Public Report
Cabinet

Committee Name and Date of Committee Meeting
Cabinet – 13 February 2023

Report Title
December 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 December 2022 and forecast for the remainder of the financial year, based on actual costs and income for the first nine 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 fifth 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 of December 2022, the Council currently estimates an overspend of £8.4m for the financial year 2022/23. This is a £1.1m improvement on the November position reported to Cabinet in January 2022. Whilst the core directorates services have a forecast year-end overspend of £2.9m on the General Fund, there is a net £5.5m of estimated unbudgeted cost resulting from the wider financial impact of inflation, energy price increases and national pay award. These costs could not have been projected within the Council's Medium Term Financial Planning.

The current forecast includes £8.9m short term in-year savings, £4.3m generated by delaying or stopping any non-essential/non-urgent expenditure, delaying recruitment where possible and making use of one-off grant funding and provisions in the current year. A review of corporate grants and provisions, along with a review of the in-year financial impact of the 2022/23 Pay Award, enabled a £4.6m improvement to be forecast in Central Services. Together these short term savings have significantly reduced the level of reserves the Council will require to balance the 2022/23 financial

outturn position. The Council will continue to ensure these short term savings are delivered and where possible increase their impact.

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. Anticipated additional income as a result of the Government's budget announcement is not expected to mitigate all the additional costs the Council will incur.

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 and through future Budget decisions.

Recommendations

That Cabinet:

1. Note the current General Fund Revenue Budget forecast overspend of £8.4m.

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 receipt and planned use of the Adult Social Care Discharge Grant (£1.121m).

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
July Financial Monitoring Report to Cabinet on 19th September 2022
September Financial Monitoring Report to Cabinet on 21st November 2022
November Financial Monitoring Report to Cabinet on 23rd January 2022

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 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 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 2022/23, 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 Table 1 below shows, by directorate, the summary forecast revenue outturn position.

Table 1: Forecast Revenue Outturn 2022/23 as at December 2022

Directorate	**Budget 2022/23**	**Forecast Outturn 2022/23**	**Forecast Variance over/ under (-)**
	£m	**£m**	**£m**
Children and Young People's Services	67.7	70.1	2.4
Adult Care, Housing & Public Health	94.1	93.5	-0.6
Regeneration and Environment Services	48.2	50.4	2.2
Finance and Customer Services	19.8	19.1	-0.7
Assistant Chief Executive	7.5	7.1	-0.4
Central Services	22.4	27.9	5.5
Directorate Forecast Outturn	**259.7**	**268.1**	**8.4**
Use of Corporate Reserves			**-8.4**
Net 2022/23 Forecast Outturn			**0**
Dedicated Schools Grant			0
Housing Revenue Account (HRA)			0

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

- Financial implications of inflation, energy price increases and impact of the 2022/23 nationally determined pay award.

- Placement pressures within Children and Young People's Services.
- Home to School Transport pressures within Regeneration and Environment and CYPS.
- Pressures relating to the longer-term recovery from Covid-19, on income generation within Regeneration and Environment.

2.3 As of December 2022, the Council currently estimates an overspend of £8.4m for the financial year 2022/23. Whilst the core directorates services have a forecast year end overspend of £2.9m on the General Fund, there is also a net £5.5m estimated overspend in relation to the wider financial impact of inflation, energy price increases and national pay award. The overall position has improved by £1.1m from the position reported to Cabinet in January largely due to a reduction in the in-year cost of the pay award (£0.5m) due to vacant posts across the Council that will not attract a pay award in 2022/23 (this reduction can now be factored in as any ongoing recruitment will only have a minimal impact in this financial year) and reduced pressures on Children's placements (£0.5m).

2.4 These inflationary and demand financial challenges have been factored into the Council's ongoing Medium Term Financial Planning and MTFS 2023/24. Whilst the MTFS 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. The increase in the Council's base costs above budget is £10.1m, this amount will impact the MTFS year on year.

