

Committee Name and Date of Committee Meeting

Cabinet – 23 March 2020

Report Title

January 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 January 2020 and is based on actual costs and income for the first ten 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 fifth 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 January 2020, the Council has a forecast year-end overspend of £3.1m on the General Fund.

Recommendations

1. That the current General Fund Revenue Budget forecast of £3.1m 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.

January 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 fifth 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 ten months of the financial year. This shows a forecast overspend of £3.1m as at the end of January 2020, compared with a forecast overspend of £4.0m as at December 2019, which was reported to Cabinet in February.

2. Key Issues

- 2.1 Table 1 below shows, by Directorate, the summary forecast revenue outturn position compared with the December 2019 position reported in February.

2.2 Table 1: Forecast Revenue Outturn 2019/20 as at January 2020

Directorate	Budget 2019/20	Forecast Outturn 2019/20	Forecast Variance over/ under (-)	Forecast Variance at Dec (reported to Feb 2020 Cabinet) over/ under (-)
	£m	£m	£m	£m
Children and Young People's Services	66.0	71.9	5.9	5.9
Adult Care, Housing & Public Health	76.6	77.5	0.9	1.4
Regeneration and Environment Services	42.2	44.2	2.0	2.0
Finance and Customer Services	17.8	16.9	-0.9	-0.7
Assistant Chief Executive	6.7	6.6	-0.1	-0.1
Central Services	11.8	7.1	-4.7	-4.5

TOTAL	221.1	224.2	3.1	4.0
Dedicated Schools Grant			4.6	
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 January is £5.9m. The Looked After Children number of 607 as at the end of January is below the budget profile (608) for that 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 January is £1.26m, of which £1.15m is a general fund underspend. There were 7 agency workers in children's social care at the end of January.

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 £37.8m, a net financial pressure of £6.6m. The main financial pressures are on the projected costs of residential placements above profile of £4.3m, plus a reduction in the estimated income from the Clinical Commissioning Group of £0.9m, totalling £5.2m. Additional pressures are Special Guardianship Payments £1.0m, and Direct Payments £0.4m, offset by Parent and Baby assessment savings of £0.4m,

2.9 The £5.2m residential pressures are due to a combination of 17 additional placements above the budget profile £2.5m, an increase in the average net unit cost of residential placements £1.8m, with the increase in unit costs due to the complexity of current children in residential plus the reduction in estimated income from the CCG.

- 2.10 The placement forecast assumes that from the end of 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 are above forecast assumptions
 - Estimated admissions and discharges from care being in line with expectations
 - 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 £513k. 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. Both these cost pressures have reduced in the last two months.

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. This includes a £5.1m overspend in 2018/19.
- 2.13 The forecast at the end of January 2020 shows an in-year pressure of £4.6m. The projections are 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.

Adult Care and Housing (£0.9m forecast overspend)

- 2.16 The overall Directorate forecast is an overspend of £0.9m 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. The improvement from the December monitoring position relates to a review of vacancy control following the outcome of service restructures.
- 2.17 Adult Care Services are forecast to overspend by £1.4m, 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.
- 2.18 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.
- 2.19 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.
- 2.20 My Front Door has been re-profiled for the amended In-House Services timeline. Other savings are on track to be delivered as planned.
- 2.21 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.
- 2.22 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 £0.9m overspend for the Directorate.

Public Health (Forecast balanced budget)

- 2.23 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.
- 2.24 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.

Regeneration and Environment Directorate (£2.0m forecast overspend)

- 2.25 The latest outturn projections for the Directorate indicate a forecast pressure of £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 :
- 2.26 Home to School Transport £1.3m, as a result of demand led pressures. There are offsetting underspends of £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.
- 2.27 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 achieved. 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.
- 2.28 Ongoing reduction in Markets income of £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 of £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 of £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.
- 2.29 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.

- 2.30 Transport savings of £0.3m and Property savings of £0.6m are taking longer than planned to deliver leaving a gap of £0.4m. Less than planned income of £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 of £0.3m for 2020-21 is expected.

Finance and Customer Services (£0.9m forecast underspend)

- 2.31 The overall Directorate forecast is an underspend of £0.9m. Savings have been achieved within the Revenues and Benefits service but these, 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.
- 2.32 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.
- 2.33 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 £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)

- 2.34 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.
- 2.35 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 (£4.7m forecast underspend)

2.36 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. In addition, the Secretary of State announced on 24th February 2020, that the Government would be redistributing some funding from the Government's Business Rates Levy Surplus account before 31st March 2020. The Council's share of the redistributed funding is £0.2m which will contribute to the financial outturn position for 2019/20.

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

2.37 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.

2.38 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

2.39 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

2.40 The Capital Programme for 2019/20 totals £99.689m split between the general fund £55.751m and HRA £43.938m. Following a further detailed review of capital spend profiles the amount of spend in 2019/20 has reduced overall by £18.922m from the forecast position as at the end of December. The movement is based on the latest profiles of expenditure against schemes, factoring in slippage and re-profiles of (£19.268m) and new grants and contributions of £0.346m. Almost all of the slippage relates to expenditure being re-profiled from the latter part of 2019/20 into 2020/21.

