be provided by the sponsor.

- 2.47 If all applications are approved (140 potential at this point), total grant will be £1,470,000. Numbers are being monitored closely, and for prudence, grant is currently estimated at £1,249,500, being the value of the 119 approved guests.
- 2.48 An officer decision will be taken by the Assistant Chief Executive, in consultation with the Leader of the Council, to set out how the fund has been used to date, to meet specific emergency requirements as well as setting out how the Council will provide ongoing wrap around support moving forwards.

Capital Programme Update

2.49 The Capital Programme 2022/23 now totals £188.138m split between the General Fund £135.310m and HRA £52.828m. This is a decrease of £97.145m to the position as at the end of May reported to Cabinet on 11th July 2022. The majority of which relates to the reprofiling of schemes due to delays caused mainly from COVID-19, inflationary pressures on the programme and the high volume of capital activity taking place nationally that is straining resources from an internal and external delivery point. The movement is based on the latest profiles of expenditure against schemes, both new and revised grant allocations £1.777m and slippage and re-profiles of (£98.922m). The overall Capital Programme 2022/23 to 2025/26 has increased by £4.970m, predominantly as a result of changes to grant funding available, as detailed in the following sections.

2.50 **Table 3: Variations to the Capital Programme 2022/22 to 2025/26.**

	Total Impact £m	2022/23 Impact £m	Post 2022/23 Impact £m
Revised Grant and Funding Estimates	5.789	1.777	4.012
Slippage / reprofiling	-0.819	-98.922	98.103
Total	4.970	-97.145	102.115

2.51 The main re-profiles are shown below in two categories, those where there has been a change in delivery profile and those where grants were entered into the Capital Programme in the year of the Government grant award and as such need to be re-profiled to match planned delivery :

1. Re-profiles due to a change in delivery

- **Parkway Widening**, £1.380m underspend. Progress on the scheme is good and on target to complete by the end of October. The underspend is due to a reduction in costs on the employer risk element of the contract. Discussions are currently taking place with the contractor about

arrangements to bring the scheme and contractual arrangements to a close.

- **Netherfield Eastwood Phase 2**, £5.088m slippage. This scheme is in development and is currently delayed. Outline designs and indicative costs have been obtained and procurement activity is due to commence shortly. The budget has therefore been slipped into 2023/24. The delay is in part due to complexities with working with external partners and grant funding.
 - **Beaumont Grange**, £1.443m slippage. The scheme is to purchase 14 units over a 2 year period. The budget has been reprofiled to line up with delivery of units from the contractor, the Council has no direct control over when the contractor completes the build. However, 3 units will be acquired during 2022/23.
 - **SEND Phase 3/4**, £1.223m slippage. A review of SEND delivery in 2022/23 is taking place with revised costing being worked up. A project delivery programme is being put together to determine a more realistic profile.
 - **Fleet Management Vehicle Purchase**, £8.700m slippage. A review of the project is underway to assess the most advantageous route to vehicle replacement whilst supporting the Council's climate strategy.
 - **Rotherham Markets Redevelopment**, £9.454m slippage. The project has been delayed whilst a review of funding options took place, due to the impact of inflation on the project delivery costs. However, planning application has been submitted awaiting outcome during August 2022 and a revised funding package is being considered.
 - **Town Centre Investment**, £4.279m slippage. It is expected that the residual balance of the Town Centre Investment fund will be used in the main to support Forge Island enabling works, to be determined September 2022. However, this funding is unlikely to be required before 2023/24.
 - **Strategic Review of Libraries** £2.980m slippage. This is budget provision to support the new central library which will be delivered as part of the Market redevelopment. As above, this project has been delayed and is now not likely to start until 2023/24.
- 2. Re-profiles following Government grant award**
- **Levelling Up Funding**, £24.071m re-profile. The budget profile has been updated to reflect the most recent forecasts submitted to the LUF. Original budgets were reflective of the funding awards, however, they are now based on revised budgets worked up based on project concepts and designs which have now evolved with greater costing information

available.

- **Town Deal**, £20.527m re-profile. Spend profile has been revised in line with the recent Towns Deal forecast return. The budget profiles are now based on the internal project business cases that have been developed providing a more robust financial and delivery profile.
- **Housing Growth Programme Phase 3**, £12.205m re-profile. There are a series of growth schemes being brought forward calling on this holding budget. The budget is to be re-profiled into future years to better align to when schemes have gone through the design/procurement process into delivery. The delay is due to several factors including complexities with external partners and inflation within the market leading to re-design requirements.

