Public Report
Cabinet

Committee Name and Date of Committee Meeting
Cabinet – 10 July 2023

Report Title
May 2023-24 Financial Monitoring Report

Is this a Key Decision and has it been included on the Forward Plan?
Yes

Strategic Director Approving Submission of the Report
Judith Badger, Strategic Director of Finance and Customer Services

Report Author(s)
Rob Mahon, Assistant Director – Financial Services
01709 254518 or rob.mahon@rotherham.gov.uk

Ward(s) Affected
Borough-Wide

Report Summary
The report sets out the financial position as at the end of May 2023 and forecast for the remainder of the financial year, based on actual costs and income for the first two months of 2023/24. Financial performance is a key element within the assessment of the Council's overall performance framework and is essential to achievement of the objectives within the Council's policy agenda. To that end, this is the first financial monitoring report of a series of reports for the current financial year which will continue to be brought forward to Cabinet on a regular basis.

As at May 2023, the Council currently estimates an overspend of £2.0m for the financial year 2023/24. This is largely due to demand led pressures on Children's residential placements and home to school transport as well as the impact of inflationary pressures in the economy, particularly on food prices, and the legacy impact of lockdown restrictions on some of the directorate's services.

The current economic climate remains turbulent, with challenges in projecting where inflation will move and the pace at which it moves. At present inflation is not reducing at the pace at which Government and the Office for Budget Responsibility predicted. However, energy prices are gradually starting to reduce which will help support the Council's Budget position for 2023/24, though it is too early in the financial year to be clear on its full benefit.

There remains funding uncertainty for the local government sector beyond 2023/24 as the Local Government Finance Settlement was only a one-year allocation and the Council's will continue to face significant challenges moving forwards in regard to the funding of social care.

Given the current uncertainty in terms of inflation and also the inevitable pressure on pay levels, it is not possible to be precise about the full financial impact at the present time. The next report to Cabinet in September will present a much clearer picture of the likely impact following a more detailed assessment of the Councils Directorate financial position and a review of the Council's Medium Term Financial Strategy.

Recommendations

That Cabinet

1. Note the current General Fund Revenue Budget forecast overspend of £2.0m.

2. Note that actions will be taken as necessary to reduce the overspend position during the course of the year but that it is possible that the Council will need to draw on its reserves to balance the 2023/24 financial position.

List of Appendices Included
Appendix 1 Equalities Impact Assessment
Appendix 2 Carbon Impact Assessment

Background Papers
Budget and Council Tax 2023/24 Report to Council on 1st March 2023

Consideration by any other Council Committee, Scrutiny or Advisory Panel
No

Council Approval Required
No

Exempt from the Press and Public
No

May Financial Monitoring 2023/24

1. Background

1.1 As part of its performance and control framework the Council is required to produce regular and timely reports for the Strategic Leadership Team and Cabinet to keep them informed of financial performance so that, where necessary, actions can be agreed and implemented to bring expenditure in line with the approved budget for the financial year.

1.2 Delivery of the Council's Revenue Budget, Medium Term Financial Strategy (MTFS) and Capital Programme within the parameters agreed by Council is essential if the Council's objectives are to be achieved. Financial performance is a key element within the assessment of the Council's overall performance framework.

1.3 This report is the first in a series of financial monitoring reports to Cabinet for 2023/24, setting out the projected year end revenue budget financial position in light of actual costs and income for the first two months of the financial year.

2. Key Issues

2.1 Table 1 below shows, by directorate, the summary forecast revenue outturn position.

Table 1: Forecast Revenue Outturn 2023/24 as at May 2023

Directorate	Budget 2023/24	Forecast Outturn 2023/24	Forecast Variance over/under (-)
	£m	**£m**	**£m**
Children and Young People's Services	64.3	67.6	3.3
Adult Care, Housing & Public Health	119.9	119.9	0.0
Regeneration and Environment Services	49.3	53.2	3.9
Finance and Customer Services	20.5	20.5	0.0
Assistant Chief Executive	7.5	7.3	-0.2
Central Services	40.7	35.7	-5.0
Directorate Forecast Outturn	**302.2**	**304.2**	**2.0**
Dedicated Schools Grant			-3.2
Housing Revenue Account (HRA)			-0.7

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

- Placement pressures within Children and Young People's Services and Adults Social Care.
- Home to School Transport pressures within Regeneration and Environment and Children and Young People's Services.
- Pressures relating to the longer term recovery from Covid-19, on income generation within Regeneration and Environment.
- Inflationary costs impacting the cost of food in Schools Catering.
- The impact on CYPS of fostering allowances and skills payments that have been uplifted based on the national minimum allowance and the estimated impact that these uplifts may have on provider payments for Independent Fostering Agencies and external residential placements.
- Increased costs of homelessness due to increased demand.

