

**Committee Name and Date of Committee Meeting**

Cabinet – 14 February 2022

**Report Title**

December Financial Monitoring 2021/22

**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 2021 and is based on actual costs and income for the first nine months of 2021/22 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 financial monitoring report of a series of monitoring reports for the current financial year which will continue to be brought forward to Cabinet on a regular basis.

As at December 2021, the Council currently expects to deliver the overall outturn within budget for the financial year 2021/22. Whilst the Directorates have a forecast year-end overspend of £8.2m on the General Fund, this is mitigated by the government's provision of COVID-19 emergency support grant and Sales, Fees and Charges Income Compensation. However, it should be noted that the longer term impacts of Covid-19, public health measures and the pace at which services can return to normal is unknown. This is further exacerbated by current uncertainties brought about by the Omicron variant that may lead to further financial implications for the Council.

The 2021/22 Budget was supported by the use of £7.5m from the Budget Strategy Reserve. However, following detailed work to assess the financial impacts of Covid-19 on 2021/22, the Council estimates that the costs and income losses as a result of Covid-19 will be in excess of the resources provided by Government for the financial year £8.3m, the emergency support funding carried forward from 2020/21 of £5.3m

and the Sales, Fees and Charges Income Compensation of £0.4m. Therefore, it would be appropriate to utilise during 2021/22 the maximum amount of Covid funding eligible. This is likely to mean that not all of the Budget Strategy Reserve 2021/22 will be required and therefore any balance remaining will be left in the Council's reserves. This is anticipated to be in the region of £5.8m.

## **Recommendations**

That Cabinet

1. Note the current General Fund Revenue Budget forecast of a balanced budget.
2. Note that actions will continue to be taken to ensure that a balanced financial outturn is delivered.
3. Note the Capital Programme update.
4. Approve the extension of the Local Council Tax Support Top Up to include new claimants of Local Council Tax Support during 2021/22 who were not eligible on 4 December 2021, as per section 2.45.

## **List of Appendices Included**

*Appendix 1 Equalities Impact Assessment*

*Appendix 2 Carbon Impact Assessment*

## **Background Papers**

Budget and Council Tax 2021/22 Report to Council on 3<sup>rd</sup> March 2021

May 2021/22 Financial Monitoring Report to Cabinet on 19<sup>th</sup> July 2021

July 2021/22 Financial Monitoring Report to Cabinet on 20<sup>th</sup> September 2021

September 2021/22 Financial Monitoring Report to Cabinet on 22<sup>nd</sup> November 2021

November 2021/22 Financial Monitoring Report to Cabinet on 24<sup>th</sup> January 2022

## **Consideration by any other Council Committee, Scrutiny or Advisory Panel**

No

## **Council Approval Required**

No

## **Exempt from the Press and Public**

No

## December Financial Monitoring 2021/22

### 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 2021/22, setting out the projected year-end revenue budget financial position in light of actual costs and income for the first nine months of the financial year.

### 2. Key Issues

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

**Table 1: Forecast Revenue Outturn 2021/22 as at December 2021**

<b>Directorate</b>	<b>Budget 2021/22</b>	<b>Forecast Outturn 2021/22</b>	<b>Forecast Variance over/und er (-)</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Children and Young People's Services	63.4	70.2	6.8
Adult Care, Housing & Public Health	87.1	84.2	-2.9
Regeneration and Environment Services	45.3	49.5	4.2
Finance and Customer Services	18.8	18.5	-0.3
Assistant Chief Executive	7.2	6.8	-0.4
Central Services	13.9	14.7	0.8
<b>Directorate Forecast Outturn</b>	<b>235.7</b>	<b>243.9</b>	<b>8.2</b>
Remove budgeted use of Budget Strategy Reserve for 2021/22			7.5
Covid-19 support grant			-13.6

Sales, Fees and Charges Income Compensation Claims			-0.4
Add back required use of Budget Strategy Reserve for 2021/22			-1.7
<b>Net Forecast Outturn</b>			<b>0.0</b>
Dedicated Schools Grant			0.8
Housing Revenue Account (HRA)			-1.4

The Council's overspend position (excluding government's COVID-19 support grants) at this point is largely due to three overall issues:

- Financial implications as a result of COVID-19 and the Council's response to the pandemic.
- Delayed delivery of savings plans as a result of COVID-19.
- Placement pressures within Children and Young People's Services

As at December 2021, the Directorate forecast overspend of £8.2m is mitigated by the Government's provision of emergency funding to support the COVID-19 response. Whilst some elements of the current forecast overspend aren't directly linked to Covid-19 pressures (CYPS placements), there are Covid-19 pressures/costs within budgeted services, that the Council can use Covid emergency funding to support.