2.41 There has been an extensive review of the capital programme as part of the January reporting cycle in order to identify any slippage requirements, as such the slippage position as part of this report is more extensive than normal, however it enables to Council to appropriately align budget requirements with need. Capital slippage is reported across all directorates, with some examples shown below:

- South Yorkshire Superfast Broadband, £0.662m slippage to re-profile the scheme into 2020/21 & 2021/22 financial year. Whilst there have been delays with the main supplier not being able to deliver to the original profile due to the volume of contracts they have ongoing, the main reason for delayed expenditure from the Council is that payments are triggered by milestones and until those milestones are met the Council does not need to make its contribution.
- Acquisitions programme, £0.410m slippage into 2020/21 to allow enough time for the resolution of ongoing negotiations for the purchase of key sites.
- Forge Island Flood Defence, £0.787m slippage into 2020/21 following major disruption caused to the scheme delivery during the November 2019 floods. Leading to a need to delay the scheme whilst the canal wall is repaired.
- Operational buildings programme, £0.509m slippage into 2020/21. The operational buildings programme delivers maintenance and improvement works to the Council's land and building assets, however some of the planned works have been delayed whilst the Council reviews the service needs for the asset.

2.42 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 February are listed in Table 2 below.

2.43 **Table 2: New Grants, Contributions and HRA funding**

Directorate/Scheme	2019/20 £M	Post 2019/20 £m
Assistant Chief Executive		
As part of the Council's implementation of a replacement payroll system, Doncaster MBC have agreed a contribution towards the schemes capital costs.	0.257	0.000
Finance & Customer Services		
A £0.090m grant has been received for the delivery of an Assessment Discharge Withdrawal project that the Council's ICT team will deliver.	0.090	0.000
Total Additions	0.346	0.000

2.44 The proposed updated Capital Programme to 2023/24 is shown by Directorate in Table 3 below.

2.45 **Table 3: Proposed Updated Capital Programme 2019/20 to 2023/24**

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	9.155	15.934	6.180	4.508	6.033	41.810
Assistant Chief Executive	0.884	0.210	0.210	0.210	0.210	1.724
Adult Care & Housing	4.588	4.507	6.523	12.624	6.226	34.468
Finance and Customer Services	5.134	9.169	3.008	3.124	10.523	31.664
Regeneration and Environment	33.990	75.542	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	55.751	107.363	74.603	64.287	64.027	366.031
Total HRA Capital	43.938	58.801	55.058	44.178	43.198	245.172
Total RMBC Capital Programme	99.689	166.164	129.660	108.464	107.225	611.204

Forecast position of Capital Programme 2019/20

2.46 The £99.689m of capital expenditure is funded as shown in the Table 4 below.

2.47 **Table 4: Funding of the approved Capital Programme**

Funding Stream	2019/20 Budget £m
Grants and Contributions	25.982
Unsupported Borrowing	21.544
Capital Receipts	6.225
Capital Receipts - Flexible Use	2.000
Total Funding - General Fund	55.751
Grants and Contributions	1.905
Unsupported Borrowing	-
Housing Major Repairs Allowance	18.080
Capital Receipts	13.046
Revenue Contribution	10.908
Total Funding - HRA	43.938
Total	99.689

Capital Receipts

2.48 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.

2.49 To date General Fund capital receipts of £3.348m have been generated as shown in Table 5 below. Although loan repayments of £2.740m 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.

2.50 Table 5 – General Fund Capital Receipts Received in 2019/20

Description	Total as at 31 st January 2020 £m
4b Beighton Link	-0.021
Erkine Road	-0.100
DEPOSIT - 36 Nelson Street	-0.004
Rockliffe Road	-0.058
Treeton Youth Centre. Church Lane	-0.280
DEPOSIT – St Leonards Youth Centre	-0.009
Fitzwilliam Street, Mexborough	-0.095
40 Lady Oak Way	-0.035
Total Capital Receipts (Excluding loan repayments)	-0.608
Repayment of Loans	-2.740
Total Capital Receipts	-3.348

2.51 The forecast for useable capital receipts is between £0.950m & £1.143m These receipts are made up of a small number of disposals and therefore any changes to these could impact on these forecasts significantly.

3. Options considered and recommended proposal

3.1 With regard to the current forecast revenue budget overspend of £3.1m, 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 and safe to do so, for the remainder of the financial year. Whilst the Council has £3.2m of the budget contingency reserve remaining to support the 2019/20 budget, all possible actions are being undertaken to minimise any call on this provision.

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 Financial Outturn report for 2019/20 will be taken to Cabinet in July 2020.

6. Financial and Procurement Advice and Implications

- 6.1 There is currently a projected overspend of £3.1m as set out in Section 2 of this report. Whilst the Council has £3.2m of the budget contingency reserve remaining to support the 2019/20 budget, all possible actions are being undertaken to minimise any call on this provision.
- 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 update to the Council's Medium Term Financial Strategy, within the Budget and Council Tax 2020/21 report approved by Cabinet and Council in February 2020, indicates that a balanced budget can be maintained across the MTFs period to 2022/23. 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	09/03/20
Strategic Director of Finance & Customer Services (S.151 Officer)	Judith Badger	05/03/20
Head of Legal Services (Monitoring Officer)	Bal Nahal	05/03/20

Report Author: Rob Mahon, Head of Corporate Finance

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