2.52 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 July Cabinet report are listed below:

Table 4: New Grant/HRA Funded Schemes added to the programme

Directorate/Scheme	2022/23 £M	Post 2022/23 £m
Children's and Young People's Services		
Confirmation of School Special Provision Funding	0.000	4.322
Amended School Condition Allocation budget.	-0.006	0.000
Revised funding assumptions on Basic Need allocations.	0.000	-0.042
Revised funding assumptions in line with Schools Condition Allocation tapering of grant protection arrangements.	0.000	-0.270
Regeneration & Environment		
New MCA Gainshare Funds approved for a contribution to the Forge Island flood defence work.	2.000	0.000
Removal of budget in relation to an unsuccessful grant bid for the Civic Theatre Annex studio space.	-0.217	0.000
Total	1.777	4.012

2.53 Programme Variations

The following variations to the capital programme cover significant variations between capital projects that are either key decision value or a change in use of corporate resources and as such need reporting to Cabinet.

- **Rotherham Markets Redevelopment:** The project has a forecast funding gap of £9.8m following an update of the cost plan. With changing market conditions, the updated cost modelling resulted in a substantial uplift to the anticipated cost of delivering the outlined phase of works. The reasons for the increase include general materials inflation but also much greater than expected inflation on base materials that are becoming scarcer. In addition, following early engagement with suppliers, further design adjustments have been identified that add to a funding shortfall.

Following a Council review of the project and wider capital programme a funding package has been proposed to bridge the gap. This includes;

- MCA Gainshare contribution of £5m
 - Allocation of Libraries re-location budget of £2.9m, that was earmarked for the central library relocation with the markets redevelopment project will cover.
 - Re-directed operational building budget of £1.8m, utilising the elements of this budget earmarked for central library and markets capital maintenance.
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- **Town Centre Housing:** The Town Centre 3 Sites project comprises the development of 171 mixed tenure homes across three town centre sites (Sheffield Rd car park, Millfold House and Henley's Garage). The scheme is approaching completion, though final forecast scheme costs include an estimated overspend of £1.4m. The overspend relates to abnormal site costs, difficulties with utilities on all 3 sites and amendments to specifications in particular around communal areas. The additional costs can be accommodated in the main through additional income generation from the sale of the private properties, £1.2m, with the remaining balance coming from a number of small underspends within the Housing Growth programme.
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- **Customer and Digital Improvements – Grounds and Streets Service:** An allocation of £100k is held within the programme to advance the digital capacity of this service area, however as the scheme has progressed it has become clear that this budget requirement is insufficient. A solution has been identified at a cost of 2 years, along with funding contributions from the following corporate funded schemes.
 - Handheld Machinery (borrowing) – Project completed with a £6k underspend
 - StreetScene Equipment (borrowing) – Project forecasting completion with a £71k underspend
 - Additional capital budgets are in place within Customer, Information and Digital Services (CIDS) to support achievement of the Council's

overall Digital Strategy. As this project will directly assist with delivery of the Customer and Digital programme and the broader Digital Customer theme, the remaining £28k will be funded from this capital budget.

2.54 MCA Approvals

The South Yorkshire Mayoral Combined Authority (SYMCA) acts as accountable body for a number of different Government funding streams and as the accountable body for Gainshare. The MCA have approved an allocation of £2m Gainshare funding towards a flood defence scheme at Forge Island.

2.55 The proposed updated Capital Programme to 2025/26 is shown by directorate in Table 5 below.

Table 5: Proposed Updated Capital Programme 2022/23 to 2025/26

Directorate	2022/23 Budget £m	2023/24 Budget £m	2024/25 Budget £m	2025/26 Budget £m	Total Budget £m
General Fund Capital					
Children and Young People's Services	14.574	11.751	4.460	6.392	37.177
Regeneration and Environment	102.452	105.795	9.052	7.062	224.362
Adult Care & Housing	7.659	6.385	14.117	4.273	32.435
Assistant Chief Executive	0.496	0.210	0.210	0.210	1.126
Finance and Customer Services	4.129	4.893	7.090	12.990	29.102
Capitalisation Direction	6.000	6.000	1.000	1.000	14.000
Total General Fund Capital	135.310	135.034	35.930	31.928	338.202
Total HRA Capital					
	52.828	64.570	29.220	29.610	176.227
Total RMBC Capital Programme					
	188.138	199.604	65.150	61.537	514.429

The capital programme for 2022/23 remains ambitious even with a significant level of re-profiling of schemes into 2023/24. The Council will therefore need to keep close control of project spend profiles and delivery milestones to keep these projects on track. The Council will also need to review the deliverability of this significantly increased capital programme and potentially, re-profile some schemes into future financial years.

