

Committee Name and Date of Committee Meeting

Cabinet – 16 September 2019

Report Title

July Financial Monitoring Report 2019/20

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

Yes

Strategic Director Approving Submission of the Report

Judith Badger, Strategic Director of Finance and Customer Services

Report Author(s)

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Ward(s) Affected

Borough-Wide

Report Summary

The report sets out the financial position as at the end of July 2019 and is based on actual costs and income for the first four months of 2019/20 and forecast for the remainder of the financial year. Financial performance is a key element within the assessment of the Council's overall performance framework, and is essential to achievement of the objectives within the Council's Policy Agenda. To that end, this is the second in a series of monitoring reports for the new financial year which will continue to be brought forward to Cabinet on a regular basis.

As at July 2019, the Council has a forecast year-end overspend of £4.6m on the General Fund.

Recommendations

1. That the current General Fund Revenue Budget forecast of £4.6m overspend be noted.
2. That it be noted that actions will continue to be taken to mitigate the forecast overspend.
3. That the Capital Programme update be noted.

List of Appendices Included

None

Background Papers

Budget and Council Tax Setting Report 2019/20 to Council on 27th February 2019.

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 Report 2019/20

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 2019/20, 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.

2.2

Table 1: Forecast Revenue Outturn 2019/20 as at May 2019

Directorate	Budget 2019/20 £m	Forecast Outturn 2019/20 £m	Forecast Variance over/under (-) £m
Children and Young People's Services	65.4	70.3	4.9
Adult Care, Housing & Public Health	77.2	79.4	2.2
Regeneration & Environment Services	42.9	42.9	0.0
Finance and Customer Services	15.9	15.9	0.0
Assistant Chief Executive	6.9	6.9	0.0
Central Services	12.8	10.3	-2.5
TOTAL	221.1	225.7	4.6
Dedicated Schools Grant			1.3
Housing Revenue Account (HRA)	82.0	81.9	-0.3

- 2.3 The following sections provide further information regarding the key reasons for forecast under or overspends within Directorates, and the progress of savings delivery.

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

- 2.4 Children and Young People Services are implementing a two-year budget recovery plan to reduce the budget pressures from previous years (£15.6m in 2018/19) and deliver budget savings.
- 2.5 The budget pressure at the end of July is £4.9m an adverse movement of £0.6m this period, and whilst the Looked After Children number of 634 is just below the budget profile (638) for this period, the placement mix of having more placements in residential care than the budget profile is leading to budget pressures.
- 2.6 The direct employees budgets stands at £38.8m and is a combination of core and grant funded services. The projected general fund position at the end of July is a £43k overspend., There are currently 7 agency workers in children's social care at the end of July, which is on target with the agency reduction plan.
- 2.7 The staffing budget reflects the work undertaken to date on delivery of the Early Help & Social Care Pathways savings proposal and other staff savings across the CYPS directorate. Further proposals are currently being developed to deliver the 2020/21 budget savings and contribute towards mitigating the current 2019/20 budget pressures.
- 2.8 A significant element of the CYPS non-pay budgets relates to placements which has a net budget of £31.3m with a current projected spend of £35.6m. The financial pressure of £4.3m with an adverse movement of £0.5m this period. The main financial pressures are on residential placements - £3.0m, Special Guardianship Order Payments - £0.8m, and a reduction in the estimated income from the Clinical Commissioning Group - £0.6m. The number of Special Guardianship Orders has increased and provision has also been made for a backdated increase to the SGO maintenance allowances to align with those for foster carers.
- 2.9 The £3.0m residential pressures are due to a combination of 12 additional placements above the budget profile - £2.0m, and an increase in the average net unit cost of residential placements - £1m, with the increase in unit costs due to the complexity of need of current children in residential care.
- 2.10 The placement forecast assumes that from August 2019 to March 2020, the placement budget assumptions (placement reductions and transitions to lower cost placement types) will be achieved for the rest of the financial year. There are several risks linked to achievement of this placement budget profile which are:
- The increase in in-house fostering enquires and net growth in foster carers placements are not as yet in line with the estimated projections.
 - Estimated admissions and discharges from care being in line with expectations
 - Costs of placements increasing above inflationary expectations