2.5 Along with most Councils across the UK, the Council assumed a 2% pay award for 2022/23 in the Budget and Council Tax Report 2022/23. However, the national local government pay settlement 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 and so will receive a pay award well in excess of the 2% modelled within the MTFS. The financial impact of this pay award on the Council's base budget moving forwards is £6.1m greater than the budget assumed within the MTFS.

2.6 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 a further 12-18 months 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 MTFS and the Council's reserves and budget setting decisions.

2.7 Due to the forecast outturn position services were asked to go through their budgets to identify where they can take temporary measures to reduce cost this year and improve their financial outturn without direct adverse impact on residents. The results of this exercise are included in the current forecast position. This has delivered a significant improvement in the forecast outturn.

2.8 The 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 this. There is significant volatility at present in the economy that makes projecting forwards the impact of inflation and energy prices is 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 savings plans are delivered on time to mitigate any knock-on impact on future years Medium Term Financial Planning.

2.9 The following sections provide further information regarding the Council's forecast outturn of £8.4m, the key reasons for forecast under or overspends within directorates and the progress of savings delivery.

2.10 The Council is able to report 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. £4.9m of savings have been delivered against the planned £4.8m for 2022/23. This includes £971k for Early Help & Social Care Pathway (reductions in social care teams linked to reducing caseloads) and £2m savings from reablement services within Adult Social Care. For R&E there has been £119k delivery of increased income at Waleswood and £255k in respect of planned cost reductions on operational buildings. Further assets are being made ready for disposal which will help progress toward delivering the remaining property savings although the actual amount secured will be confirmed at the point of disposal. Finally, savings have been identified for the R&E Customer and Digital Programme.

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 as at 31st December 2022**
	£000	**£000**	**£000**	**£000**	**£000**
ACHPH	2,800	2,800	2,800	0	2,800
ACHPH – One off saving	500	0	0	0	500
CYPS	971	4,739	7,411	0	1026
R&E	374	762	784	0	374
R&E Customer & Digital	200	500	500	0	200
Total Savings	**4,845**	**8,801**	**11,495**	**0**	**4,900**

Children and Young People Services Directorate (£2.4m) forecast overspend

2.11 Children & Young People Services continue to implement the budget recovery plan with budget savings of £1.026m already delivered. The budget pressure at the end of December 2022 is £2.4m, a reduction of £0.5m from the November reported position, predominantly due to reductions in CYPS placements costs.

2.12 The CYPS pressures relate in the main to placements £2.1m, Children in Care & Post 19 Transport £1.0m and staffing £341k, offset by Supporting Families income of £300k and the £785k temporary savings.

2.13 The Looked After Children placement numbers have reduced from November 2022 by 10 from 565 to 555. This is above the original December budget profile (549) for this period by 6 placements. The placement mix is showing higher than projected placements at December in external residential (5), IFA (33), Leaving Care (24) offset by in-house fostering (46), no cost placements (7) in house residential (2) and external emergency (1). The LAC number of 555 includes 44 Unaccompanied Asylum Seeker Children (UASC) which has risen from 14 in March 2022. This is having an impact on the ability to reduce the overall LAC numbers but doesn't have a significant cost impact as the costs are covered via Government funding.

2.14 The direct employee budget is £37.7m and is a combination of general fund, traded and grant funded services. The projected overspend at the end of December is £645k (after excluding placements staffing), which includes a general fund projected overspend of £341k and an overspend of £276k against DSG and traded services.

2.15 The general fund projected overspend on staffing of £341k relates to pressures in Children's Social Care (due to agency workers) and the Education Health Care Team (due to agency workers), offset by staff savings across Early Help, Commissioning & Performance. At the end of December there were 21.7 FTE agency workers in CYPS, 13.4 across children's social care and 8.3 in Education Services. The level of agency use is decreasing.