2.2 As at May 2023, the Council currently estimates a directorate overspend of £2.0m for the financial year 2023/24. Whilst the core directorates services have a forecast year end overspend of £7.0m on the General Fund, there is a £5m forecast underspend within Central Services reflecting the corporate budget provision approved within the Council's Budget and Council Tax Report 2023/24 to support anticipated pressures within Home to School Transport and Children's placements.

2.3 However, there are expected to be pressures within Central Services as a result of inflation remaining high and the potential Local Government Association (LGA) Pay Award. However, this pressure is expected to be mitigated through the Council's Medium Term Financial Strategy as it does include reasonable cover for inflationary impacts. The Council's current forecast assumes an increase in pay award based on the current LGA pay offer. This is above the position built into the Council's Budget for 2023/24 and could increase further following national pay negotiations.

2.4 It is currently expected that the period of high inflation will last for a further 12-18 months before returning to a more normal level but the cost increases 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 short term financial pressures that will need to be managed and mitigated through the Medium Term Financial Strategy and the Council's reserves.

2.5 The forecast position will continue to be monitored closely and mitigations identified to improve the position, though it is possible that the Council will need to call on reserves to achieve a balanced outturn. There remains significant volatility at present in the economy that makes projecting forwards the impact of inflation 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.

2.6 The Council is able to report early secured delivery of some of the planned savings for 2023/24 with Table 2 below providing an update on the totality of the £7.095m of planned savings that are profiled for delivery over the current and next financial year that were approved prior to the Budget and Council Tax Report 2023/24. To date £1.6m has been secured at the end of May from savings in CYPS management costs.

Table 2: Previously agreed savings

Saving	2023/24	2024/25 Total FYE	Secured as at 31st May 2023
	£000	£000	£000
CYPS	3713	6,385	1,594
R&E	388	410	0
R&E Customer & Digital	300	300	0
Total Savings	**4,401**	**7,095**	**1,594**

2.7 Table 3 below shows the progress against savings approved as part of the Budget and Council Tax Report 2023/24. These include a range of permanent and temporary savings with a total of £2.151m secured against 2023/24 total of £4.344m so far.

2.8 A summary of the savings RAG status is shown below. £149k of savings plans are deemed high risk. This is in respect of ACH&PH3 Housing Related Support due to service demand. It is expected that this will be mitigated via additional income in Adult Social Care.