Dedicated Schools Grant

- 2.11 The High Needs Block (HNB) is £34.3m (including the £2.8m transfer from the schools block) and remains under significant pressure due to rising numbers of children supported in specialist provision and the rising costs of Education Health Care (EHC) plans. Consequently, the central DSG reserve has changed over a three-year period from a £1m reserve deficit at the end of 2015/16 to £15.1m deficit at the end of the 2018/19 financial year (£5.1m overspend in 2018/19).
- 2.12 The forecast at the end of July 2019 shows an in-year pressure of £1.3m based on the DSG recovery plan and includes anticipated growth on EHCs numbers and the implementation of new developments linked to the SEND Sufficiency Strategy.
- 2.13 Both the Early Years and the Schools' block are expected to be broadly in line with allocations in 2019/20.
- 2.14 The key areas of focus to reduce the current High Needs Block pressures are:
- A revised Special School funding model;
 - A review of high cost, external education provision to reduce cost and move children back into Rotherham educational provision;
 - Develop additional SEN provision in Rotherham linked to mainstream schools and academies;
 - Work with schools and academies to maintain pupils in mainstream settings wherever possible;
 - A review of inclusion services provided by the Council

Regeneration and Environment Directorate (Forecast balanced budget)

- 2.15 The Directorate is forecasting a balanced budget position but with a number of underlying budget pressures to mitigate. Budget reviews are underway with the purpose of providing certainty on the forecast position. Estimates of the contribution to the Directorate outturn of each item is to be determined in the financial monitoring cycle in September 2019.
- 2.16 The Directorate has approved savings of £2.1m to deliver in 2019-20. This is made up of £0.9m of new savings agreed for 2019/20 and £1.2m of savings agreed in 2018/19 for implementation in 2019/20. However when taking into account £2.1m savings brought forward from previous years, the total is £4.2m to deliver.
- 2.17 Of this total, £1.4m of savings require further actions to complete in 2019-20. . The delayed delivery of savings from previous years includes Corporate Property - £0.7m, Corporate Transport Unit - £0.3m, and a number of smaller value savings - £0.4 remain a work in progress. These include savings in Street-Scene, Markets and Cultural services (Theatres & Rotherham Show).
- 2.18 Community Safety and Street Scene is reporting a pressure of £0.5m. Demand led cost pressures exist in Home to School Transport - £0.8m, although offsetting underspends are found in highways, regulation, enforcement and environmental protection totalling £0.3m

- 2.19 In Planning, Regeneration and Transport there is a one-off pressure relating to the timing in the commissioning of investment property relating to the Beighton Link development, which amounts to £0.3m. Timing in delivery of property savings means £0.7m of pressure will taper off to £0.2m into 2020-21 and is forecast to balance by 2021/22. Income from construction design and professional fees offsets up to £0.4m of the pressure in 2019-20. Markets trading conditions remain challenging with a forecast £0.3m shortfall against the income budget.
- 2.20 For 2019-20, Culture, Sport and Tourism now operate the Waleswood Caravan Park. Achieving the budgeted income carries a material risk because the facility is a new operation in the market. The Park's ultimate success is dependent in part on the opening of the adjacent Gullivers World development. The Rother Valley Country Park turnover from other chargeable activities is further adversely affected by recent environmental conditions
- 2.21 The Council has been successful in receiving funding from the Joint Air Quality Unit for the installation of Electric Vehicle charging points across the Borough. Once the charging points are installed, the Council intends to provide free use of them for the rest of this financial year. However normal car parking charges will still apply where applicable. The cost of providing free use is not expected to be significant and the position will be reviewed for the next financial year.