- 2.2 The 2021/22 Budget was supported by the use of £7.5m from the Budget Strategy Reserve. However, Government has provided the Council with £8.3m emergency funding for the financial impacts of Covid-19 during 2021/22. The Council also carried forward within the Covid grants reserve, £5.3m of emergency support funding from 2020/21, to be used to support the longer-term financial impacts of Covid-19. It is expected that this will be fully utilised in 2021/22 to fund the financial pressures incurred over the course of the year.
- 2.3 In addition to the emergency funding support, Government confirmed that the co-payment mechanism for irrecoverable Sales, Fees and Charges income, with the Government covering 75% of losses beyond 5% of planned income, would continue for quarter 1, 2021/22. This scheme will provide the Council with additional grant to support irrecoverable income losses on Sales, Fees and Charges income. The claim for quarter 1, 2021/22 totalled £428k. Taken alongside £13.6 emergency support funding, this allows £14.0m to be used to support financial pressures in relation to Covid 19 during 2021/22.
- 2.4 The Council has monitored and managed this Covid funding carefully to ensure there was sufficient resources available to manage the financial implications from the continuing impact on services throughout the pandemic. The Council has incurred significant direct additional costs and income losses over the financial year 2021/22 and has also needed to divert services to different priorities to support activity in relation to the pandemic. The associated financial impact of Covid during 2021/22 is expected to exceed the funding provided by

Government and it would therefore be appropriate to utilise during 2021/22 the maximum amount of funding eligible.

- 2.5 As the Council is now a significant way through the financial year and following a large and detailed assessment of the Covid-19 impact per Directorate, The Council can now provide an update on the use of the Budget Strategy Reserve for 2021/22. That is, subject to final outturn but based on current expectations, through use of the Covid-19 funding it is likely to mean that not all of the Budget Strategy Reserve 2021/22 will be required. Any balance remaining will remain in the Council's reserves. This is anticipated to be in the region of £5.8m.
- 2.6 The forecast position will continue to be monitored closely and mitigations identified to ensure a balanced outturn position can be delivered. As indicated, it is anticipated at present that the Council will be able to deliver a balanced outturn position, despite the risk of additional cost pressures that may arise as a result of continuing Covid impact.
- 2.7 The Budget and Council Tax Report 2021/22 noted that £18.1m of agreed budget savings and cost reductions were required to be delivered across the medium term. A significant volume of savings were predicated on assumptions about social care costs and market conditions. As noted in the Medium Term Financial Strategy (MTFS) update to Cabinet on 20th December 2021, despite changing demand pressures and wider economic factors affecting social care, the Council remains confident that most of the remaining savings will be achieved over time. £2m savings are being delivered in 2021/22 and a further £11.5m over the subsequent years.
- 2.8 The following sections provide further information regarding the Councils forecast outturn of £8.2m, before taking account of the COVID grant, the key reasons for forecast under or overspends within Directorates, and the progress of savings delivery.

**Children and Young People Services Directorate (£6.8m forecast overspend)**

- 2.9 Children & Young People Services continue to implement the budget recovery plan with budget savings on track for staffing and therapeutic savings, but placement pressures mean only £1.5m of the £3.6m savings are currently forecast to be achieved in 2021/22. CYPS are developing an updated action plan to enable the delivery of the remaining CYPS agreed savings over the period of the Medium Term Financial Strategy (MTFS), as reflected within the Councils updated MTFS report to Cabinet in December 2021.
- 2.10 The budget pressure at the end of December is £6.8m, a reduction of £400k from the previous period. The main movements in this period are due to reduction in placement projected spend, mainly as a consequence of reduced emergency placements (£170k), a reduction on staffing costs in Early Help (£80k), cost reductions on Inclusion Services (£60k) and receipt of new income (£90k) (Special Educational Needs and Disabilities Information Advice and Support Services & Afghan Resettlement grant).

