Public Report
Cabinet

Committee Name and Date of Committee Meeting
Cabinet – 21 November 2022

Report Title
September Financial Monitoring 2022/23

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

Strategic Director Approving Submission of the Report
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Ward(s) Affected
Borough-Wide

Report Summary

The report sets out the financial position as at the end of September 2022 and forecast for the remainder of the financial year, based on actual costs and income for the first six months of 2022/23. 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 third 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 of September 2022, the Council currently estimates an overspend of £18.2m for the financial year 2022/23. Whilst the core directorates services have a forecast year-end overspend of £8.1m on the General Fund, there is £10.1m of estimated unbudgeted cost resulting from the wider financial impact of the war in Ukraine, inflation, energy price increases and the impact of the 2022/23 pay award, costs that the Council could not have projected within its Medium Term Financial Planning. These additional financial challenges have been factored into the current forecast following a review of the impact of these pressures on the current year and Medium-Term Financial Planning.

Whilst the energy price rises and inflation will impact the Council's costs in the provision of services there will be some mitigation in future years by increased core funding as business rates income is indexed to the rate of inflation. This position may change should Government announce changes to the funding of local authorities or if

Government do not provide inflation uplifts in line with the Council's assumptions. Government are expected to provide a Budget announcement on the 17th November, after publication of this paper, as such the impact of the announcement could not be factored in.

It is currently expected that the period of high inflation will last for around two years before returning to a more normal level but the cost increase being experienced will raise the base cost of services on which future inflation is applied meaning a compounding impact. Work is underway to understand the impact of the Government's energy support package for Councils on the current financial year.

As such the Council faces significant financial pressures that will need to be managed and mitigated through the Medium Term Financial Strategy and through significant use of the Council's reserves. Whilst there are demands nationally for additional support to the public sector to address these uncontrollable cost increases, it is not currently expected that additional funding will be provided to local authorities as part of the financial settlement for 2023/24, with Government's budget announcement on the 17th November 2022 potentially reducing the availability of funding, either through Government not inflating public sector resources as assumed or through other cuts to public sector funding.

Recommendations

That Cabinet:

1. Note the current General Fund Revenue Budget forecast overspend of £18.2m.

2. Note that actions will continue to be taken to reduce the overspend position but that it is likely that the Council will need to draw on its reserves to balance the 2022/23 financial position.

3. Note the updated Capital Programme.

4. Approve the proposed use of the Market Sustainability and Fair Cost of Care Fund.

5. Approve the proposed use of the Homelessness Rough Sleepers Initiative Grant.

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

Background Papers
Budget and Council Tax 2022/23 Report to Council on 2nd March 2022
May Financial Monitoring Report to Cabinet on 11th July 2022
July Financial Monitoring Report to Cabinet on 19th September 2022

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

Council Approval Required
No

Exempt from the Press and Public
No

September Financial Monitoring 2022/23

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 third in a series of financial monitoring reports to Cabinet for 2022/23, setting out the projected year end revenue budget financial position in light of actual costs and income for the first six 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 2022/23 as at September 2022

Directorate	Budget 2022/23 £m	Forecast Outturn 2022/23 £m	Forecast Variance over/under (-) £m
Children and Young People's Services	67.8	72.2	4.4
Adult Care, Housing & Public Health	94.2	95.0	0.8
Regeneration and Environment Services	48.3	51.4	3.1
Finance and Customer Services	19.8	19.7	-0.1
Assistant Chief Executive	7.4	7.3	-0.1
Central Services	22.2	32.3	10.1
Directorate Forecast Outturn	**259.7**	**277.9**	**18.2**
Dedicated Schools Grant			0
Housing Revenue Account (HRA)			-1.8

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

- Financial implications of the war in Ukraine, inflation, energy price increases and impact of the 2022/23 pay award.
- Placement pressures within Children and Young People's Services.
- Home to School Transport pressures within Regeneration and Environment and CYPS.
- Pressures relating to the longer-term recovery from Covid-19, on income generation within Regeneration and Environment.

2.3 As of September 2022, the Council currently estimates an overspend of £18.2m for the financial year 2022/23. Whilst the core directorates services have a forecast year end overspend of £8.1m on the General Fund, there is also £10.1m estimated overspend in relation to the wider financial impact of the war in Ukraine on inflation, energy price increases and national pay award.