Adult Care and Housing (£2.2m forecast overspend)

- 2.22 The overall general fund Directorate forecast is an overspend of £2.2m, This assumes full delivery of savings identified by implementing the new target operating model, part year savings from re-assessments/right size care packages and some savings from the review of Learning Disability services. The forecast overspend arises largely as a result of demand for services.
- 2.23 In 2018/19 there were c.640 people who required a new service and c.800 ended service. This reduction was less than expected with around 250 more people in receipt of services than anticipated resulting in a £1.7m cost pressure continuing in 2019/20. People are presenting with increasingly complex needs and the average number of hours for a domiciliary care package is increasing.
- 2.24 The budget includes savings of £5.7m, of which £3.0m is estimated to be delivered giving a shortfall of £2.7m in 2019/20. A number of mitigating actions have been identified, including maximising the use of one-off resources, which are expected to bridge the majority of the gap this financial year.
- 2.25 Some of the forecast savings are lower than originally planned and will take longer to deliver. The reassessment savings have been re-profiled based on the reassessments delivered in 2018/19, and the forecast activity over the next three financial years (2019/20 to 2021/22).
- 2.26 The 2019/20 reassessment savings are progressing as planned. However, other service demand is increasing with additional in year cost pressures of £0.3m from reviews of packages outside of the targeted reassessment programme.

- 2.27 My Front Door has been re-profiled for the amended In-House Services timeline. This is subject to the outcome of the Judicial Review. The potential savings in 2019/20 is reduced by £0.1m. Other savings are on track to be delivered as planned.
- 2.28 Neighbourhood Services' (Housing) latest forecast is an overall balanced position.

Public Health (Forecast balanced budget)

- 2.29 The Public Health ring fenced specific grant was further reduced by a further £0.4m to £15.9m for 2019/20.

The latest forecast is turnover balanced position. This includes a budgeted transfer from the Public Health Grant reserve of £0.2m as part of setting a balanced budget.

- 2.30 A Budget savings agreed as part of the budget setting process totalling £0.056m in respect Sexual Health contract is forecast to be fully achieved in year.

Finance and Customer Services (Forecast balanced budget)

- 2.31 The Finance and Customer Services Directorate is forecasting a balanced outturn position. Savings are being accrued within the Revenues and Benefits service but these will, in the first instance, contribute to the delivery of the 2019/20 saving for the Customer and Digital Programme across FCS and ACX Directorates.
- 2.32 Within Customer Information and Digital Services, there are pressures on Schools Connect Trading to reflect the continued loss of schools/academies subscribing to services, which is resulting in a forecast loss of £0.084m. The service will mitigate the pressures through vacancy control.
- 2.33 Whilst Legal Services faces continued demand for legal support with child protection hearings and court case costs relating to Looked After Children, legal disbursements are currently forecasting a balanced position. The number of cases during the year remains volatile and will continue to be monitored closely.

Assistant Chief Executive (Forecast balanced budget)

- 2.34 The Assistant Chief Executive's Directorate are forecasting a balanced outturn position. Savings are being accrued within the HR service but these will in the first instance contribute to the delivery of the 2019/20 saving for the Customer and Digital Programme across FCS & ACX Directorates.

- 2.35 There are pressures on the software licences budget but these are offset by vacancy control. Further, there are income pressures due to loss of consultancy business from schools and academies, however the over-achievement of income from salary sacrifice schemes has delivered a budget benefit.

Central Services (£2.5m forecast underspend)

- 2.36 A forecast underspend of £2.5m is projected, largely as a result of further savings from treasury management activity.
- 2.37 On 3 August 2019, the Government announced details of further funding allocations to support local authorities with the EU Exit. The Council will receive a further £0.105m in 2019/20 in addition to the £0.105m announced in January 2019 and the £0.105m received in 2018/19. The funding received in 2018/19 is held in reserves, so the total funding that can be made available for any costs incurred in 2019/20 is £0.315m.

Housing Revenue Account (HRA) (forecast £0.3m underspend)

- 2.38 The Housing Revenue Account is a statutory ring-fenced account that the Council has to maintain in respect of the income and expenditure incurred in relation to its council dwellings and associated assets. The overall HRA forecast is an underspend of £0.3m which will reduce the transfer from the HRA reserve from a budgeted £12.1m to £11.8m.
- 2.39 The forecast underspend relates to higher than anticipated staff turnover within Supervision and Management - £0.1m, additional income from rents due to quicker turnaround of void properties - £0.1m, and a reduction in the forecast provision for bad debts - £0.1m.
- 2.40 The HRA budget includes a revenue contribution to capital expenditure of £14.7m which is forecast in line with budget at this stage.