In the main the pressures relate to demands on residential & emergency placement spend that is also impacting the delivery of planned savings for 2021/22. The budget position includes additional cost pressures due to the COVID pandemic which are estimated at £1.8m (£1.5m placements and £300k reduced income) and Stovewood costs linked to CYPS, that are expected to be circa £5.3m for 2021/22.

- 2.11 The Looked After Children number have decreased from the previous month by 4 from 571 to 567. This is still ahead of the original budget profile (574) for this period, a reduction of 7 placements. However, the placement mix is showing higher than projected placements in high costs settings for residential (23), emergency (1), IFA (27), Leaving Care (3) offset by in-house fostering (53), in house residential (1), parent & baby (1) and no cost placements (6). The LAC number of 567 includes 13 Unaccompanied Asylum Seeker Children which has risen from 3 in April to 13 in December, with an additional 5 placed in Rotherham this month and this is having an impact on the ability to reduce the overall LAC numbers.
- 2.12 The direct employee budget is £37.3m and is a combination of general fund, traded and grant funded services. The projected underspend at the end of December is £38k, which includes a general fund projected underspend of £165k and additional spend of £127k against DSG and new grant funding.
- 2.13 The staffing general fund projected underspend of £165k relates to staffing savings in Early Help offset by pressures in Children's Social Care (due to agency workers), District Wide (mainly Safeguarding) and Commissioning, Performance. Education staffing pressures relate to DSG and traded services. At the end of December there were 17.2 agency workers across children's social care to support service requirements.
- 2.14 The staffing budget reflects the work undertaken to date on delivery of the Early Help and Social Care Pathways savings proposals and other staff savings across the CYPS directorate.
- 2.15 A significant element of the CYPS non-pay budget relates to placements which has a net budget of £32.7m with a current projected spend of £39.0m, a projected overspend of £6.3m.
- 2.16 The £6.3m adverse projection relates in the main to £4.9m on residential placements, £1.5m in emergency and £0.1m on Mother and Baby placements, offset by a saving on support and accommodation. In fostering there are £0.8m pressures on IFA placements due to numbers above the budget profile, offset by £0.8m savings in-house fostering due to numbers being lower than budget projections.
- 2.17 The other major budget pressures across the service relate to Transport, £300k, a projected overspend on Section 17 budgets of £200k and reduced income due to Covid for Crowden and Rockingham traded services which equates to £200k.

### **Dedicated Schools Grant**

- 2.18 The High Needs Block (HNB) is £45.2m (including the £3.0m 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.
- 2.19 The Council is working with the DfE as part of the Safety Valve Intervention Programme which is provided to support local authorities which have large DSG deficits. The work with DfE on the Programme aims to achieve a mutually agreeable solution to eliminating the Council's DSG deficit and to secure a sustainable DSG position going forward.
- 2.20 The High Needs Budget is based on the DSG recovery plan and includes anticipated growth on EHC numbers and the implementation of new developments linked to the SEND Sufficiency Strategy. The latest budget position is a £755k projected overspend, with no movement in the overall projection since July. The pressures reflect growth for special school and Independent Sector placements for the new academic year and pressures on Inclusion Services. Both the Early Years and the Schools' Block are also expected to be broadly in line with allocations in 2021/22.
- 2.21 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 provision in Rotherham linked to mainstream schools and academies, with further capacity becoming operational by the end of 2021/22.
  - Work with schools and academies to maintain pupils in mainstream settings wherever possible.
  - A review of inclusion services provided by the Council