2.4 These financial challenges are being considered as part of the Council's ongoing Medium Term Financial Planning. Whilst the Council's Medium Term Financial Strategy did have reasonable cover for inflationary impacts and estimated pay award at the time of setting the 2022/23 Budget, the current rises are far above what the Council could have anticipated. An update on the Council's Medium Term Financial Strategy is provided within the November Cabinet agenda.

2.5 Along with most Councils across the UK, the Council assumed a 2% pay award for 2022/23 in the Budget and Council Tax Report 2022/23. However, the national local government pay settlement provides staff at the bottom of the pay scale with a 10.4% pay award, whilst it reduces to 1.1% for the top salary point, the bulk of the Council's staff are towards the lower end of the pay scale and so will receive a pay award well in excess of the 2% modelled within the Council's Medium Term Financial Strategy. Given recent announcements from Government it is not expected that Council's will be provided with additional funding for 2022/23 or within the financial settlement for 2023/24, in order to support the application of this pay award. The financial impact of this pay award is £6.1m greater than the budget assumed within the Council's Medium Term Financial Strategy.

2.6 The energy price rises, and inflation will impact the Council's costs in the provision of services. However, some of this cost impact will be mitigated in future years by increased core funding as business rates income is indexed to the rate of inflation. This position may change should Government announce changes to the funding of local authorities or if Government do not provide inflation uplifts in line with the Council's assumptions. The Bank of England is still expecting that the period of high inflation will last for around two years before returning to a more normal level but the cost increase being experienced will raise the base cost of services on which future inflation is applied meaning a compounding impact. As such, the Council will face significant financial pressures that will need to be managed and mitigated through the Medium-Term Financial Strategy and the Council's reserves.

2.7 The current year forecast position will continue to be monitored closely and mitigations identified to enable a balanced outturn position to be delivered, though it's clear that the Council will need to call on reserves to achieve a balanced outturn position.

2.8 There is significant volatility at present in the economy that makes projecting forwards the impact of inflation and energy prices challenging, as such the Council will need to keep focus on assumptions based on these pressures. The Council will need to ensure that mitigating actions are taken to reduce the current directorate forecast outturns, this is underway with finance officers working alongside Directorates to identify opportunities to reduce costs through short term temporary measures. In addition, the Council will need to ensure that savings plans are delivered on time to mitigate any knock-on impact on future years Medium Term Financial Planning.

2.9 The following sections provide further information regarding the Council's forecast outturn of £18.2m, the key reasons for forecast under or overspends within directorates and the progress of savings delivery.

2.10 The Council is able to report further secured delivery of planned savings for 2022/23. The table below provides an update on the £11.5m of planned savings to be delivered over the medium term. £4.2m, over a third of planned savings have been delivered already within 2022/23. This includes £971k for Early Help & Social Care Pathway (reductions in social care teams linked to reducing caseloads), £2.4m savings from reablement services. For R&E there has been £119k delivery of increased income at Waleswood and £97k in respect of planned cost reductions on operational buildings. Several assets are being made ready for disposal which will help progress toward delivering the property savings although the actual amount secured will be confirmed at the point of disposal.

Table 2: Planned delivery of £11.5m savings

Saving	**2022/23** **£000**	**2023/24** **£000**	**2024/25 & Total FYE** **£000**	**Still to be delivered 2022/23** **£000**	**Total Secured as at 30th September 2022** **£000**
ACHPH	2,800	2,800	2,800	400	2,400
ACHPH – One off saving	500	0	0	0	500
CYPS	971	4,739	7,411	0	1026
R&E	374	762	784	158	216
R&E Customer & Digital	200	500	500	155	45
Total Savings	**4,845**	**8,801**	**11,495**	**713**	**4,187**

Children and Young People Services Directorate (£4.4m) forecast overspend

2.11 Children & Young People Services continue to implement the budget recovery plan with budget savings of £1.026m already delivered.

2.12 The budget pressure at the end of September 2022 is £4.4m, an increase of £0.1m on the July reported position. The main pressures relate to placements (£3.4m), Children in Care & Post 19 Transport (£1.0m) and staffing (£293k), offset by Supporting Families income (£300k).

2.13 The Looked After Children numbers have reduced from July 2022 by 12 from 555 to 543. This is below the original budget profile (554) for this period by 11 placements. However, the placement mix is showing higher than projected placements in external residential (2), Independent Fostering Agency (34), Leaving Care (17) offset by in-house fostering (54) and no cost placements (10).