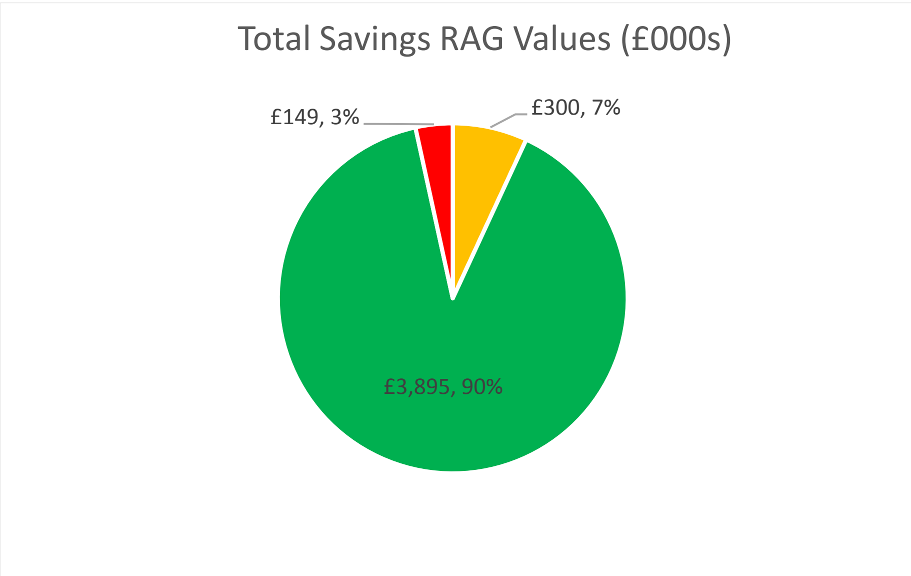

Table 3: New Savings agreed as part of the Budget and Council Tax 2023/24 report

Directorate	2023/24	2024/25 Total FYE	Secured as at 31st May 2023
Finance and Customer Services	308	238	201
Assistant Chief Executive	303	407	96
Children's and Young Peoples Services	1,348	1,059	1,348
Adult Care, Housing and Public Health	1,224	1,998	204
Regeneration and Environment	1,161	1,001	302
Total	**4,344**	**4,703**	**2,151**

2.9 ***Note these savings are a mix of permanent and temporary savings to be delivered, as such the planned delivery in 2024/25 in some Directorates is not as high as 2023/24.**

The following sections provide further information regarding the Council's forecast outturn of £2.0m, the key reasons for forecast under or overspends within directorates and the progress of savings delivery.

Children and Young People Services Directorate (£3.3m) forecast overspend)

2.10 Children & Young People Services has a budget pressure of £3.3m at the end of May primarily driven by pressures in Children's Social Care and Education. In the main the overall pressures in Children's Social Care relate to demands on residential placements (£2.2m) and home to school transport cost pressures (£1.1m).

2.11 The Looked After Children placement numbers at May 2023 are 522. This is 24 below the May 2023 budget profile (546).

2.12 However, the placement mix is showing higher than projected placements at May in external residential (5), Remand (2), Parent and Baby (2) and non placement (5) offset by in-house fostering (22), IFA (12), Supported Accommodation (2), and in house residential (2). The LAC number of 522 includes 35 Unaccompanied Asylum Seeker Children which has risen from 14 in March 2022.

2.13 The direct employee budget is £40.5m and is a combination of general fund, traded and grant funded services. The forecast underspend at the end of the May

2023 financial year is £223k which includes a small General Fund staffing underspend.

2.14 A significant element of the CYPS non-pay budgets relates to placements which has a net budget of £33.4m with an outturn projected spend of £35.6m and a projected overspend of £2.2m. Of the £2.2m placements overspend the main element relates to a £2.1m pressure in relation to residential placements.

2.15 The £2.1m residential pressures is due to a combination of a reduction in the estimated residential step downs (£1.6m) as well as increase in the unit costs (£500k) due to market pressures. Current placements numbers are 5 above May budget profile.

2.16 The Home to School transport pressures of £1.2m reflect demands on transporting children in care (£400k), those children in care placed out of borough with EHC plans (£350k) and post 19 transport costs (£450k). CYPS have operational groups set up to review transport costs to ensure the most appropriate method of transport is in place.

Dedicated Schools Grant (DSG)

2.17 The High Needs Block (HNB) is £57.8m (including the £3.5m 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 EHCs numbers and the implementation of new developments linked to the SEND Sufficiency Strategy.

2.18 The central DSG reserve now stands at £5.9m deficit following receipt of £6.0m safety valve funding during 2022/23 and a £913k underspend across all DSG elements. The Council will receive 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.

2.19 The High Needs Block (HNB) budget is set to provide a £2.068m contribution to reserves in line with the management plan, but only after agreement of the 1.5% School Block funding transfer (£3.459m) and would have been a £1.391m in-year deficit without this funding.

2.20 The Central DSG is forecast to underspend by £3.2m in 2023/24 when taking into account the planned underspend on the HNB (£2.0m), Safety Valve funding (£2.0m), offset by planned use of reserves in Early Years and Schools Block (£800k). The DSG reserve deficit is expected to reduce to £2.7m by March 31st 2024.

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 resource provision in Rotherham linked to mainstream schools and academies, with further capacity becoming operational by the end of 2023/24.
- Implement the accessibility strategy
- Work with schools and academies to maintain pupils in mainstream settings wherever possible.