### **Adult Care, Housing and Public Health (£2.9m forecast underspend)**

- 2.22 The overall Directorate forecast is an underspend of £2.9m on general fund services: Adult Care (£2.3m); Housing (£142k) and Public Health (£460k).
- 2.23 Included within the forecast is the Covid-19 impact for the service. COVID-19 is estimated to have a net cost impact of £2.1m during 2021/22. This includes: £420k for personal protective equipment; £1.1m due to delays in achieving planned cost reduction and costs of transformation; £768k of placement costs due to the extension of the NHS discharge scheme (additional demand) and £580k of staffing and other costs. Forecast additional NHS income for people discharged from hospital £768k, to support the hospital discharge process during the pandemic, reduces the net Covid-19 cost.
- 2.24 Excluding the cost of COVID-19, the cost of care packages is forecast to be a net £3.5m underspend. This is due to savings on transforming care of £620k

and reductions in the number of older people placements of £3.1m although Covid related placements are likely to be ongoing once temporary funding ceases. Across Mental Health packages, Physical and Sensory disability services and Learning disability placements there is a net pressure of £204k. Care packages have therefore seen an increase of £409k since the last report mostly due to additional LD care costs.

- 2.25 The overall forecast for Adult Care includes anticipated support from the Better Care Fund.
- 2.26 Neighbourhood Services' (Housing) is forecast to underspend by £142k. Additional income from furnished homes and a number of smaller underspends across the service is offset by a £523k of pressures due to the increased cost of temporary accommodation.
- 2.27 Public Health is forecast to underspend by £460k. The NHS Health Check programme (£250k) has been paused through the pandemic to reduce the risk from face-to-face contact and support the capacity issues in primary care. The remainder is due to underspends on several demand-led services.

#### **Regeneration and Environment Directorate (£4.2m forecast overspend)**

- 2.28 The latest outturn projection for the Directorate has worsened slightly from the January Cabinet report forecast pressure of £4.1m to £4.2m for this financial year. However, within this relatively stable position there are two major variances from the last reported position within individual Services. Facilities Services has worsened by £205k as a result of a reduction in the school meal income forecast, reflecting increased pupil absence and inflationary pressures on food prices. This has been partly offset by a £152k improvement in Corporate Transport, as a result of savings on adults transport. It is not clear yet how the introduction of further covid restrictions prior to Christmas will have impacted on income, particularly in Culture Sport and Tourism. In addition, it remains to be seen if the underlying pressures will remain after the end of the pandemic e.g. in Waste Services and Parking. The forecast outturn projection includes the following specific budget issues:
- 2.29 Community Safety and Street Scene (CSS) is reporting an overall pressure of £2.3m, a small improvement of £200k from the last reported position. The most significant pressure continues to be in respect of Transport (£1.7m). Pressures continue in Home to School Transport (£1.4m), where at first, social distancing requirements have limited the ability to make savings but also the start of school in September brought increased demand as the number of new eligible passengers exceeded those no longer requiring support with transport. In addition, there are now fewer contractors in the market leading to increased prices. Engagement continues with CYPS to maximise savings opportunities using improved cost data analysis to support plans to implement lower cost routes. Cost pressures amounting to £0.2m are forecast in Corporate Transport (Fleet Management and Vehicle Maintenance). Plans are in place to improve the efficiency of the service, but it will take time for arrangements to be reset then embed in.

