

Committee Name and Date of Committee Meeting

Cabinet – 17 February 2020

Report Title

December Financial Monitoring 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 December 2019 and is based on actual costs and income for the first nine 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 fourth in a series of monitoring reports for the current financial year which will continue to be brought forward to Cabinet on a regular basis.

As at December 2019, the Council has a forecast year-end overspend of £4.0m on the General Fund.

The report also outlines an interim update to the Council's Medium Term Financial Strategy.

Recommendations

1. That the current General Fund Revenue Budget forecast of £4.0m 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

Appendix 1 Initial Equality Screening

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

Overview and Scrutiny Management Board

Council Approval Required

No

Exempt from the Press and Public

No.

December Financial Monitoring 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 fourth 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 nine 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 December 2019

Directorate	Budget 2019/20 £m	Forecast Outturn 2019/20 £m	Forecast Variance over/under (-) £m
Children and Young People's Services	66.2	72.1	5.9
Adult Care, Housing & Public Health	77.4	78.8	1.4
Regeneration and Environment Services	43.3	45.3	2.0
Finance and Customer Services	16.2	15.5	-0.7
Assistant Chief Executive	6.7	6.6	-0.1
Central Services	11.3	6.8	-4.5
TOTAL	221.1	225.1	4.0
Dedicated Schools Grant			3.3
Housing Revenue Account (HRA)	83.0	81.0	-2.0

- 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 (£5.9m 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 (£15.7m in 2018/19) and deliver budget savings.
- 2.5 The budget pressure at the end of December is £5.9m with an adverse movement of £0.3m from the October position reported to Cabinet. The Looked After Children number of 614 is currently below the budget profile (616) for this period, but the placement mix of having too many placements in residential care continues to be the main reason for the budget pressures.
- 2.6 The direct employees budgets stands at £39.0m and is a combination of general fund, traded and grant funded services. The projected underspend at the end of December is £990k, of which £514k is a general fund underspend, a favourable movement of £25k this period. There are currently 7 agency workers in children's social care at the end of December.
- 2.7 The staffing budget reflects the work undertaken to date on delivery of the Early Help and Social Care Pathways savings proposal and other staff savings across the CYPS directorate. Further proposals have been identified 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 £31.2m, with a current projected spend of £37.6m, a net financial pressure of £6.4m. The main financial pressures are on the projected costs of residential placements (£4.6m), Special Guardianship Payments (£1.0m), and Direct Payments (£0.4m) offset by Parent and Baby assessment savings of (£0.4), plus a reduction in the estimated income from the Clinical Commissioning Group (£700k).
- 2.9 The £5.3m residential pressures are due to a combination of 17 additional placements above the budget profile (£3.1m) an increase in the average net unit cost of residential placements (£1.5m) with the increase in unit costs due to the complexity of current children in residential and the reduction in estimated income from CCG (£700k).
- 2.10 The placement forecast assumes that from January 2020 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:
- External residential placement admissions continue at a high level above forecast assumptions
 - Estimated admissions and discharges from care being in line with expectation
 - The increase in in-house fostering enquires and net growth in foster carers placements are not in line with the estimated projections.
 - Costs of placements increasing above inflationary expectations

2.11 The other major budget pressures have also been incurred linked to the current number of Looked After Children this financial year. Transport has a forecast overspend of £470k whilst, section 17 & 23 payments are projected to overspend by £532k. Detailed spend analysis is being undertaken to monitor section 17 and 23 payments, with a task and finish group in place and undertaking work to support a reduction in spend.

Dedicated Schools Grant

2.12 The High Needs Block (HNB) is £34.5m (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).

2.13 The forecast at the end of December 2019 shows an in-year pressure of £3.3m. The projections have been based on the DSG recovery plan assumptions and includes anticipated growth on EHCs numbers and the implementation of new developments linked to the SEND Sufficiency Strategy. The main pressures are linked to alternative provision, high cost external residential, independent sector placements and top-up payments.