Capital Programme Update

- 2.41 The Capital Programme 2019/20 totals £124.853m split between the general fund £74.779m and HRA £50.074m. This has reduced overall by £5.632m from the position reported to Cabinet on 8 July 2019, in the Financial Outturn 2018/19 report. The movement is based on the latest profiles of expenditure against schemes, factoring in slippage of £6.359m, revised funding of £0.471m and the addition of new inclusions to the capital programme, through grant approvals, totalling £1.198m.
- 2.42 The main items of slippage are within the Children and Young Peoples Services, Regeneration and Environment & HRA programmes. These account for £6.153m of the total slippage, they include:

- The Forge Island Flood Defences scheme slippage of £1.125m as the phase 2 canal barrier works will now take place in 2020/21. The Canal and Rivers Trust will only permit works on the canal during the winter months and require twelve months' notice on final design and schedule of works.
- The Pathways to Care programme that provides adaptations for Foster Carers to allow them to take on Looked After Children (LAC) siblings or LAC with disabilities, has been reviewed to assess how many requests are coming forward and how many can be delivered within the year. Following this review there is slippage of £0.739m into 2020/21.
- Waverly New Primary School slippage of £1.999m. The contractors forecasts reflects the commencement of ground works from July 2019, with the main construction in 2020.
- Aston Academy slippage of £1.641m. Following a detailed survey, only the asbestos removal works and subsequent design works can be completed in 2019/20, with the main contract expected to start in 2020/21 and will complete in 2021/22.

2.43 The CYPS programme has been reviewed in detail to assess how the available unallocated grant resources can be more effectively utilised to support programme objectives. Following this review, with a particular focus on the requirements of the Special Educational Needs (SEN) programme, £0.838m of corporate resource funding has been replaced with schools grant funding. This meets the requirement of the 2018/19 budget and capital programme where Council approved £0.838m of corporate resource funding for SEND capital projects on the basis that schools related capital funding would continue to be explored to try and identify grant funding resources which could be allocated to SEND and remove the need for corporate funding.

2.44 Additional 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 since the Financial Outturn 2018/19 report to Cabinet in July are listed below,

Table 2: New Grant Funded Schemes

Directorate/Scheme	2019/20 £m	Post 2019/20 £m
Regeneration & Environment		
Transforming Cities Fund Grant Award used to deliver the planned Fenton Road shared cycle footway.	0.850	0.000
Transforming Cities Fund Grant Award balance, added to the capital programme to deliver further transportation schemes still to be confirmed.	0.130	0.000
Department for Transport Winter Damage Pothole fund, awarded to RMBC to assist with removing or preventing the creation of potholes. The Council as in previous years with this award will utilise the grant to deliver further highways improvement works, thus preventing the creation of potholes.	0.218	0.000
Total Additions	1.198	0.000

2.45 The updated Capital Programme to 2022/23 is shown by Directorate in Table 3 below.

Table 3: Updated Capital Programme 2019/20 to 2022/23

Directorate	2019/20	2020/21	2021/22	2022/23	Total
	Budget	Budget	Budget	Budget	Budget
	£m	£m	£m	£m	£m
General Fund Capital					
Children and Young People's Services	12.508	11.117	5.680	4.508	33.813
Assistant Chief Executive	0.625	0.210	0.210	0.210	1.255
Adult Care & Housing	4.764	5.993	11.976	4.005	26.737
Finance and Customer Services	7.042	4.828	1.775	1.775	15.420
Regeneration and Environment	47.840	43.227	23.181	6.355	120.603
Capitalisation Direction	2.000	2.000	2.000	0.000	6.000
Total General Fund Capital	74.779	67.375	44.821	16.853	203.828
Total HRA Capital					
	50.074	26.763	22.275	22.275	121.387
Total RMBC Capital Programme					
	124.853	94.138	67.096	39.128	325.215

Forecast position of Capital Programme 2019/20

2.46 The £124.853m of capital expenditure is funded as shown in the table below;

Table 4: Funding of the approved Capital Programme

Funding Stream	2019/20
	Budget
	£m
Grants And Contributions	30.652
Prudential Borrowing	35.903
Capital Receipts	6.224
Capital Receipts - Flexible Use	2.000
Total Funding - General Fund	74.779
Grants And Contributions	2.815
Housing Major Repairs Allowance	18.306
Capital Receipts	13.046
Revenue Contribution	15.907
Total Funding - HRA	50.074
Total	124.853

Capital Receipts

2.47 The Council is continuing to undertake a comprehensive review of its assets and buildings portfolio with the aim of rationalising both its operational and non-operational asset holdings. This may contribute future capital receipts which are earmarked to support the revenue budget, using the new capital receipts flexibilities introduced from 1st April 2016 to fund expenditure relating to transforming Council service to generate future revenue efficiency savings.