2.16 A significant element of the CYPS non-pay budget relates to placements which has a net budget of £36.9m with a current projected spend of £39.0m, a projected overspend of £2.1m as shown in the following table:

Service Pressure/(-Saving)	**£m**
External Residential Placements	2.3
Emergency Placements	0.3
In-House residential	-0.1
Independent Fostering Agencies	0.8
In-house Fostering	-0.3
Supported Accommodation	-0.8
Non-LAC allowances	-0.1

2.17 The £2.3m residential pressures is due to a combination of a reduction in the estimated residential step downs (£1.9m) as well as a reduction in the contribution from DSG due to a reduction in education placements (£500k) offset by £100k ICB income. Current placements numbers are 5 above budget profile.

Dedicated Schools Grant (DSG)

2.18 The High Needs Block (HNB) is £51.5m (including the £3.3m transfer from the school's 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.

2.19 The central DSG reserve now stands at £12.8m following receipt of £8.5m Safety Valve funding during 2021/22. The Council will receive two further payments to fully remove the DSG reserve along with additional capital funding to ensure the Council is placed in a more sustainable position moving forwards. The High Needs Block outturn for the year is a forecast underspend of £10k (excluding Safety Valve funding) and will enable a £543k contribution from the HNB to reserves as part of the DSG Management Plan.

2.20 The key areas of focus to reduce High Needs Block spend continue to be:

- 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 2022/23.
- 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, (£0.6m) forecast underspend

2.21 The Directorate forecast is now a £0.6m underspend, an improvement of £0.2m since Novembers financial monitoring position. The reduction on costs and the current overall position is due in the main to the following factors.

2.22 The cost of adult care packages are forecast to underspend by £0.2m due to demand, an improvement of £0.2m. Within this forecast. there has been a reduction in the number of people in residential care over the period and the average cost of Direct Payments has reduced bringing down the forecast to £180k overspend for Physical Disabilities. Learning Disability Services are forecast to underspend by £1.4m as a result of continued improvement in Continuing Health Care (CHC) contributions towards specific individuals care from the NHS. In addition, Older People services are forecast to overspend by £1m, a £130k improvement due to a forecast fall in demand from the Hospital Discharge Fund.

2.23 Transforming Care, a specialist provision for complex support cases, is forecast to underspend by £0.1m through fewer cases and transition costs of children becoming adults is forecast to underspend by £0.9m. This is because children are coming into service provision later than forecast and also through CHC funding of the individuals.

2.24 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.

2.25 A £500m grant was announced by the Government to prioritise getting people out of hospital when they are deemed well enough to leave. This grant, The Adult Social Care Discharge Grant, is split between the NHS and Local Government. Rotherham has been allocated £2.773m of which Rotherham Council will receive £1.121m. Expenditure is focussed on reducing hospital discharge delays by increasing capacity in the independent care sector as well as other services that support the discharge pathway.

The Local Authority grant will be used in the following areas:

- Community Occupational Therapy service – Increase capacity through procurement of an independent sector provider to carry out assessments, reduce waiting list and free up home care capacity.
- Home Care Bridging Service – to create additional capacity in the central and north of the borough.
- Care Broker Service – to increase capacity to support complex cases
- Supporting unpaid carers who care for those that are discharged from hospital
- Mental Health Agency Social Workers / LD Discharges (Specialist Agency) to support those with complex needs in hospital
- Befriending Service – to support patients discharged who require low level support
- Provision of step-down beds (Discharge to Assess pathway) - 15 beds at Lord Hardy Court
- Residential Care Short Stay Placements to support those with complex needs who require intensive short-term support
- Housing Support – Support people with housing issues that are a barrier to hospital discharge
- Incentive payments for home care to improved retention of existing workforce
- Administration – 1% of spend to cover the costs of administering the funding.

2.26 The Adult Social Care Discharge Grant has been included in the Better Care Fund (BCF) pooled budget in accordance with Government guidance. The use of BCF mandatory funding streams must be jointly agreed by Integrated Care Boards (ICBs) and Local Authorities to reflect local health and care priorities, with plans approved by Health and Wellbeing Boards (HWBs). The requirement is for an agreement using Section 75 of the National Health Service Act, 2006. The Section 75 Agreement needs to be fully signed by both partner organisations and in place by 31 December 2022. Planned spend was approved by the Better Care Fund Executive Group on 13 December 2022 in time for the 16 December 2022 grant deadline. An Officer Decision to agree the Better Care Fund S75 agreement and the use of the Adult Social Care Discharge Grant will be published in line with the Council's reporting requirements.