2.14 The direct employee budget is £37.7m and is a combination of general fund, traded and grant funded services. The projected underspend at the end of September is £367k (after excluding placements staffing), which includes a general fund projected overspend of £293k and an overspend of £74k against DSG and traded services.

2.15 The general fund projected overspend on staffing of £293k relates to pressures in Children's Social Care (due to agency workers) and the Education Health Care Team (due to agency workers), offset by staff savings across Early Help, Commissioning & Performance. At the end of September there were 30 agency workers in CYPS, 22 across children's social care and 8 in Education Services.

2.16 A significant element of the CYPS non-pay budget relates to placements which has a net budget of £36.9m with a current projected spend of £40.3m, a projected overspend of £3.4m as shown in the following table:

Service Pressure/(-Saving)	**£m**
External Residential Placements	3.3
Independent Fostering Agency Placements	0.9
Emergency Placements	0.4
In-House residential	-0.3
Leaving Care	-0.6
In-House Fostering	-0.2
Non-LAC allowances	-0.1

2.17 The £3.3m residential pressure is due to a combination of the increase in placement costs (£0.4m), a reduction in the estimated residential step downs (£2.3m) as well as a reduction in the contribution from Dedicated Schools Grant due to a reduction in education placements (£0.6m).

Dedicated Schools Grant (DSG)

2.18 The High Needs Block (HNB) is £51.6m (including the £3.3m transfer from the schools block) and demand remains high due to rising numbers of children supported in specialist provision and the rising costs of Education Health Care (EHC) plans. The High Needs Budget is based on the DSG recovery plan and includes anticipated growth of EHC numbers, and the implementation of new developments linked to the SEND Sufficiency Strategy.

2.19 The Council has entered into a Safety Valve agreement with Government to enable the Council to reduce the DSG deficit reserve. The central DSG reserve now stands at £12.8m following receipt of £8.5m Safety Valve funding during 2021/22. The Council will receive two further payments to fully remove the DSG reserve along with additional capital funding to ensure the Council is placed in a more sustainable position moving forwards. The High Needs Block outturn for the year is a forecast overspend of £23k (excluding Safety Valve funding). The pressures reflect demand for special school, resource units, top up funding and ISP's, offset by savings on external residential placements and transport.

2.20 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, (£0.8m) forecast overspend

2.21 The directorate is forecast to overspend by £0.8m. There are significant demand pressures within Adults however, they are currently mitigated by additional income and staff vacancies, giving a balanced position within Adult Care. Housing General Fund however is forecast to overspend by £0.8m.

2.22 The cost of adult care packages are forecast to overspend by £1m due to increased levels of demand. However, although there has been increased demand in the number of people within older people's residential and nursing care, there has also been a significant increase in Continuing Health Care contributions towards specific individuals care across several Learning Disability placements £0.8m, some of which have been backdated to previous years. In addition, staffing budgets are forecast to be £0.2m underspent due to vacancies, further mitigating demand pressures and creating a balanced budget position for Adults for the current financial year.

2.23 The forecast assumes all current placements remain for the rest of the year although they may reduce. Overall movements in numbers will be closely monitored as the year progresses.

2.24 Neighbourhood Services (Housing) is forecast to overspend by £0.8m. The key pressure is on homelessness, which is expected to overspend by £0.9m after accounting for grant income, this is mitigated in part by savings due to staff vacancies that reduce the overall pressure. The use of hotels has been more than forecast with numbers higher than anticipated (though reducing), and prices increasing due to inflation.

2.25 Public Health is forecasting a slight underspend at this stage.

Regeneration and Environment Directorate (£3.1m) forecast overspend

2.26 The projection for the directorate indicates a forecast pressure of £3.1m for this financial year. This represents a small worsening from the forecast pressure of £3.0m in the July monitoring, reported at September Cabinet. The forecast reflects the impact of ongoing demographic pressures in Home to School Transport, the remaining economic impact of the recovery from the lockdown restrictions, and the ongoing cost of living crisis on some of the directorate's services. For example, a continuation of the increases in waste tonnages believed to be resulting from changes in patterns of work life balance, and the impact on income generation, in particular in Parking Services. The forecast outturn projection includes the following specific budget issues.

2.27 Community Safety and Street Scene (CSS) is forecasting an overall pressure of £2.0m. The most significant pressure continues to be in respect of Home to School Transport, which has risen to £1.8m from £1.6m, due to ongoing demographic pressures leading to an increase in the number of new eligible passengers and fewer contractors in the market leading to increased prices. The revised forecast reflects the impact of the September pupil intake. Addressing the challenge of the increased costs and demand, a range of solutions are being explored to influence demand and maximise savings opportunities, using improved cost data analysis to support plans to implement lower cost routes. However, this is a pressure that is affecting other local authorities in the region.