2.48 To date General Fund Capital receipts of £0.022m have been generated as shown in the table below. Although, loan repayments of £0.022m have been received in 2019/20, this 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.

Table 5 – General Fund Capital Receipts Received in 2018/19

Description	Total as at 31st July 2019
	£m
Sub Total – Usable In-Year Capital Receipts	0.000
Repayment of Loans	0.022
Total Capital Receipts	0.022

2.49 The forecast for useable capital receipts for 2019/20 is between £1.5m & £2.6m and includes some potential disposals of surplus properties which are subject to Cabinet approval.

3. **Options considered and recommended proposal**

3.1 With regard to the current forecast overspend of £4.6m at this stage of the financial year, further management actions are being identified with the clear aim of bringing expenditure into line with budgets and the impact of these actions will be included in future financial monitoring reports to Cabinet.

4. **Consultation on proposal**

4.1 The Council consulted extensively on budget proposals for 2019/20. Details of the consultation are set out in the Budget and Council Tax 2019/20 report approved by Council on 27th February 2019.

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 next Financial Monitoring Report with the position at the end of September 2019 will be considered by Cabinet in November 2019.

6. **Financial and Procurement Advice and Implications**

6.1 There is currently a projected overspend of £4.6m as set out in Section 2 of this report.

6.2 If budget and planned savings and spend reductions are not delivered as intended, there will be an impact on the Council's reserves, as any expenditure in excess of budget impacts reserves levels. Control over spending is therefore critical to both maintaining the robust Reserves Strategy and Medium Term Financial Strategy. All savings are being closely monitored and tracked, with all areas at risk of shortfall subject to review and the identification of alternative options.

6.3 Failure to achieve planned savings and to contain revenue expenditure within the agreed budget for this financial year will have further implications for 2020/21 and the MTFS, in the context of the proposals set out in the Budget and Council Tax Report 2019/20.

6.4 There are no direct procurement implications arising from the report.

7. **Legal Advice and Implications**

7.1 No direct legal implications.

8. **Human Resources Advice and Implications**

8.1 No direct implications.

9. **Implications for Children and Young People and Vulnerable Adults**

9.1 The report includes reference to the cost pressures on both Children's and Adult Social care budget.

10. **Equalities and Human Rights Advice and Implications**

10.1 No direct implications.

11. **Implications for Partners**

11.1 No direct implications.

12. **Risks and Mitigation**

12.1 At a time of economic difficulty and tight financial constraints, managing spend in line with the Council's budget is paramount. Careful scrutiny of expenditure and income across all services and close budget monitoring therefore remain a top priority if the Council is to deliver both its annual and medium term financial plans while sustaining its overall financial resilience.

12.2 The Budget and Council Tax 2019/20 report approved by Council in February 2019, set out proposals for a balanced budget over the next two financial years. However, the Government is now issuing a one-year only Spending Round for 2020/21 with the longer term Spending Review and Fair Funding Review to take place during 2020 for implementation in 2021/22. The outcomes from the one-year Spending Round for 2020/21 will need to be reflected in a revised Medium Term Financial Strategy and where appropriate, a revised budget strategy will be developed.

13. Accountable Officers

Graham Saxton, Assistant Director – Financial Services

Paul Stone, Head of Corporate Finance

Approvals obtained on behalf of Statutory Officers:-

	Named Officer	Date
Chief Executive	Sharon Kemp	02/09/19
Strategic Director of Finance & Customer Services (S.151 Officer)	Graham Saxton	28/08/19
Head of Legal Services (Monitoring Officer)	Bal Nahal	28/08/19

Report Author: Paul Stone, Head of Corporate Finance

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