- 2.30 Waste Management is continuing to forecast an overspend of £0.5m. Household waste tonnages continue to be above trend, however, the Service is seeing an improvement in recycling income, as the market begins to stabilise. Network Management is reporting a pressure of £0.3m, due to an ongoing pressure in Parking Services. Lockdown restrictions led to a reduction in income, however, the continuing impact on town centre footfall also plays a part in collecting less parking charges. Temporary savings in the Community Safety and Regulation budget have been generated due to staff turnover and the use of COMF funding to support service delivery which is partly mitigating the pressures within CSS.
- 2.31 Culture Sport and Tourism (CST) has been significantly impacted by Covid restrictions earlier in the year, income earning services saw reduced takings and there has been slow recovery following those restrictions being lifted. As a result, CST is reporting an overall pressure of £555k, a small worsening of £18k from the January reported figure. Leisure sites, green spaces and country parks are key income earners for R&E but the rate of recovery in income is slow. The income shortfalls at Rother Valley Country Park, Waleswood Caravan Park and other green spaces are forecast to be £657k this year. The Theatre has a forecast net £73k loss, following the Council decision to keep the facility closed until the Autumn, it is uncertain if sales can improve on this following the Theatre's September re-opening. Libraries costs are forecast to be less than planned, (£196k), which is due to the difficulty in recruiting to vacant posts. In addition, income pressures in the Music Service and Heritage Services, as a result of the restrictions, make up the balance of the pressure in CST.
- 2.32 Planning, Regeneration and Transport (PRT) is forecasting an overall pressure of £1.3m, a worsening of £0.2m. The major pressure is in Asset Management, with a forecast overspend of £751k. The pressures include income under recovery in Building Consultancy and Estates. Pressures in Facilities Management include additional repairs and maintenance expenditure, fixtures and fittings and covid related costs. These pressures are being partly mitigated by utility savings, as the result of the reduced use of buildings.
- 2.33 A pressure of £418k is being reported in respect of Facilities Services, due to Covid response related costs, agency costs, PPE, lost income and inflationary pressures on food prices. This is a worsening of £205k from the January reported figure, as a result of a combination of pupil absences impacting on income and food price inflation. A pressure of £114k continues to be forecast on Markets arising from the number of void stalls and the ongoing difficult trading conditions. However, grant income and lower than expected costs in the wider service (-£41k) has helped mitigate the Markets service pressure. The pressure in Transportation is £83k, there are a high number of vacancies due to difficulties recruiting, particularly to high skilled engineering roles, so fewer fee earning staff are in post consequently less than planned income is recovered.
- 2.34 Progress on delivering outstanding revenue budget savings within the Directorate continues into 2021/22. Revenue budget pressures currently reflect that the time taken to deliver Transport savings and demand pressures make

delivering savings a challenge. However, £500k has been delivered within Property Services and work continues to progress delivery across the remaining savings.

### **Finance and Customer Services (£302k forecast underspend)**

- 2.35 The overall Directorate is reporting a £302k forecast underspend. Whilst there are some financial pressures within the directorate, as detailed below, the service will make savings on ICT Contracts and Legal disbursements to mitigate these financial pressures and deliver a £302k underspend. The current service forecast suggests potentially a greater underspend than this but there are risks within that forecast position hence a moderate forecast underspend currently being reported. These risks relate in the main to technical adjustments for bad debt provision on Housing Benefits, an area that can fluctuate significantly.
- 2.36 Within Customer, Information and Digital Services, the service has a pressure within the corporate mail and print service following a centralisation of print services, the print service had an income shortfall of £100k. Following the changes to ways of working as a result of the pandemic, the service has seen a significant reduction in print costs that is mitigating this income shortfall. Now the budgets have been centralised the service are better placed to control print usage and implement a strategy to minimise print whilst promoting digitalised service provision. The service has incurred difficulties with recruitment which has further increased the Directorates forecast underspend.
- 2.37 Legal Services faces continued demand for legal support with child protection hearings and court case costs relating to Looked After Children. However, reduced costs of legal disbursements and difficulties in recruiting to key posts, in particular within Adult Social Care legal support, are currently resulting in a forecast £393k underspend. However, the number of cases during the year remains volatile and will continue to be monitored closely.

### **Assistant Chief Executive (£425k forecast underspend)**

- 2.38 The service is currently able to forecast a £425k underspend, in the main due to carrying a number of vacant posts within the HR service, whilst a review of service requirements was finalised and wider vacancies within the directorate as a result of staff turnover and challenges with recruitment.

### **Central Services (£757k forecast overspend)**

- 2.39 There are agreed savings to be delivered from Central Services as the £800k customer services saving to be delivered from Regeneration and Environment Services has been budgeted for here. This saving will not be delivered in full this year, with a forecast delivery of £100k, however to date £43k of the saving has been delivered in the current year, with a further £24k secured for 2022/23.
- 2.40 A number of general efficiencies on centrally managed budgets are anticipated to mitigate the current forecast overspend by the end of the financial year. The

Council has £14m of Covid funding to support the financial outturn 2021/22 £13.6m of emergency support funding and Sales, Fees and Charges income of £428k.. As shown in section 2.1 this grant will be used to support the financial outturn 2021/22 to mitigate the financial impact of Covid-19 on the Council in the current financial year.

- 2.41 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 2021/22, approved at Council 3rd March 2021. 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 2021/22 was set at £11.8m at the outset of 2021/22.