2.28 Parking Services is continuing to forecast a pressure of £0.4m. The longer-term recovery post pandemic, the ongoing economic impact on town centre footfall and the closure of the Forge Island car park for the cinema development, has led to a reduction in income from parking charges.

2.29 Waste Management is now forecasting an overspend of £0.1m, an improvement of £0.2m from the July position. Although household waste tonnages continue to be above trend, the Council is starting to see a reduction in tonnages from the high point during lockdown. In addition, the service is continuing to see an improvement in recycling income, as the market stabilises. Additional income in Streetworks and Enforcement and vacancies in Community Safety and Regulation are helping to mitigate the pressures elsewhere in CSS.

2.30 Culture Sport and Tourism (CST) is forecasting an overall pressure of £0.3m. The service is still seeing reduced levels of forecast income compared to pre-pandemic levels at Rother Valley Country Park, Green Spaces, Theatre and the Music Service.

2.31 Planning, Regeneration and Transport (PRT) is forecasting an overall pressure of £0.9m, a worsening of £0.2m from the September Cabinet report. The major pressure continues to be in Asset Management, which has risen to £0.9m. The forecast assumes income under recovery in Estates, as staff vacancies have limited the ability to generate income. Pressures in Facilities Management include rising property costs, including repairs and maintenance and fixtures and fittings.

2.32 A pressure of £0.1m is being reported in respect of Facilities Services, due to inflationary pressures on food prices in School Meals (basic food, consumables and materials costs could be expected to rise further) and the closure of Riverside House Cafe. A forecast shortfall on Markets income arising from the number of void stalls and the ongoing difficult trading conditions, is being mitigated by grant income offsetting direct costs in other services in RIDO. In addition, a forecast over-recovery of income in Planning and Building Control is helping to mitigate the pressure in PRT.

Finance and Customer Services (£0.1m forecast underspend)

2.33 The overall directorate is reporting a £0.1m forecast underspend position. Whilst there are some financial pressures within the directorate, the service will continue to make savings on ICT Contracts and Legal disbursements and deliver a small underspend.

2.34 Within Customer, Information and Digital Services (CIDS), the service continues to generate cost reductions on the renewal or removal of ICT contracts. The removal of the kiosks across the borough and the promotion of online and over the phone payment routes has generated savings for the service as the cost of cash transportation has reduced (as less cash is needed) and transaction costs reduce as residents move to more efficient payment methods. The service has also incurred difficulties with recruitment, creating further temporary cost reduction.

2.35 Legal Services face continued demand for legal support across all disciplines. The reduced costs of CYPS legal disbursements and difficulties in recruiting to key posts are currently resulting in a forecast underspend. To address this demand, there is continued reliance on short-term locum solicitors whilst a permanent recruitment exercise can be completed.

Assistant Chief Executive £0.1m forecast underspend

2.36 The service is now forecasting an underspend due to delays in recruitment and additional income generation within HR. The HR service is projecting increased income generation from salary sacrifice schemes and external business from partnership arrangements.

Central Services (£10.1m) forecast overspend

2.37 There are some significant financial challenges that were not evident at the time of setting the 2022/23 Budget, such as the war in Ukraine and its impact on the significant rise in energy prices, inflation and Local Government Pay Award. It is currently estimated that the impact of inflation and in particular energy price increases will be £4m above available budget. In addition, the Local Government Pay Claim 2022/23 has now been agreed. The settlement includes an increase of £1,925 on all NJC pay points from 1st April 2022 and 4.04% on allowances. At the lowest spinal column point that the Council uses, this will be a 10.4% pay rise, reducing down to 1.1% for the most senior role. The financial impact of this pay award is £6.1m greater than the budget assumed within the Council's Medium Term Financial Strategy which assumed a 2% pay award for 2022/23.