2.14 Both the Early Years and the Schools' block are expected to be broadly in line with allocations in 2019/20.

2.15 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 (£2.0m forecast overspend)

2.16 The latest outturn projections for the Directorate indicate an increase in the forecast pressure from £1.5m to £2m for this financial year. The position includes the latest expectation of further savings that can be delivered by the end of the year following a comprehensive budget review within the Directorate. This projection includes the following specific budget issues :

2.17 Home to School Transport (£1.3m) as a result of demand led pressures. There are offsetting underspends (£0.2m) in Highways, Community Safety, Resilience and Emergency Planning, this gives rise to a net £1.1m pressure overall in Community Safety and Streetscene.

- 2.18 In Culture Sport and Tourism, there has been an underachievement of income at Rother Valley Country Park related to a number of revenue streams including leisure activities, café, accommodation and car-parking. This was in part due to the impact of blue-green algae and also the revised timescale for the delivery of Gullivers, which meant that previous forecasts of sales – and related budget savings - aligned to increased usage of Rother Valley facilities have not been achievable. However, customer reviews of Rother Valley and the new campsite and caravan park remain very positive, achieving 4.8 out of 5 star reviews. The most recent forecast for Rother Valley and related facilities is more prudent and work is underway to prevent the blue-green algae from re-occurring as well as engage closely with the Gullivers team on their schedule for opening. A pressure of £0.7m is likely in Culture, Sport and Tourism.
- 2.19 Ongoing reduction in Markets income (£0.3m) as a consequence of the overall decline in all forms of retail activity results in a pressure in Planning Regeneration and Transport. A one off shortfall in Highways Design service fee income (£0.1m) will be resolved by recruitment into fee earning posts. The timing of Property Savings (total approved £1m) will also adversely impact on the bottom line although over the medium term the budget gap will be removed as buildings are closed and savings are released. The overall pressure in 2019/20 on Corporate Landlord properties is £1.4m. It is made up of £0.3m underachievement from the previously noted Beighton Link investment income plus slippage in property running costs savings (£0.6m) and higher than planned expenditure on corporate property £0.5m. A forecast over-recovery of £0.7m on Building Consultancy income, as a result of increased capital work is helping to partly offset pressures in this Service. However, a net pressure of £1.1m is likely in Planning Regeneration and Transport.
- 2.20 The Directorate has £4.1m of savings to implement in 2019-20. Of this sum £0.6m of savings has been completed, leaving £3.5m in progress and while £1.4m of this remains on track for delivery in 2019/20, £2.1m will carry forward into 2020-21.
- 2.21 Transport Savings (£0.3m) and Property savings (£0.6m) are taking longer than planned to deliver leaving a gap of £0.4m. Less than planned income (£0.4m) from leisure activity in Rother Valley introduced as savings for 2019/20 has also taken longer than expected to deliver. The Business Units at Beighton Link are expected to be finished in February 2020 and once commissioned, rental income from the investment is expected in. A rent guarantee is in place to cover income risk post-commissioning. A part-year saving in 2019/20 will be achieved and then the full year savings (£0.3m) for 2020-21 is expected.

Adult Care and Housing (£1.4m forecast overspend)

- 2.22 The overall Directorate forecast is an overspend of £1.4m on general fund services. This is based on full delivery of savings identified by implementing the new target operating model and part year savings from the reassessment programme and review of Learning Disability services.

