

Committee Name and Date of Committee Meeting

Cabinet – 23 January 2023

Report Title

November 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 November 2022 and forecast for the remainder of the financial year, based on actual costs and income for the first eight 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 fourth 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 November 2022, the Council currently estimates an overspend of £9.5m for the financial year 2022/23. This is an £8.7m improvement on the September position following the Council working to identify short term in-year savings to help mitigate some of the forecast cost pressures, due to the wider financial impact of inflation, energy price increases and the impact of the 2022/23 pay award. These costs could not have been projected within the Council's Medium Term Financial Planning.

The improvements have been generated across the Council's Directorates totalling £4.6m. £4.3m of this is through short term in-year generated by delaying or stopping any non-essential/non-urgent expenditure, delaying recruitment where possible and making use of one-off grant funding in the current year. In addition, there has been positive movements totalling £0.3m across the wider Directorates with regards to business-as-usual activity. Finally, a review of corporate grants and provisions has been undertaken along with a review of the in-year financial impact of the 2022/23 Pay Award, which has enabled a £4.1m improvement to be forecast in Central Services.

Therefore, the core directorates now have a forecast year-end overspend of £3.5m on the General Fund an improvement of £4.6m overall. The £10.1m of estimated unbudgeted cost resulting from inflation, energy price increases and the impact of the 2022/23 pay award are reduced by £4.1m from one-off resources and options down to £6.0m.

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.

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. Anticipated additional income as a result of the Government's budget announcement is not expected to mitigate all the additional costs the Council will incur.

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 and through future Budget decisions.

Recommendations

That Cabinet:

1. Note the current General Fund Revenue Budget forecast overspend of £9.5m.
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 UK Shared Prosperity Fund grant 2022/23 and delegate authority to the Assistant Chief Executive in consultation with the Leader of the Council to determine any revised and final allocations as required.

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

September Financial Report to Cabinet on 21st November 2022

Consideration by any other Council Committee, Scrutiny or Advisory Panel

No

Council Approval Required

No

Exempt from the Press and Public

No

November 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 fourth 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 eight 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 November 2022

Directorate	Budget 2022/23 £m	Forecast Outturn 2022/23 £m	Forecast Variance over/ under (-) £m
Children and Young People's Services	67.7	70.6	2.9
Adult Care, Housing & Public Health	94.1	93.7	-0.4
Regeneration and Environment Services	48.2	50.3	2.1
Finance and Customer Services	19.8	19.1	-0.7
Assistant Chief Executive	7.5	7.1	-0.4
Central Services	22.4	28.4	6.0
Directorate Forecast Outturn	259.7	269.2	9.5
Dedicated Schools Grant			0
Housing Revenue Account (HRA)			0.1

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

- Financial implications of 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 November 2022, the Council currently estimates an overspend of £9.5m for the financial year 2022/23. Whilst the core directorates services have a forecast year end overspend of £3.5m on the General Fund, there is also a net £6.0m estimated overspend in relation to the wider financial impact of inflation, energy price increases and national pay award. The overall position has improved by £8.7m from the position reported to Cabinet in November after accounting for Directorate short term savings, use of one-off corporate grants, provisions and in year savings on the pay award forecast to reduce the overall in-year forecast overspend.
- 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. The increase in the Council's base costs above budget is £10.1m, this amount will impact the Council's MTFs year on year.
- 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. 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. 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 and budget setting decisions.
- 2.7 Due to the forecast outturn position services were asked to go through their budgets to identify where they can take temporary measures to reduce cost this year and improve their financial outturn without direct adverse impact on

residents. The results of this exercise are included in the current forecast position. This has delivered a significant improvement in the forecast outturn.

- 2.8 The 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 this. 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. 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 £9.5m, the key reasons for forecast under or overspends within directorates and the progress of savings delivery.
- 2.10 The Council is able to report 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. £4.3m, 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) and £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. Finally, savings have been identified for the R&E Customer and Digital Programme.