2.38 These financial challenges are being regularly reviewed as part of the Council's ongoing Medium Term Financial Strategy, with an update to the Council's MTFS provided on this Cabinet agenda. Whilst the Council's outturn position for 2021/22 placed the Council in a stronger position and more able to manage the impact rather than needing to consider making cuts in services, it is clear that the Council will need to utilise reserves to manage these impacts, whilst also looking at short term opportunities to reduce its costs to help balance the budget. The energy price rises, and inflation will impact the Council's costs in the provision of services. However, some of this cost impact will be mitigated in future years by increased core funding, for example business rates income is indexed to the rate of inflation. This position may change should Government announce changes to the funding of local authorities or if Government do not provide inflation uplifts in line with the Council's assumptions.

2.39 It is currently expected that the period of high inflation will last for around two years before returning to a more normal level. As such, the Council will face short term financial pressures that will need to be managed and mitigated through the Medium-Term Financial Strategy and the Council's reserves. The Council currently anticipates that the financial impact of these pressures on the Council's 2022/23 budget will be £10.1m, with a significant pressure over the period of 2023/24 to 2024/25. Though the economic position is very volatile at present requiring this position to be under regular review. The forecast impact is based on assumptions around the potential impact of inflation, energy prices and pay award, areas that are to a large degree outside of the Council's control and influence.

2.40 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 2022/23, approved at Council 2nd March 2022. 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 2022/23 was set at £11.8m at the outset of 2022/23. These wider Central Services budgets are forecast as balanced budgets.

Housing Revenue Account (HRA)

2.41 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 overspend by £1.8m.

2.42 The overspend largely relates to increases in energy costs which has an impact on building running costs as well as the District Heating (DH) scheme. The unit cost charged to DH tenants is fixed whilst wholesale gas and electricity prices are higher than anticipated. The forecast includes under recovery of dwelling rent and garage income.

2.43 There is a forecast under-achievement of income of £0.625m which is largely due to lower dwelling numbers than budgeted and higher void loss on garages. Interest income is forecast to over-achieve by £693k due to increased interest rates.

2.44 The HRA budget includes a contribution to HRA reserve of £2.037m. The transfer to reserve is forecast at £0.277m to reflect the forecast overspend which will bring the HRA back to a balanced position.

Market sustainability and fair cost of care fund 2022 to 2023

2.45 The fund was announced on 16 December 2021. The primary purpose of the fund is to support local authorities to prepare their markets for reform, including the further commencement of Section 18(3) of the Care Act 2014 in October 2023, and to support local authorities to move towards paying providers a fair cost of care.

2.46 In total the national fund amounts to £1.36 billion (of the £3.6 billion to deliver the charging reform programme). In 2022 to 2023, £162 million will be allocated. A further £600 million was to be made available in each of 2023 to 2024 and 2024 to 2025.

2.47 The government allocated the 2022/23 funds to all eligible Local Authorities to begin to implement the reforms. In 2022/23 the Council has received £908k. Local authorities are expected to use at least 75% of allocated funding in 2022/23 to increase fee rates paid to providers in scope, where necessary, and beyond pressures funded by the Local Government Finance Settlement 2022/23. Up to 25% of allocated funding can be used to fund implementation activities associated with meeting the fund purpose.

2.48 It is proposed that £37k of the fund is used to support additional posts that were recruited to undertake this work and the remainder of the available fund be apportioned (as a one-off payment) between Older People’s Care Homes and Home Care providers.

2.49 The final value will depend on the number of people and hours of care they receive but it is expected that Older People's Care Homes will receive approximately 35% or £305k and Home Care providers will receive 65% or £566k. Each provider will be paid based on the number of Council funded placements and/or hours of care they provide.

Homelessness Rough Sleepers Initiative Grant funding 2022 – 2025

2.50 The government announced allocations in September 2022 for the Rough Sleeping Initiative (RSI) to provide local councils with long-term funding to support those sleeping rough or at risk of rough sleeping.

2.51 In total, national funds will provide up to £500 million to be used by local authorities, charities and other organisations in 303 areas across England. The Council will receive a total of £1,250,260 over the 3-year term, 2022 – 2025. The annual allocation of funding is:

- 2022-2023 - £465,981
- 2023-2024 - £404,640
- 2024-2025 - £379,640

2.52 Local authorities are expected to use the funds for the service provisions that the Council committed to as part of the funding bid process, in February 2022. This allows the Council to maintain and strengthen key services. Unspent funding will need to be returned to Government.

2.53 It is proposed that £513,213 of the funding will be used for the procurement of an 8 bed Emergency Accommodation Hub developed by the Council in response to the Rough Sleepers Initiative in 2019.