- 2.23 Adult Care Services are forecast to overspend by £2.1m, largely as a result of demand for services. In 2018/19 there were c.640 people who required a new service and c.800 ended service. This net reduction was less than expected with around 250 more people in receipt of services than anticipated resulting in a cost pressure of £1.8m. 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 £2.3m is estimated to be delivered giving a shortfall of £3.4m in 2019/20.
- 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). The current forecast includes the impact of the reassessments completed to date which show a deficit of £0.4m against plan.
- 2.26 My Front Door has been re-profiled for the amended In-House Services timeline. Other savings are on track to be delivered as planned.
- 2.27 Neighbourhood Services' (Housing) latest forecast is an overall underspend position due to additional fee income from the Furnished Homes scheme (-£0.3m) plus additional contributions from the HRA for advocacy and appeals.
- 2.28 A number of mitigating actions have been identified, including maximising the use of one-off resources, which are expected to bridge the savings shortfall this financial year and also cover some of costs of additional demand for services, resulting in a net overall forecast of £1.4m overspend for the Directorate.

Public Health (Forecast balanced budget)

- 2.29 The latest forecast is a balanced position. This includes a budgeted transfer from the Public Health Grant reserve of £0.2m in order to set a balanced budget.
- 2.30 A Budget saving agreed as part of the budget setting process totalling £0.1m in respect Sexual Health contract is forecast to be fully achieved in year.

Finance and Customer Services (£0.7m forecast underspend)

- 2.31 The overall Directorate forecast is an underspend of £0.7m. 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 relating to FCS Directorate. Recurring savings of £471k have already been identified and secured to date that are directly attributable to the programme and work is underway in order to secure the remainder. The entire value of the budget saving is expected to be delivered in year.

- 2.31 Within Customer, Information and Digital Services, there are financial pressures on Schools Connect Trading to reflect the continued loss of schools/academies subscribing to services, which is resulting in a forecast loss of £0.1m. The service will mitigate the cost pressures this year through vacancy control with plans to cease provision of the service from the new financial year. There is also a current high demand on Customer Services and temporary staff are being recruited to assist in managing this demand and reducing wait times for customers. This will be funded within the overall Customer, Information and Digital budget.
- 2.32 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 £0.2m underspend. However, the number of cases during the year remains volatile and will continue to be monitored closely. There are demand pressures across all parts of Legal Services but it is anticipated that this will be managed within the Legal Services budget.

Assistant Chief Executive (£0.1m Forecast underspend)

- 2.33 The Assistant Chief Executive's Directorate are forecasting an underspend of £0.1m. Savings are being accrued within the HR service which contribute to the delivery of the 2019/20 saving for the Customer and Digital Programme attributable to the ACX Directorate. The entire value of the budget saving is expected to be delivered in year, plus a further £0.1m underspend.
- 2.34 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 (£4.5m forecast underspend)

- 2.35 Savings are being delivered from a range of activities within the treasury management strategy, including effective cash flow planning and monitoring, along with management of the loans portfolio to take advantage of the continuing low cost of short-term funds. These activities, together with a number of general efficiencies on centrally managed budgets are forecast to provide a £4.5m saving. This includes the amount of costs of dealing with the recent floods which the Council will have to contribute from its own resources.

Housing Revenue Account (HRA) (forecast £2.0m underspend)

- 2.36 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 £2.0m which will reduce the transfer from the HRA reserve from a budgeted £12.2m to £10.2m.

- 2.37 The forecast underspend relates to:
- additional income from rents due to a quicker turnaround of void properties and a reduction in forecast rent allowances (£0.5m);
 - £1m underspend on Repairs and Maintenance due to increased recovery of tenants repairs income and a reduction in forecast costs;
 - staff vacancies and savings on other employee costs (£0.5m);
 - £0.2m reduction in the cost of bad debt;
 - Increased cost of borrowing £0.2m
- 2.38 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