2.27 Neighbourhood Services (Housing) is forecast to overspend by £0.6m. The key pressure continues to be in homelessness, which is expected to overspend by £0.7m after accounting for grant income. There was no change in the Public Health forecast in the period. It is forecasting a £60k underspend.

Regeneration and Environment Directorate (£2.2m) forecast overspend

2.28 The projection for the directorate indicates a forecast pressure of £2.2m for this financial year. This represents a small increase of £100k from the November financial monitoring position, as a result of a further worsening of the pressures in Asset Management. As referenced in the previous Cabinet report, £1.4m of temporary savings have been built into the forecast. Progress on these savings continues to be monitored to ensure delivery.

2.29 The forecast continues to reflect the impact of ongoing demographic pressures in Home to School Transport and the impact of a struggling economy on some of the directorate's services, for example, both the continuation of the increases in waste tonnages believed to be resulting from changes in patterns of work life balance and the underlying cost inflation which impacts direct costs of delivery and ability to generate income such as in Parking Services. The forecast outturn projection includes the following specific budget issues.

2.30 Community Safety and Street Scene (CSS) continues to forecast an overall pressure of £1.3m. The most significant pressure continues to be in respect of Home to School Transport, which is still reporting a £1.8m pressure 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. This is a pressure that is also affecting other local authorities in the region.

2.31 Parking Services is continuing to forecast 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.

2.32 Waste Management is forecasting an underspend of £0.2m. A gainshare payment from the residual fuel created at the BDR Waste PFI facility, as a result of the increase in the wholesale energy price, has been factored into the forecast. The Council is benefiting from an increase in recycling income as a result of market price improvements during the year, however, a reduction in market prices is now beginning to be seen. Although household waste tonnages continue to be above trend, the Council is starting to see a reduction in tonnages from the high point during lockdown. Additional income in Streetworks and Enforcement, vacancies in Community Safety and Regulation and short term temporary savings are helping to mitigate the pressures elsewhere in CSS.

2.33 Culture Sport and Tourism (CST) is continuing to forecast an overall pressure of £0.1m. 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. Vacant posts in Libraries and an increase in income from Landscape Design is helping to mitigate the pressures in CST.

2.34 Planning, Regeneration and Transport (PRT) is now forecasting an overall pressure of £0.8m, a worsening of £0.1m from the November monitoring. The major pressure continues to be in Asset Management, which has risen to £1.1m, a worsening of £100k. Pressures in Facilities Management continue to increase as a result of rising property costs, including repairs and maintenance and fixtures and fittings. The forecast assumes income under-recovery in Estates, as staff vacancies have limited the ability to generate income. £100k has been included in the forecast for potential bad debts from commercial properties as a result of the current economic situation.

2.35 A pressure of £0.2m 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 continued closure of Riverside House Cafe. A forecast shortfall on Markets income arising from the number of void stalls and the ongoing difficult trading conditions is being mitigated by grant income offsetting direct costs in other services in RIDO. The forecast has been improved by the recognition of grant funding supporting staff costs in RIDO who are delivering the major regeneration projects in the Town Centre and Borough leisure economy. In addition, a forecast over-recovery of income in Planning and Building Control is helping to mitigate the pressure in PRT.

Finance and Customer Services (£0.7m forecast underspend)

2.36 The overall directorate is reporting a £0.7m forecast underspend position. Like all directorates, the service has reviewed planned expenditure and deferred spending or delayed recruitment to support the overall Council position without adversely impacting service delivery. This has generated in year temporary savings of £256k, however some of this has been offset by new pressures.

2.37 Within Customer, Information and Digital Services (CIDS), the Service continues to generate cost reductions on the streamlining of ICT contracts. The removal of the kiosks across the Borough and the promotion of online and over the phone payment routes has generated 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.