2.54 The breakdown of the total funding and allocation is shown in the table below.

Table 3: Breakdown of funding allocation

Service Description	Year 1 (£)	Year 2 (£)	Year 3 (£)	Total (£)	No. of staff 22/23	No. of staff 23/24 - 24/25
Emergency Accommodation Community Hub - Queen Street Hostel	171,078	171,078	171,078	513,234	6	6
Year-round flexible surge Accommodation	16,000	16,000	16,000	48,000	0	0
Rough Sleeper Initiative Team	218,902	182,562	182,562	584,026	6	5
Rough Sleeper Personalised Prevention Fund	20,000	15,000	10,000	45,000	0	0
Supported accommodation provision - SYHA Indigo	40,000	20,000	0	60,000	0	0
Total	**465,981**	**404,640**	**379,640**	**1,250,260**	**12**	**11**

2.55 **Capital Programme Delivery Updates**

This section of the monitoring report focuses on what has been delivered to date during 2023/23. In order to reflect the positive outcomes that the Council has achieved this financial year, the following list of key achievements has been provided.

- Earlier this year the Council completed the Canal Barrier. This is the largest Flood Alleviation Scheme the Council has ever delivered and has been constructed in Rotherham Town Centre to reduce flood risk to the Town centre and the Railway infrastructure including the Central Railway Station. The funding for the delivery of this project was provided by the Council, The Mayoral Combined Authority, Network Rail, The Environment Agency and the Government through the Levelling Up Fund.

- The Council is currently in year 3 of the "£24m to 2024 roads programme". The percentage of the estate road network that requires repair is 14.85%, down from 24% in 2019. This means Rotherham's estate roads are now in a better condition than the National Average 18 months ahead of schedule. The road repair programme is delivered in house with Council staff designing the road repairs and carrying out the road resurfacing on site and the team have delivered over 74 miles or 119km of road repairs since 2019.

- In the financial year to-date the Council completed or acquired 44 new homes. This includes 23 direct delivery via the Council's construction contracts and a further 21 from acquisitions from private developers. The acquisitions are from four new contracts for Fairfields, Beaumont Grange, Laughton Gate and Clarence Street. In total these schemes are expected to deliver 72 new Council homes over a number of years.

- Herringthorpe Stadium capital works have been completed. The refurbishment scheme has seen new floodlights erected, improvements to the internal building by way of sink units, lighting, heating and redecoration. The running track has been upgraded in areas and the throws cage has seen significant investment. All of these improvements place the facility in a good position for April 2023 when UK:Track Mark certification through England Athletics will be considered.

- Working with its development partner Muse, the Council has secured pre-lets on the Forge Island development with a cinema, hotel and five restaurants. The scheme has been designed and tendered and construction works will start at the end of October 2022.

- Good progress is being made with the proposed redevelopment of Centenary Market, which includes a new Central Library, refurbished and modernised Indoor Market and improvements to public realm and accessibility, providing a safer and more welcoming environment for visitors and business alike. The planning application for the site has been prepared and submitted and is currently under consideration by the

Council’s planning service. The appointment of a contractor to build the scheme is underway with an announcement expected in November. Construction on site is scheduled to commence in Summer 2023.

- The first of twenty-three projects as part of the Towns and Villages Fund have been completed at Greasbrough. Brimmagem Fold will link two-well used green spaces in the community, and includes new seating, footpaths, and tree planting. Projects at Dalton and Thrybergh, and Hellaby and Maltby West are currently being delivered, with twenty more schemes to be completed over the next eighteen months as part of the Council’s pledge to invest in smaller town and village centres.

- The restoration of Rotherham’s Keppel’s Column is now complete. The restoration works included the repair of the interior staircase, repair to the exterior stonemasonry, replacement of a balustrade at the top of the column providing a safe viewing platform, lighting to the interior and structural support. The Grade II Listed monument will now be open to the public from April through to October on restricted days.

- As part of the Council’s Regeneration Programme the Council has purchased the vacant former Mecca Bingo building in the town centre. The property will contribute to the further regeneration of the Leisure & Cultural Quarter.

2.56 **Capital Programme Financial Update**

The Capital Programme 2022/23 now totals £173.847m split between the General Fund £130.575m and HRA £43.272m. This is a decrease of £14.291m to the position as at the end of July reported to Cabinet on 19th September 2022. The majority of which relates to the reprofiling of schemes due to delays caused mainly through inflationary pressures on the programme and the high volume of capital activity taking place nationally that is straining resources from an external delivery point. The movement is based on the latest profiles of expenditure against schemes, both new and revised grant allocations of £3.065m, new corporate funding allocations £2.905m and slippage and re-profiles of (£20.261m). The overall Capital Programme 2022/23 to 2025/26 has increased by £50.541m, predominantly due to the addition of £47.43m corporate funding for the Forge Island development (as approved at Council on 5th October 2022) along with other changes to grant allocations, as detailed in the following sections.