Adult Care, Housing and Public Health (balanced outturn position)

2.21 The overall directorate forecast is balanced, whilst there are pressures within the directorate forecast as detailed below, it is anticipated that these can be mitigated during 2023/24 to deliver a balanced outturn position.

2.22 There is a current potential overspend of £1.4m. £882k relates to Adult Social Care and £506k relates to Housing. Public Health is currently forecast to break even.

2.23 The cost of care packages is showing pressure of £1.2m over budget. This is due to increased numbers of people in older people's residential and nursing care and in mental health provision. This includes some high-cost packages. 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 and additional income from Continuing Health Care (CHC) may offset some of the costs. Transitions are forecast as underspent by £313k reflecting historic trends. Staffing budgets are forecast to be £54k underspent due to vacancies. These are offset in large part by agency placements that provide cover for the service.

2.24 Neighbourhood Services (Housing) is showing pressure of £506k over budget with Homelessness showing pressure of £543k after accounting for grant income. This is due to continued use of hotels as numbers of people seeking support remain high. Action will be taken to eliminate or reduce this overspend risk.

2.25 Public Health is forecast to budget at this stage.

Regeneration and Environment Directorate (£3.9m forecast overspend)

2.26 The first outturn projection for the directorate indicates a forecast pressure of £3.9m for this financial year. The forecast reflects the impact of ongoing demographic pressures in Home to School Transport, the impact of inflationary pressures in the economy, particularly on food prices, and the legacy impact of lockdown restrictions on some of the directorate's services. For example, the impact on waste tonnages 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.

2.27 Community Safety and Street Scene (CSS) is forecasting an overall pressure of £2.2m. The most significant pressure continues to be in respect of Home to School Transport of £2.0m, 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. To address 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.

2.28 Parking Services is forecasting a pressure of £400k. 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. The pressure in Parking Services is being mitigated by income over-recovery of £500k in Streetworks and Enforcement. Consideration will be given to realigning the budgets to remove this pressure in Parking Services.

2.29 Waste Management is currently forecasting a break-even position despite a slight worsening in recycling market prices and an increase in agency costs as a result of staff absence. Pressures in the service are being mitigated by a windfall payment from the Waste PFI contract, as a result of the high energy price.

2.30 Culture Sport and Tourism (CST) is forecasting an overall pressure of £110k. There is an ongoing pressure in the Theatre of £60k as a result of a forecast under-recovery of income. There is also a forecast overspend of £50k at the Waleswood Caravan Park as a result of flooding in April that impacted on pitch availability and therefore income generation. The forecast for the Trees and Woodlands Service is being reviewed, in light of a requirement to increase resources in the service to deal with a back-log of maintenance issues.

2.31 Planning, Regeneration and Transport (PRT) is forecasting an overall pressure of £1.6m. The major pressure is in Facilities Services of £1m, due to inflationary pressures on food prices in School Meals and pressures on income in the service. The forecast for food is being reviewed to take account of future inflation forecasts, though there is mitigation by an increase in fees and charges that commences from September 2023.

2.32 Asset Management is forecasting an overspend of £300k. The forecast assumes income under recovery in Estates as a result of staff vacancies impacting on income generation. Pressures in Facilities Management include rising property costs, including repairs and maintenance and fixtures and fittings. The timing of the achievement of property savings is under regular review and will be fed into future forecasts as key decisions are able to be taken.

2.33 A pressure of £200k 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 to partially mitigate the Markets service pressure.

Finance and Customer Services (balanced outturn position)

2.34 The overall directorate is reporting a balanced outturn position. Whilst there are some financial pressures within the directorate, the service is projected to make savings on Legal disbursements and Bereavement Services income, which will help to mitigate these financial pressures and deliver a balanced budget.

2.35 Within Customer, Information and Digital Services, the service continues to generate cost reductions on the renewal or removal of ICT contracts, which has delivered a budget saving this year. Digital Services has also incurred difficulties with recruitment, creating further temporary cost reduction. This is offset by over-recruitment within Customer Services contact centre to help manage the difficulties caused by high staff turnover in this area, that impacts on call waiting times. This will be managed from underspends elsewhere within the Directorate and management of staffing levels.