### **Housing Revenue Account (HRA)**

- 2.42 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 £1.358m.
- 2.43 The increase in the forecast underspend is largely due to a review of the repairs and maintenance programme (£19.1m) with an overall forecast underspend of £1.120m. This includes: the release of a provision for repairs due to fire damage (£224k); £285k due to fewer void works; £447k underspend on planned works some of which will be carried over into the new financial year, and a £120k underspend on members Ward Housing Hub budgets which can be carried forward at the year end, for all financial years except the members last full financial year in office. The service has been impacted by Covid-19 due to isolation requirements for staff and customers, in addition the labour pressures in the construction market have affected the capacity of the service to carry out works.
- 2.44 There is a forecast underachievement of income (£258k) which mainly relates to reduced garage rents and lower income from interest on balances. Interest on loans is forecast to be £324k underspent and the provision for bad debt is expected to reduce saving £233k. Other small variances total £61k. The HRA budget includes a revenue contribution to capital expenditure of £6.5m plus a contribution from the HRA reserve of £2.2m to balance the overall budget. The transfer from reserve is forecast at £868k to reflect the forecast underspend which will bring the HRA back to a balanced position.

### **Local Council Tax Support Top up**

- 2.45 The Council's use of the Household Support Grant was approved at Cabinet on 22 November 2021. The proposed allocation included the use of this fund to provide a Local Council Tax Support Top Up to working age households who have received Council Tax Support in the current financial year, as at 4

December 2021. The Council intends to extend the scheme to include eligible households for the remainder of the financial year in relation to Council Tax bills for 2021/22.

Authority was delegated to the Assistant Chief Executive, in consultation with the Cabinet Member for Social Inclusion, to determine revised and final allocations for the Household Support Grant including provision to include new claimants of Council Tax Support who were not eligible on 4th December 2021. However, based on current caseloads of Council Tax Support claimants it is unlikely that the remaining funds available from the Household Support Grant will be sufficient. The additional cost is expected to be around £200k-£300k and will therefore be funded from elsewhere within the Council's budgets.

### **Capital Programme Update**

2.46 The Capital Programme 2021/22 now totals £144.347m split between the General Fund £92.171m and HRA £52.176m. This is a decrease of £27.614m to the position as at the end of November reported to Cabinet on 24<sup>th</sup> January 2021, the majority of which relates to the reprofiling of schemes due to delays caused mainly from COVID-19 and the high volume of capital activity taking place nationally that is straining resources from an internal and external delivery point. The movement is based on the latest profiles of expenditure against schemes, including slippage and re-profiles of £27.614m.

2.47 The overall Capital Programme reflects the inclusion of two additional years, to make it a five year capital programme from 2021/22 to 2025/26, as proposed within the Council's Budget and Council Tax Report 2022/23, reported to Cabinet on this same agenda. The proposed impact of the re-creation of a five year capital programme is to increase to the capital programme overall by £189.148m. This is largely made up of the inclusion of the additional two years, 2024/25 and 2025/26 but there are also other new grant awards that the Council now has confirmed funding from such as Levelling Up Fund and Towns Deal. The increases to the overall capital programme fall under the following categories.

- Inclusion of new grant allocations
- Inclusion of annual grant allocations for 2024/25 and 2025/26 (based on estimates)
- Inclusion of annual capital programmes that are funded by borrowing (schemes where we have a constant need for capital delivery, such as operational buildings capital maintenance).
- Inclusion of capital programme proposals as detailed within the Budget and Council Tax Report 2022/23, on the same cabinet agenda.

**Table 2: Variations to the Capital Programme 2021/22 to 2025/26.**

	<b>Total Impact £m</b>	<b>2021/22 Impact £m</b>	<b>Post 2021/22 Impact £m</b>
Revised Grant and Funding Estimates	142.308	0.000	142.308
Slippage / reprofiling	0.000	-27.614	27.614
New borrowing GF	46.839	0.000	46.839
<b>Total</b>	<b>189.147</b>	<b>-27.614</b>	<b>216.761</b>