2.57 **Table 4: Variations to the Capital Programme 2022/22 to 2025/26.**

	Total Impact £m	2022/23 Impact £m	Post 2022/23 Impact £m
New Corporate Funding	47.514	2.905	44.609
Revised Grant and Funding Estimates	3.027	3.065	-0.038
Slippage / reprofiling	0	-20.261	20.261
Total	**50.541**	**-14.291**	**64.832**

2.58 The main re-profiles are:

- **Housing Acquisitions,** £7.8m slippage. Acquisitions are dependent on delivery of private sector developments which can be delayed/changed or cease altogether for reasons outside of the Council's control. £7.3m of the slippage is on phase 3 acquisitions and £0.5m is on Kirkstead Gardens. On review of the planned programme the private developer will not complete the builds in time to allow the Council to acquire units this financial year.

- **Town Deal and LUF Block Allocations**, of the original £24m profiled in 2022/23, £8.5m has been reprofiled to future years. In total £68.6m has been assigned to 19 specific projects (across all years of the capital programme). Major schemes within this allocation include land acquisition to facilitate the mainline station development, a business zone in Templeborough, new facilities at Rother Valley Country Park and works to the Riverside area. As detailed business cases and project plans are worked up a more realistic delivery profile has been generated on these schemes.

2.59 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 September Cabinet report are listed below

2.60 **Table 5: New Grant/HRA/Corporate Funded Schemes added to the programme**

Directorate/Scheme	**2022/23 £M**	**Post 2022/23 £m**
Children & Young People		
School contribution to Whiston Worrygoose scheme	0.065	0.000

Regeneration & Environment		
New SYMCA funding to meet the cost of century Phase 2 (£1m Gainshare funding and £2m Getting Back Better Funding)	3.000	0.000
Revised grant funding assumption for Levelling Up Fund	0.000	0.178
Revised grant funding assumption for Town Deal	0.000	-0.140
Total	**3.065**	**-0.038**

New Corporate Borrowing

2.61 The Forge Island development budget has been added to the Capital Programme with a budget of £47.430 following approval at Council on 5th October 2022.

2.62 An addition of £0.084m has been made to the Roads Programme capital scheme in 2022/23. This is a year end accounting correction relating to 2021/22.

2.63 **Programme Variations**

The following variations to the capital programme cover significant virements between capital projects that are either key decision value or a change in use of corporate resources and as such need reporting to Cabinet.

- **ICT Budgets** Due to efficiencies in ICT capital projects corporate funding of £1.239 on The ICT Digital Strategy Scheme and £3.8m on the Telephony System replacement scheme have been removed and allocated to the inflation contingency budget for future ICT programmes.

MCA Approvals

2.64 The South Yorkshire Mayoral Combined Authority (SYMCA) acts as accountable body for a number of different Government funding streams and as the accountable body for Gainshare. Since the July position was reported the MCA have approved an allocation of £1m Gainshare funding and £2m Getting Building Fund towards the Century Phase 2 scheme.

2.65 **The proposed updated Capital Programme to 2025/26 is shown by directorate in the Table below.**

Table 6: Proposed Updated Capital Programme 2022/23 to 2025/26

Directorate	2022/23 Budget £m	2023/24 Budget £m	2024/25 Budget £m	2025/26 Budget £m	Total Budget £m
General Fund Capital					
Children and Young People's Services	13.789	11.751	5.310	6.392	37.242

Directorate	2022/23	2023/24	2024/25	2025/26	Total
	Budget	**Budget**	**Budget**	**Budget**	**Budget**
	£m	**£m**	**£m**	**£m**	**£m**
Regeneration and Environment	99.892	138.978	27.937	8.098	274.904
Adult Care & Housing	7.659	6.385	14.117	4.273	32.435
Assistant Chief Executive	0.496	0.210	0.210	0.210	1.126
Finance and Customer Services	7.739	9.978	3.290	8.029	29.036
Capitalisation Direction	1.000	1.000	1.000	11.000	14.000
Total General Fund Capital	**130.575**	**168.302**	**51.864**	**38.002**	**388.743**
Total HRA Capital	43.272	45.222	58.123	29.610	176.22
Total RMBC Capital Programme	**173.847**	**213.524**	**109.987**	**67.612**	**564.970**

2.66 The capital programme for 2022/23 remains ambitious even with a significant level of re-profiling of schemes into 2023/24. The Council will therefore need to keep close control of project spend profiles and delivery milestones to keep these projects on track. The Council will also need to review the deliverability of this significantly increased capital programme and potentially, re-profile some schemes into future financial years.