2.36 Legal Services faces continued demand for legal support with child protection hearings and court case costs relating to Looked After Children. Reduced costs of legal disbursements and ongoing difficulties in recruiting to key posts, in particular within Adult Social Care legal support, are currently resulting in a forecast underspend. However, the number of cases during the year remains volatile and will continue to be monitored closely.

Assistant Chief Executive (£0.2m underspend)

2.37 The service is currently forecasting an underspend of £200k. This is due to increased income in HR of £102k (offset by increased costs of DBS checks) and additional funding in support of resettlement work. Staffing is also forecast to be underspent due to a small number of vacancies across the directorate.

Central Services (£5m forecast underspend)

2.38 Central Services has a forecast underspend of £5m reflecting the corporate budget provision approved within the Council's Budget and Council Tax Report 2023/24 to support anticipated pressures within Home to School Transport (£3m across R&E and CYPS) and Children's placements (£2m CYPS).

2.39 There continues to be significant financial challenges as a result of high inflation, energy prices and the potential impact of the 2023/24 Local Government Pay Award. Whilst energy prices are expected to continue to reduce they remain well in excess of levels prior to the war in Ukraine. Inflation continues to impact the renewal of Council contracts and payments to key service providers, as such it continues to present a financial challenge to the Council's approved Budget and MTFS. However, the Council was able to build into the Council's Budget and Council Tax Report 2023/24 greater levels of funding to manage the impact of inflation, energy and pay. As such it is currently anticipated that these impacts can be controlled within the existing budgetary provision. As stated within the Budget and Council Tax Report 2023/24 uncertainty in the global and UK economy remains the most significant budget risk and as such will need to continue to be closely monitored.

2.40 The current economic climate remains turbulent, with challenges in projecting where inflation will move and the pace at which it moves. At present inflation is not reducing at the pace at which Government and the Office for Budget Responsibility predicted. However, energy prices are gradually starting to reduce which will help support the Council's Budget position for 2022/23, though it is too early in the financial year to be clear on its full benefit. These financial challenges are being regularly reviewed as part of the Council's ongoing Medium Term Financial Planning. It is currently expected that the period of high inflation will last for around for 12-18 months 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 where required the Council's reserves. As such the Council's ability to build further capacity into those reserves as part of the 2022/23 outturn position is a significant benefit.

2.41 The Council's Treasury Management functions are expected to continue to perform well for the majority of 2023/24. The Council still holds significant cash balances and is able to invest them for a greater return given current high interest rates. In addition, slippage on the Capital programme in 2022/23 means that the level of financing costs for 2022/23 will be less than anticipated. The benefits from the Treasury Management function can be used to support wider inflationary pressures that the Council will face during 2023/24.

2.42 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 2023/24, approved at Council on 1st March 2023. 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 2023/24 was set at £13.2m at the outset of 2023/24.

Housing Revenue Account (HRA)

2.43 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 underspend by £691k.

2.44 The underspend largely relates to increased stock numbers as developments have come on line more quickly and higher interest rates are anticipated to bring in more income.

2.45 Increases in energy costs were anticipated to have a big impact in this financial year. These have now decreased significantly. This saving has not yet been recognised in the forecast as Council decisions and Government support will have an impact that is currently unknown. It is expected that there will be an increased underspend in this area during the year.

3. Options considered and recommended proposal

3.1 With regard to the current directorate forecast of an overspend of £2.0m, management actions will be identified where necessary with the clear aim of ensuring that a balanced budget position can be achieved. Whilst it is appropriate to recognise that to achieve a balanced outturn position there may 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 2023/24 budget, it is very early in the year to be certain of this. 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 2023/24, as part of producing the Budget and Council Tax Report 2023/24. Details of the consultation are set out in the Budget and Council Tax 2023/24 report approved by Council on 2nd March 2023.

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 2023/24 will be taken to Cabinet in July 2024.

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 and increases in demand. 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 2023. 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	26/06/2023
Strategic Director of Finance & Customer Services (S.151 Officer)	Judith Badger	22/06/2023
Assistant Director, Legal Services (Monitoring Officer)	Phillip Horsfield	22/06/2023

Report Author: Rob Mahon, Assistant Director – Financial Services
This report is published on the Council's website.