2.38 There is continued demand for Legal Services support across all disciplines. Ongoing recruitment challenges in this sector are being addressed through use of short-term locums which are more expensive than permanent employees. Income of £395k is built into the forecast resulting from contractual charges in relation to the Dignity Contract for Bereavement Services.

Assistant Chief Executive £0.4m forecast underspend

2.39 The Directorate has taken steps to reduce expenditure and delay recruitment where possible to do so, in order to support the overall Council's budget position in year. This has generated £256k of temporary savings and an increased in-year underspend. Additional income has been generated within HR from recruitment advertising and consultancy.

Central Services (£5.5m) forecast overspend

2.40 There are some significant financial challenges that were not evident at the time of setting the 2022/23 Budget, such as the significant rise in energy prices, inflation and Local Government Pay Award. It is currently estimated that the impact of inflation and in particular energy price increases will be £4m above available budget. In addition, the financial impact of the Local Government Pay Claim 2022/23 is £6.1m greater on the Council's base budget moving forwards than the budget assumed within the Council's Medium Term Financial Strategy. However, the estimated cost impact of the pay award for 2022/23 has reduced by £0.5m due to vacant posts across the Council; this reduction can now be factored in as any ongoing recruitment will only have a minimal impact in this financial year.

2.41 These financial challenges are being regularly reviewed as part of the Council's ongoing Medium Term Financial Strategy and whilst the Council's outturn position for 2021/22 placed the Council in a stronger position and more able to manage the impact of these matters, without the need to consider making cuts in services, it is clear that the Council will need to utilise reserves to manage these impacts in 2022/23, alongside utilising short term savings to reduce its costs to help balance the budget.

2.42 It is currently expected that the period of high inflation will last for around 12-18 months before returning to a more normal level. As such, the Council will face financial pressures that will need to be managed and mitigated through the MTFS, reserves and budget decisions. The Council currently anticipates that the financial impact of these pressures on the Council's 2022/23 budget will be £9.6m, with a significant pressure over the MTFS period 2023/24 to 2024/25 of £10.1m. 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, energy prices and pay award, areas that are to a large degree outside of the Council's control and influence.

2.43 In order to support the work to identify temporary measures to reduce cost this year a similar approach was taken to reviewing the Central Services budget but due to the fixed nature of the costs in this area the focus was on a review of grants and provisions; specifically looking for any grants carried forward from previous years that could be applied as grant terms and conditions have been met and a review of corporately held bad debt provisions. This identified a total of £4.6m one-off funding that could be used to reduce the forecast overspend. This reduces the net forecast overspend on Central Services to £5.5m.

2.44 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)

2.45 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 it's Council dwellings and associated assets. The HRA is currently forecast to breakeven, a £0.1m improvement since November's monitoring.

2.46 The improvement is mainly due to a £0.1m reduction in the bad debt provision and income has performed better than expected.

2.47 The HRA budgeted transfer to reserves was reduced from £2.037m to £1.402m due to the approval of an increase to Repairs and Maintenance and Ward Housing Hub budgets. The transfer to reserves nets the HRA budget to nil.

Capital Programme Delivery Updates

2.48 This section of the monitoring report focuses on what has been delivered during 2022/23 since the November Financial Monitoring report. In order to reflect the positive outcomes that the Council has achieved the following list of key achievements has been provided.

- The purchase of 6 properties and 2 plots of land on Westgate was completed in December 2022. In the long term it is the intention of the Council to redevelop the area for housing, however, in the short term some of the properties will generate income from leasing.

- Works are underway and progressing well on the second Phase of footpath resurfacing works at Thrybergh Country Park. This Phase will see approximately 437 metres of existing paths resurfaced in total using a specialist surfacing system. It is expected that Phase Two works will be completed by late January/early February.

- In December, the Council completed 6 new homes for Private Sale. These were delivered via the Council's construction contract for the Town Centre Developments and the sale receipts will be used to fund the development of affordable housing on the site. Further handovers of 59 new homes are expected by the end of the financial year.