Table 2: Planned delivery of £11.5m savings

Saving	2022/23	2023/24	2024/25 & Total FYE	Still to be delivered 2022/23	Total Secured as at 30th November 2022
	£0	£0	£0	£0	£0
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	0	200
Total Savings	4,845	8,801	11,495	558	4,342

Children and Young People Services Directorate (£2.9m) forecast overspend

- 2.11 Children & Young People Services continue to implement the budget recovery plan with budget savings of £1.026m already delivered. The budget pressure at the end of November 2022 is £2.9m, a reduction of £1.5m from the September reported position, with the reduction including £785k of temporary in-year savings. The rest of the saving relates predominantly to reductions in CYPS placements costs.
- 2.12 The CYPS pressures relate in the main to placements £2.6m, Children in Care & Post 19 Transport £1.0m and staffing £302k, offset by Supporting Families income of £300k and the £785k temporary savings.
- 2.13 The Looked After Children numbers have increased from September 2022 by 22 from 543 to 565. This is above the original November budget profile (551) for this period by 14 placements. The placement mix is showing higher than projected placements at November in external residential (5), IFA (31), Leaving Care (26) offset by in-house fostering (38) and no cost placements (24). The LAC number of 565 includes 43 Unaccompanied Asylum Seeker Children (UASC) which has risen from 14 in March 2022 and is an increase of 10 from the September position. The UASC is having an impact on the ability to reduce the overall LAC numbers but doesn't have a significant cost impact.
- 2.14 The direct employee budget is £37.7m and is a combination of general fund, traded and grant funded services. The projected overspend at the end of November is £601k (after excluding placements staffing), which includes a general fund projected overspend of £302k and an overspend of £299k against DSG and traded services.
- 2.15 The general fund projected overspend on staffing of £302k 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 November there were 23.7 FTE agency workers in CYPS, 14.4 across children's social care and 9.3 in Education Services. The level of agency use is decreasing.
- 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 £39.5m, a projected overspend of £2.6m as shown in the following table:

Service Pressure/(-Saving)	£m
External Residential Placements	2.2
Emergency Placements	0.8
In-House residential	-0.3

Independent Fostering Agencies	0.8
In-house Fostering	-0.3
Supported Accommodation	-0.5
Non-LAC allowances	-0.1

2.17 The £2.2m residential pressure is due to a combination of a reduction in the estimated residential step downs, £1.7m, as well as a reduction in the contribution from Dedicated Schools Grant due to a reduction in education placements £0.5m.

Dedicated Schools Grant (DSG)

2.18 The High Needs Block (HNB) is £51.5m (including the £3.3m transfer from the school's 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 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 £8k (excluding Safety Valve funding) and will enable a £533k contribution from the HNB to reserves as part of the DSG Management Plan. The pressures reflect demand for special school, resource units, top up funding and ISP's, offset by savings on external residential placements and other education services.

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 2022/23.
- 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, (£0.4m) forecast underspend

2.21 The directorate is forecast to underspend by £0.4m, an improvement of £1.2m from Septembers financial monitoring. During this time an exercise has been undertaken to reduce spending on a temporary basis, this has delivered £1.4m that has been used to significantly reduce the forecast. The majority of these savings are within Adults and despite significant demand pressures, the area is forecasting an underspend of £1m. Housing General Fund however is forecast to overspend by £0.6m.

- 2.22 The cost of adult care packages are forecast to overspend by £0.4m due to high demand. This is a decrease of £0.6m since the last report following a reduction in package costs and continued improvement in Continuing Health Care (CHC) contributions towards specific individuals care from the NHS. Transforming Care, a specialist provision for complex support cases, is forecast to underspend by £0.1m through fewer cases and transition costs of children becoming adults is forecast to underspend by £0.9m. This is because children are coming into service provision later than forecast and also through CHC funding of the individuals. Staffing costs have increased in the period and now show a £30k overspend as continuing vacancies have led to increased agency costs. Better Care Fund income has been allocated to agreed priorities during the period and has reduced the overall forecast by £0.4m
- 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 £0.6m. The key pressure continues to be in homelessness, which is expected to overspend by £0.7m after accounting for grant income. Work is on-going to reduce the use of hotels and maximise Housing Benefit and grant income. A delay in implementing the financial inclusion service has also led to a £90k underspend.
- 2.25 Public Health is forecasting a slight underspend at this stage caused by staff vacancies and additional grant income.

Regeneration and Environment Directorate (£2.1m) forecast overspend

- 2.26 The projection for the directorate indicates a forecast pressure of £2.1m for this financial year. This represents a significant improvement from the forecast pressure of £3.1m in the September monitoring, reported at November Cabinet. A significant piece of work has been undertaken by the Directorate to identify temporary in-year savings. This has identified £1.4m of temporary savings that have been built into this forecast. However, since the last Cabinet report, there has also been a further worsening of the position in Asset Management, as a result of an increase in repairs and maintenance expenditure and income under recovery.
- 2.27 The forecast continues to reflect the impact of ongoing demographic pressures in Home to School Transport, the lingering 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.
- 2.28 Community Safety and Street Scene (CSS) is forecasting an overall pressure of £1.3m, an improvement of £0.7m from the September monitoring position. The

most significant pressure continues to be in respect of Home to School Transport, which is still reporting a £1.8m pressure, 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. 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.