- 2.39 The Capital Programme 2019/20 totals £117.331m split between the general fund £69.608m and HRA £47.723m, this has reduced overall by (£7.054m) from the position reported to Cabinet in October. The movement is based on the latest profiles of expenditure against schemes, factoring in slippage and re-profiles of (£8.937m), new grants of £0.572m, and new schemes added as part of the Councils 2020/21 budget setting report of £1.311m.
- 2.40 The slippage and re-profile requirements are within the Regeneration and Environment & HRA programmes, they include ;
- 2.41 Rothwell Grange SOAHP (£1.520m) new build scheme is still at the early stages of project delivery following agreement in the early part of the year to go back out to tender with the proposed scheme design to achieve a more competitive price. This delay, plus delays with getting the site up to a developable standard will now see the scheme take place in 2020/21.
- 2.42 Modern Methods of Construction Bungalows SOAHP (1.962m) new build scheme has been delayed due to budget pressures within the wider SOAHP programme, meaning that the budget available for this scheme has been reduced. Whilst the Council intends to still deliver a scheme the design, budget and timeframes still need to be finalised.
- 2.43 Parkway Widening Phase 2 (£1.949m) scheme will see slippage into 2020/21, the proposed scheme is currently with the Department for Transportation to approve the business case for this significant investment (£45.6m total scheme cost), following RMBC's completion of project designs and preliminary works. The intention was to be on site by March 2020, however the general election has seem the profile of DfT approvals slip, meaning the scheme will comment in 2020/21 subject to DfT approval.
- 2.44 Century Phase 2 (£3.071m) will be slipped into 2020/21 as its now unlikely that the Sheffield City Region will have surplus capital resources to support the scheme this year. RMBC has this scheme ready to deliver should SCR have surplus resources within their capital programmes following the non-delivery or delay of existing approved schemes.

2.45 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 report to Cabinet in October are listed below. The updated Capital Programme totals also align with new schemes proposed to be added to the Council's Capital Programme that are set out for approval within the Budget and Council Tax 2020/21 report on the same Cabinet agenda as this report.

2.46 **Table 2: New Grant/HRA Funded Schemes, and additions proposed within the Budget and Council Tax 2020/21 report.**

Directorate/Scheme	2019/20 £M	Post 2019/20 £m
Regeneration & Environment		
New Grants identified for 2020/21 to 2023/24 as part of Budget Setting. The 2019/20 addition is the confirmed LTP incentive grant to be used for increased highways and street lighting investment and the inclusion of the estimated Future High Streets Funding programme	1.872	105.373
Capitalisation of expenditure to support the revenue budget & invest to save schemes	0.623	9.533
Capital Proposals to be approved as part of the Budget Setting Report 2019/20. These are predominantly funded by corporate resources, with some grant contributions.	0.234	52.296
Annual Capital schemes extended into 2023/24 as part of the Budget Setting Report 2020/21.	0.000	16.142
Schemes already planned in for 2023/24 as part of their project life	0.000	2.968
HRA Business Plan additions	0.454	62.707
Total Additions	3.163	249.019

2.47 The proposed updated Capital Programme to 2023/24 is shown by Directorate in Table 2 below.

2.48 **Table 2: Proposed Updated Capital Programme 2019/20 to 2022/23**

Directorate	2019/20 Budget £m	2020/21 Budget £m	2021/22 Budget £m	2022/23 Budget £m	2023/24 Budget £m	Total Budget £m
General Fund Capital						
Children and Young People's Services	12.508	12.581	6.180	4.508	6.033	41.810
Assistant Chief Executive	0.627	0.210	0.210	0.210	0.210	1.467
Adult Care & Housing	4.720	4.361	6.523	12.624	6.240	34.468
Finance and Customer Services	7.481	7.061	2.679	3.124	10.523	30.868
Regeneration and Environment	43.552	65.981	56.682	43.820	41.035	251.071
Capitalisation Direction	2.000	2.000	2.000	0.000	0.000	6.000
Total General Fund Capital	70.888	92.194	74.274	64.287	64.041	365.685
Total HRA Capital						
	47.723	55.016	55.058	44.178	43.198	245.172
Total RMBC Capital Programme						
	118.611	147.210	129.332	108.464	107.239	610.857