Funding Position of Capital Programme 2022/23

2.67 The £173.847m of capital expenditure is funded as shown in the Table 4 below.

2.68 **Table 7: Funding of the Approved Capital Programme**

Funding Stream	2022/23 Budget £m
Grants and Contributions	73.775
Unsupported Borrowing	53.745
Capital Receipts	1.878
Capital Receipts - Flexible Use & HRA Contribution	1.000
HRA Contribution	0.176
Total Funding - General Fund	**130.575**

Grants and Contributions	3.015
Unsupported Borrowing	2.441
Housing Major Repairs Allowance	32.272
Capital Receipts	2.818
Revenue Contribution	2.726
Total Funding - HRA	**43.272**
Total	**173.847**

Capital Receipts

2.69 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.

2.70 To date General Fund useable capital receipts of £0.012m 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.

Description	**Total as at 30th September 2022 £m**	
Total Capital Receipts (Excluding loan repayments)	**-**	**0.012**
Repayment of Loans	-	0.026
Total Capital Receipts	**-**	**0.038**

2.71 The detailed disposal programme is currently being updated and it is very difficult to forecast. Therefore, at this stage the forecast for useable capital receipts is between £0.6m and £1m. These receipts are made up of a small number of disposals and therefore any changes to these could impact on these forecasts significantly. It should be noted that there is no corporate requirement to disposal of General Fund assets.

3. Options considered and recommended proposal

3.1 With regard to the current forecast net revenue budget the Council is forecasting an overspend of £18.2m, further management actions continue to be identified with the clear aim of ensuring a balanced budget position can be achieved. It is now clear that to achieve a balanced outturn position there will be a need to utilise an element of the Council's reserves given the significant pressures that have come to light since the Council set it's 2022/23 budget. This is in recognition that there are still financial implications that need to be fully understood and that may not be fully known until later in the financial year. It is nationally recognised best practice to monitor the performance against the agreed revenue budgets and the Capital Programme throughout the year.

4. **Consultation on proposal**

4.1 The Council consulted on the proposed budget for 20222/23, as part of producing the Budget and Council Tax Report 2022/23. Details of the consultation are set out in the Budget and Council Tax 2022/2 report approved by Council on 2nd March 2022.

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 2022/23 was taken to Cabinet in July 2023.

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

6.1 The Council's overspend position is detailed within the report along with the estimated impact of current financial pressures from the war in Ukraine, inflation, energy price rises. This position continues to be monitored closely. Control over spending remains critical to both maintaining the robust Reserves Strategy and Medium-Term Financial Strategy.

6.2 An update on the Council's Medium Term Financial Strategy will be provided to Cabinet alongside this Monitoring Report. This provides a more detailed update on the Council's Medium Term Financial Planning factoring in the impact of the current year financial pressures and the longer-term impacts on the MTFS.

6.3 There are no direct procurement implications arising from the recommendations detailed in this report. Project specific implications have been addressed in the Key Issues section.

7. **Legal Advice and Implications**

7.1 No direct legal implications.

8. **Human Resources Advice and Implications**

8.1 No direct implications.

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

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

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

10.1 This is a finance update report, providing a review of current progress to date on the Council's revenue and capital budgets, any equalities and human rights impacts from service delivery have been or will be detailed as service budgets, capital projects are pulled together for inclusion within the Council's revenue budget or capital programme.

11 **Implications for CO2 Emissions and Climate Change**

11.1 No direct implications.

12. **Implications for Partners**

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

13. Accountable Officers

Rob Mahon, Assistant Director – Financial Services

Approvals obtained on behalf of Statutory Officers:-

	Named Officer	**Date**
Chief Executive	Sharon Kemp	7.11.22
Strategic Director of Finance & Customer Services (S.151 Officer)	Judith Badger	3.11.22
Assistant Director, Legal Services (Monitoring Officer)	Phillip Horsfield	3.11.22

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This report is published on the Council's website.