Capital Programme Financial Update

2.49 The Capital Programme 2022/23 now totals £156.197m split between the General Fund £115.418m and HRA £40.779m. This is a decrease of £19.425m to the position as at the end of November reported to Cabinet on 23rd January 2023. The majority of this is due to slippage and re-profiling of schemes to future years combined with revised grant funding estimates. The movement is based on the latest profiles of expenditure against schemes, including new and revised grant allocations of (£1.456m), and slippage and re-profiles of (£17.968m). The Capital programme also now includes £11.104m of new capital investments to be funded by corporate resources that are being proposed for approval as part of the Council's Budget and Council Tax Report 2023/24 at this same meeting of Cabinet on the 13th February 2023. Should the new capital investments not be approved as part of budget setting, this position will be amended accordingly. The overall Capital Programme 2022/23 to 2025/26 has increased by £23.824m, as detailed in the following sections.

Table 4: Variations to the Capital Programme 2022/23 to 2025/26.

	Total Impact £m	2022/23 Impact £m	Post 2022/23 Impact £m
New Corporate Funding	11.104	0.000	11.104
Revised Grant and Funding Estimates	12.720	-1.456	14.176
Slippage / reprofiling	0.000	-17.968	17.968
Total	**23.824**	**-19.425**	**43.248**

2.50 The main re-profiles are:

- **Castle View £1.9m slippage.** This detailed design and plan for this scheme has now been approved and procurement has started. The budget has been reprofiled to reflect the latest forecast spend profile.

- **Ickles Lock Flood Alleviation £1.4m slippage –** Due to delays in gaining approval from Network Rail to start work near their property the original budget will not be spent in 2022/23. However, significant progress has been made towards the overall delivery of the project.

- **Maltby Phase 1 externals £1.3m** - The initial design included external wall insulation but due to externally mounted power cables and the requirements of the power network operator this element of the Scheme could not go ahead. The project has been redesigned to ensure the best possible energy efficiency improvements for peoples' homes. This has meant a delay to the full delivery of the Scheme.

- **Several smaller variances** across the Capital Programme a number of projects have been reprofiled to reflect the latest estimated expenditure. The total slippage for these smaller schemes is £13.4m: £0.5m CYPS; £2m HRA; £9.2m R&E; £1.7m F&CS.

2.51 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 January Cabinet report are listed below.

Table 5: New Grant/HRA funding added to the programme

Directorate/Scheme	**2022/23 £M**	**Post 2022/23 £m**
Regeneration & Environment		
Sport England grant for completion of works at Herringthorpe Athletics Stadium.	0.005	0.000
New S106 monies for the provision of a Multi-Use Games Area in East Herringthorpe.	0.020	0.000

Adjustment due to confirmation of Local Transport Plan pothole funding allocations 2023/24 to 2025/26.	0.000	-0.358
Adjustment due to confirmation of Transforming Cities Fund allocation to schemes at Sheffield Road	0.000	-0.030
Confirmation of funding from SYMCA Transforming Cities Fund for schemes at Sheffield Road £6.881m and Maltby Bus Corridor £0.120m.	0.000	7.001
Correction of SYMCA grant allocation for Greasbrough traffic lights previously added to the programme.	-1.812	0.000
New City Region Sustainable Transport Scheme grant allocations (SYMCA). The final allocation of CRSTS has now been confirmed. The CRSTS grant has replaced the DFT grant so previous DFT grant funding on the programme has been replaced with the confirmed CRSTS allocation and reprofiled to meet the latest expenditure profiles.	0.331	3.285
DFE grant allocation of 50% match funding for the provision of children's residential homes.	0.000	0.557
Waverley GP Medical Practice, the Council is supporting the delivery but it is to be funded by NHSE/ICB. Cabinet report on the programme to be presented to February 2023 Cabinet.	0.000	3.721
Total	**-1.456**	**14.176**

2.52 **New Corporate Borrowing**

The Council's corporate borrowing budget has been increased by £11.104m to factor in the proposed capital investments as proposed for approval within the Council's Budget and Council Tax report 2023/24 and Medium Term Financial Strategy report at Cabinet February 2023.