2.48 The main re-profiles are:

- **Town Centre Public Realm works**, £4.510m slippage, whilst the public realm works are continuing, with Phase 1 Fredrick Street bringing to a close phase 1, the programme has been impacted by Covid-19 delays and supply issues with significant delays on the required materials.
- **Fleet Management**, £1.500m slippage – there have been significant difficulties in sourcing the appropriate replacement vehicles during the last 12 months, due in part to the supply chain issues caused by the Covid Pandemic. The budget is being carried forward to the new year, along with £6.5m that was slipped in the November 2021 financial monitoring report, whilst a review of the Council approach to vehicle replacements is undertaken. This will also allow for greater consideration of the carbon impact linked to this scheme. For example, this will allow for consideration of space for charging points to support the pursuit of electric vehicles.
- **Town Centre Investment and Future High Street Fund** – £6.836m, a detailed review of the delivery profiles of schemes within the Town Centre Investment programme and Future High Street Fund has been carried out to assess when schemes can be progressed, factoring in delays that have occurred due to Covid-19 and challenges faced on existing schemes due to inflation pressures and materials supply.
- **Aston Academy**, £1.200m slippage, this has slipped due to difficulties with the supply of materials delays. The project needs to be re-profiled with an expected completion date of mid-August 2022, instead of mid-June 2022. The project is still forecast to underspend by £0.500m, once this has been confirmed it can be released and used to support other CYPs priorities.
- **Century Phase II** – £2.000m, the proposed scheme development has

been delayed during 2021/22 as the scope of the scheme required review to ensure that the proposed output meets the strategic need for office space/workspace, following the impacts of Covid-19. This delayed the final scope design of the proposed building and in turn planning permissions. The scheme is due to start on site before the end of the 2021/22 financial year but completion is now expected to be in the summer 2022.

- 2.49 New grant funded schemes are added to the Capital Programme on an ongoing basis in accordance with the Financial and Procurement Procedure Rules. Grant schemes added or reduced since the November Cabinet report are listed below:

**Table 3: New Grant/HRA Funded Schemes, and additions proposed within the Budget and Council Tax 2022/23 report**

Directorate/Scheme	2021/22 £M	Post 2021/22 £m
New Grants identified for 2024/25 to 2025/26 as part of Budget Setting. Note this includes the Councils allocations for Levelling Up Fund of £37.073m and Towns Deal of £31.600m.	0.000	85.159
Capitalisation of expenditure to support the revenue budget & invest to save schemes	0.000	2.539
Capital Proposals to be approved as part of the Budget and Council Tax Setting Report 2022/23. These are predominantly funded by corporate resources, with some grant contributions.	0.000	8.398
Annual Capital schemes extended into 2025/26 as part of the Budget and Council Tax Setting Report 2022/23.	0.000	35.902
HRA Business Plan additions	0.000	57.149
<b>Total</b>	<b>0.000</b>	<b>189.147</b>

2.50 **MCA Approvals**

The South Yorkshire Mayoral Combined Authority meeting on the 7<sup>th</sup> January 2022 approved the use of £1m Gainshare to support the Council's Century II project. The scheme aims to deliver a new office space offer, providing 15,000 sq ft of new floor space, to complement the existing and success office space Century I. In addition, the MCA approved the transfer of £1.6m Get Britain Building Funding from The Whins scheme, towards the delivery of Century II. The Council will still deliver both schemes, however this funding split better suits the Councils cost projections on both schemes.

2.51 The proposed updated Capital Programme to 2025/26 is shown by Directorate in Table 4 below.

**Table 4: Proposed Updated Capital Programme 2021/22 to 2025/26**

Directorate	2021/22 Budget £m	2022/23 Budget £m	2023/24 Budget £m	2024/25 Budget £m	2025/26 Budget £m	Total Budget £m
<b>General Fund Capital</b>						
Children and Young People's Services	10.215	11.051	5.501	5.060	5.466	37.293
Assistant Chief Executive	0.373	0.210	0.210	0.210	0.210	1.213
Adult Care & Housing	5.297	6.065	8.226	12.273	4.273	36.134
Finance and Customer Services	3.349	7.610	9.893	7.090	2.990	30.932
Regeneration and Environment	70.937	148.567	34.329	9.203	7.212	270.248
Capitalisation Direction	2.000	6.000	6.000	1.000	1.000	16.000
<b>Total General Fund Capital</b>	<b>92.171</b>	<b>179.503</b>	<b>64.159</b>	<b>34.836</b>	<b>21.151</b>	<b>391.820</b>
<b>Total HRA Capital</b>	<b>52.176</b>	<b>65.271</b>	<b>46.428</b>	<b>28.575</b>	<b>28.575</b>	<b>221.025</b>
<b>Total RMBC Capital Programme</b>	<b>144.347</b>	<b>244.774</b>	<b>110.587</b>	<b>63.411</b>	<b>49.726</b>	<b>612.845</b>