Funding Position of Capital Programme 2022/23

2.56 The £188.138m of capital expenditure is funded as shown in the Table 6 below.

2.57 Table 6: Funding of the Approved Capital Programme

Funding Stream	2022/23 Budget £m
Grants and Contributions	80.092
Unsupported Borrowing	52.164
Capital Receipts	1.878
Capital Receipts - Flexible Use & HRA Contribution	1.000
HRA Contribution	0.176
Total Funding - General Fund	135.310
Grants and Contributions	3.925
Unsupported Borrowing	10.724
Housing Major Repairs Allowance	33.380
Capital Receipts	2.073
Revenue Contribution	2.726
Total Funding - HRA	52.828
Total	188.138

Capital Receipts

2.58 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.

2.59 To date General Fund useable capital receipts of £0.012m 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.

Description	Total as at 31st July 2022 £m
Total Capital Receipts (Excluding loan repayments)	- 0.012
Repayment of Loans	- 0.015
Total Capital Receipts	- 0.027

2.60 The detailed disposal programme is currently being updated and it is very difficult to forecast. Therefore, at this stage the forecast for useable capital receipts is between £0.6m and £1m. These receipts are made up of a small number of disposals and therefore any changes to these could impact on these forecasts significantly. It should be noted that there is no corporate requirement to disposal of General Fund assets.

3. Options considered and recommended proposal

3.1 With regard to the current forecast net revenue budget the directorates are forecasting an overspend of £17.9m, further management actions continue to be identified with the clear aim of ensuring a balanced budget position can be achieved. It is now clear that to achieve a balanced outturn position there will be a need to utilise an element of the Council's reserves given the significant pressures that have come to light since the Council set its 2022/23 budget. This is in recognition that there are still financial implications that need to be fully understood and that may not be fully known until later in the financial year. It is nationally recognised best practice to monitor the performance against the agreed revenue budgets and the Capital Programme throughout the year.

4. Consultation on proposal

4.1 The Council consulted on the proposed budget for 2022/23, as part of producing the Budget and Council Tax Report 2022/23. Details of the consultation are set out in the Budget and Council Tax 2022/2 report approved by Council on 2nd March 2022.

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 2022/23 was taken to Cabinet in July 2023.

6. Financial and Procurement Advice and Implications

6.1 The Council's overspend position is detailed within the report along with the estimated impact of current financial pressures from the war in Ukraine, inflation, energy price rises. This position continues to be monitored closely. Control over spending remains critical to both maintaining the robust Reserves Strategy and Medium Term Financial Strategy.

6.2 An update on the Council's Medium Term Financial Strategy will be provided to Cabinet later in 2022. This will provide a more detailed update on the Council's Medium Term Financial Planning factoring in the impact of the current year financial pressures and the longer term impacts on the MTFs and reserves strategy.

6.3 There are no direct procurement implications arising from the recommendations detailed in this report. Project specific implications have been addressed in the Key Issues section.

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 This is a finance update report, providing a review of current progress to date on the Council's revenue and capital budgets, any equalities and human rights impacts from service delivery have been or will be detailed as service budgets, capital projects are pulled together for inclusion within the Council's revenue budget or capital programme.

11. Implications for CO2 Emissions and Climate Change

11.1 No direct implications.

12. Implications for Partners

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

Rob Mahon, Assistant Director – Financial Services

Approvals obtained on behalf of Statutory Officers:-

	Named Officer	Date
Chief Executive	Sharon Kemp	05/09/2022
Strategic Director of Finance & Customer Services (S.151 Officer)	Judith Badger	30.8.22
Assistant Director, Legal Services (Monitoring Officer)	Phillip Horsfield	31.8.22

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