2.53 **Programme Variations**

Since Novembers Financial Monitoring report to January 2023 Cabinet there has been a virement of £1.759m transferred from the Pathways to Care Adaptation project to the Children's Residential Homes project. This is to move resources to support the delivery of the Children's Residential Homes project and match fund and supplement the DfE grant award of £557k (see table 5). October Cabinet agreed a revised approach to Phase 3 and Phase 4 of the Children's Residential Homes project that would require additional capital investment to deliver Phase 3 and to match fund the potential bid to DfE for a Phase 4. The Council was successful in the bid and so the capital budget adjustments have now been made. This Scheme is essential to the delivery of the agreed savings earmarked against CYPS placements. The Pathways to Care Adaptation programme no longer requires the £1.759m as the take up of the project in the early years was not significant leading to slippage of resources that would be better prioritised against the Children's Residential Homes project.

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. Since the November position was reported there have been approvals of £7.001m of Transforming Cities Funding grant added to the Capital Programme.

2.55 The proposed updated Capital Programme to 2026/27 is shown by directorate in the Table below. 2026/27 has been added as an additional year which will be reflected in the Council's Budget and Council Tax 2023/24 and Medium Term Financial Strategy report.

Table 6: 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	8.513	13.543	3.040	15.190	40.286
Regeneration and Environment	94.338	123.442	41.551	57.136	316.467
Adult Care & Housing	5.638	8.407	14.117	4.273	32.435
Assistant Chief Executive	0.481	0.203	0.210	0.210	1.104
Finance and Customer Services	5.448	11.908	3.425	18.403	39.184
Capitalisation Direction	1.000	1.000	1.000	1.000	4.000
Total General Fund Capital	**115.418**	**158.503**	**63.343**	**96.212**	**433.476**
Total HRA Capital	40.779	48.902	58.123	29.610	177.414
Total RMBC Capital Programme	**156.197**	**207.405**	**121.466**	**125.822**	**610.890**

2.56 The Capital Programme for 2022/23 has been reviewed on an ongoing basis throughout the year. This has resulted in a significant level of re-profiling of schemes into 2023/24. The Council will continue to keep close control of project spend profiles and delivery milestones to ensure a successful and timely delivery of schemes. The Council periodically reviews the deliverability of this significantly increased Capital Programme and where necessary re-profiles schemes into future financial years.

Funding Position of Capital Programme 2022/23

2.57 The £156.197m of capital expenditure is funded as shown in the Table 7 over the page.

Table 7: Funding of the Approved Capital Programme

Funding Stream	2022/23 Budget £m
Grants and Contributions	73.260
Unsupported Borrowing	39.752
Capital Receipts	1.230
Capital Receipts - Flexible Use & HRA Contribution	1.000
HRA Contribution	0.176
Total Funding - General Fund	**115.418**
Grants and Contributions	2.871
Unsupported Borrowing	1.697
Housing Major Repairs Allowance	29.275
Capital Receipts	4.303
Revenue Contribution	2.632
Total Funding - HRA	**40.779**
Total	**156.197**

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 £1.189m 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 December 2022 £m
Total Capital Receipts (Excluding loan repayments)	**1.189**
Repayment of Loans	0.030
Total Capital Receipts	**1.219**

2.60 The detailed disposal programme is currently being updated and it is very difficult to forecast. There is the potential that a further disposal of £1.2m will go through in the current financial year. Therefore, at this stage the forecast for useable capital receipts is between £1.2m and £2.4m. It should be noted that there is no requirement to dispose of General Fund assets.

3. Options considered and recommended proposal

3.1 With regard to the current forecast net revenue budget the Council is forecasting an overspend of £8.4m. It is 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 it's 2022/23 budget. 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 2022/23 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 will be 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 inflation, energy price rises and the Local Government Pay Award. 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 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 There are no direct legal implications arising from recommendations within this report.

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	30/01/2023
Strategic Director of Finance & Customer Services (S.151 Officer)	Judith Badger	23/01/2023
Assistant Director, Legal Services (Monitoring Officer)	Phillip Horsfield	25/01/2023

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This report is published on the Council's website.