It should be noted that current spend against this revised profile is still low for this point in the year. The capital programme for 2021/22 remains ambitious even with a significant level of re-profiling that has been undertaken over the last two Cabinet reports. It is therefore anticipated that the programme may reduce further due to slippage as the year progresses through to the financial outturn position.

#### **Funding position of Capital Programme 2021/22**

2.52 The £171.960m of capital expenditure is funded as shown in the Table 5 below.

2.53 **Table 5: Funding of the approved Capital Programme**

<b>Funding Stream</b>	<b>2021/22 Budget £m</b>
Grants and Contributions	54.765
Unsupported Borrowing	34.747
Capital Receipts	0.486
Capital Receipts - Flexible Use & HRA Contribution	2.000
HRA Contribution	0.173
<b>Total Funding - General Fund</b>	<b>92.171</b>
Grants and Contributions	5.053
Unsupported Borrowing	4.003
Housing Major Repairs Allowance	32.150
Capital Receipts	4.451
Revenue Contribution	6.519
<b>Total Funding - HRA</b>	<b>52.176</b>
<b>Total</b>	<b>144.347</b>

**Capital Receipts**

2.54 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.

2.55 To date General Fund useable capital receipts of £0.515m have been generated. Although loan repayments will be received during the financial year, these cannot be used to support the revenue budget as only those receipts by the disposal of property, plant and equipment can be used in that way.

<b>Description</b>	<b>Total as at 31<sup>st</sup> December 2021 £m</b>
11 Russell House	- 0.077
Copeland Lodge	- 0.401
Miscellaneous	- 0.008
<b>Total Capital Receipts (Excluding loan repayments)</b>	<b>- 0.486</b>
Repayment of Loans	- 0.036
<b>Total Capital Receipts</b>	<b>- 0.522</b>

2.56 The detailed disposal programme is currently being updated and so coupled with the COVID19 situation it is very difficult to forecast. Therefore, at this stage the forecast for useable capital receipts is between £0.6m and £1m 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.

### **3. Options considered and recommended proposal**

3.1 With regard to the current forecast net revenue budget the Directorates are forecasting an overspend of £8.2m, further management actions continue to be identified with the clear aim of ensuring a balanced budget position can be achieved taking into account the emergency Covid funding. This is in recognition that there are still financial implications that need to be fully understood. However, there are no matters for Members to be concerned about in this regard and a balanced overall outturn is expected. 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 2021/22, as part of producing the Budget and Council Tax Report 2021/22. Details of the consultation are set out in the Budget and Council Tax 2021/22 report approved by Council on 3<sup>rd</sup> March 2021.

### **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 2021/22 will be taken to Cabinet in July 2022.

### **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 COVID-19. 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 was provided to Cabinet on the 20th December 2021. This indicated that a balanced budget could be maintained for 2021/22 and made recommendations on reserving funds and savings from 2021/22 in order to support the budget over the medium term. In addition, the MTFS forecasts identified that a balanced budget for 2022/23 can be set, with a small funding gap for the following two years. The position has been reviewed further as part of the process for finalising the Council's Budget and Council Tax Report 2022/23, taking account of the impact of the final Financial Settlement for 2022/23.

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 No direct implications.

**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**

Graham Saxton, Assistant Director – Financial Services  
Rob Mahon, Head of Corporate Finance

Approvals obtained on behalf of Statutory Officers:-

	<b>Named Officer</b>	<b>Date</b>
Chief Executive	Sharon Kemp	28/01/22
Strategic Director of Finance & Customer Services (S.151 Officer)	Judith Badger	27/01/22
Assistant Director, Legal Services (Monitoring Officer)	Phillip Horsfield	27/01/22

*Report Author: Rob Mahon, Head of Corporate Finance*  
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