Forecast position of Capital Programme 2019/20

2.49 The £118.611m of capital expenditure is funded as shown in the Table 3 below.

2.50 **Table 3: Funding of the approved Capital Programme**

Funding Stream	2019/20 Budget £m
Grants And Contributions	28.977
Unsupported Borrowing	33.686
Capital Receipts	6.225
Capital Receipts - Flexible Use	2.000
Total Funding - General Fund	70.888
Grants And Contributions	1.905
Unsupported Borrowing	-
Housing Major Repairs Allowance	18.080
Capital Receipts	13.046
Revenue Contribution	14.692
Total Funding – HRA	47.723
Total	118.611

Capital Receipts

- 2.51 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.
- 2.52 To date General Fund capital receipts of £2.830m have been generated as shown in Table 4 below. Although loan repayments of £2.734m 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.

2.53 Table 4 – General Fund Capital Receipts Received in 2019/20

Description	Total as at 31 st December 2019 £m
4b Beighton Link	-0.021
DEPOSIT – Erkin Road	-0.010
DEPOSIT – 36 Nelson Street	-0.004
DEPOSIT – Rockcliffe Road	-0.006
DEPOSIT – Treeton Youth Centre	-0.028
DEPOSIT – St Leonards Youth Centre	-0.091
DEPOSIT – Fitzwilliam	-0.095
Sub total - Useable In-Year Capital Receipts	-0.072
De-minimus receipts	-0.006
Total Capital Receipts (Excl loan repayments)	-0.091
Repayment of Loans	-2.734
Total Capital Receipts	-2.830

- 2.54 The forecast for useable capital receipts is between £0.894m & £0.983m and includes surplus property disposals which are subject to Cabinet approval. These receipts are made up of a small number of disposals and therefore any changes to these could impact on these forecasts significantly. The estimated value of receipts has fallen significantly from that reported to cabinet in October following a major site sale slipping into 2020/21.

3. Options considered and recommended proposal

- 3.1 With regard to the current forecast overspend of £4.0m, further management actions continue to be identified with the clear aim of bringing expenditure into line with budgets. This includes holding back all spend, where possible, for the remainder of the financial year. The Council has £3.2m of the budget contingency reserve remaining to support the 2019/20 budget.

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 January 2020 will be considered by Cabinet in March 2020.

6. Financial and Procurement Advice and Implications

- 6.1 There is currently a projected overspend of £4.0m as set out in Section 2 of this report. The Council has £3.2m of the budget contingency reserve remaining which can support the 2019/20 financial outturn.
- 6.2 If budget and planned savings and spend reductions are not delivered as intended to an extent that cannot be contained within the budget contingency reserve, there will be a further 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 The interim update to the Council's Medium Term Financial Strategy indicates that a balanced budget can be maintained for 2020/21 and across the MTFS period. Whilst there is some capacity within the MTFS going forward to provide for the timing impact of delivery of some budget savings, the maintenance of a balanced budget is predicated on all approved savings being delivered in full by 2021/22, either as originally approved or with approved alternative savings, together with actions completed to eradicate or mitigate against the impact of other budget pressures.
- 6.4 There are no direct procurement implications arising from the report.

7. Legal Advice and Implications

- 7.1 No direct legal implications.

8. Human Resources Advice and Implications

- 8.1 No direct implications.

9. Implications for Children and Young People and Vulnerable Adults

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

10. Equalities and Human Rights Advice and Implications

10.1 No direct implications.

11. Implications for Partners

11.1 No direct implications.

12. Risks and Mitigation

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

13. Accountable Officers

Graham Saxton, Assistant Director – Financial Services

Rob Mahon, Head of Corporate Finance

Approvals obtained on behalf of Statutory Officers:-

	Named Officer	Date
Chief Executive	Sharon Kemp	03/02/20
Strategic Director of Finance & Customer Services (S.151 Officer)	Judith Badger	29/01/20
Head of Legal Services (Monitoring Officer)	Bal Nahal	31/01/20

Report Author: Rob Mahon, Head of Corporate Finance

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