- 2.29 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.
- 2.30 Waste Management is now forecasting an underspend of £0.1m, an improvement of £0.2m from the September position. This improvement is the result of incorporating into the forecast a gain share payment from the residual fuel created at the BDR Waste PFI facility, as a result of the increase in the wholesale energy price. There has been a small reduction in the forecast for recycling income as a result of market price changes. 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. Additional income in Streetworks and Enforcement, vacancies in Community Safety and Regulation and short term temporary savings are helping to mitigate the pressures elsewhere in CSS.
- 2.31 Culture Sport and Tourism (CST) is forecasting an overall pressure of £0.1m, an improvement of £0.2m from September's monitoring. This reflects additional temporary savings identified, particularly in Libraries, from holding vacant posts and a reduction in non-essential spend. 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 however an increase in income from Landscape Design is helping to mitigate the pressures in CST.
- 2.32 Planning, Regeneration and Transport (PRT) is forecasting an overall pressure of £0.7m, an improvement of £0.2m from the November Cabinet report. The major pressure continues to be in Asset Management, which has risen to £1m, a worsening of £100k. Pressures in Facilities Management continue to increase as a result of rising property costs, including repairs and maintenance and fixtures and fittings. The forecast assumes income under recovery in Estates, as staff vacancies have limited the ability to generate income.
- 2.33 The forecast has been improved by the recognition of grant funding supporting staff costs in RIDO, who are delivering the major regeneration projects in the town centre and Borough leisure economy. A pressure of £0.2m 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. The forecast has been improved by the recognition of

grant funding supporting staff costs in RIDO, who are delivering the major regeneration projects in the town centre and Borough leisure economy. 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 (£0.7m forecast underspend)

- 2.34 The overall directorate is reporting a £0.7m forecast underspend position. Like all directorates, the service has reviewed planned expenditure and deferred spending or delayed recruitment to support the overall Council position, without adversely impacting service delivery. This has generated in year temporary savings of £256k, however some of this has been offset by new pressures.
- 2.35 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.
- 2.36 Legal Services face continued demand for legal support across all disciplines. Ongoing recruitment challenges in this sector are being addressed through use of short-term locums which are more expensive than permanent employees. Additionally, although still generating a saving the reduction in childcare cases is less than previously forecast and use of King's Counsel has increased, which has reduced the forecast underspend in this area by £90k. Income of £395k has been built into the latest forecast from the penalties imposed by RMBC on the Dignity Contract for bereavement services. It is anticipated that improved performance against the contract will negate further penalties being charged this year.

Assistant Chief Executive £0.4m forecast underspend

- 2.37 The directorate has taken steps to reduce expenditure and delay recruitment where possible to do so, in order to support the overall Council budget position in year. This has generated £256k of temporary savings and an increased in-year underspend. Additional income has been generated within HR from recruitment advertising and consultancy.

Central Services (£6.0m) forecast overspend

- 2.38 There are some significant financial challenges that were not evident at the time of setting the 2022/23 Budget, such as 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 with a financial impact £6.1m greater than the budget assumed within the Council's Medium Term Financial Strategy.

- 2.39 These financial challenges are being regularly reviewed as part of the Council's ongoing Medium Term Financial Strategy and 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 in 2022/23, whilst also looking at short term savings to reduce its costs to help balance the budget.
- 2.40 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, reserves and budget decisions. 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.
- 2.41 In order to support the work to identify temporary measures to reduce cost this year and improve their financial outturn without direct adverse impact on residents. A similar approach was taken to reviewing the Central Services budget but due to the fixed nature of the costs in this area the focus was on a review of grants and provisions; specifically looking for any grants carried forward from previous years, that could be applied as grant terms and conditions have been met and a review of corporately held bad debt provisions. This identified a total of £4.1m one-off funding that could be used to reduce the forecast overspend. This reduces the net forecast overspend on Central Services to £6.0m
- 2.42 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)

- 2.43 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 £0.1m, a £1.7m improvement since September's monitoring.
- 2.44 The improvement is mainly due to £1.6m income from a gainshare arrangement with the Council's housing contractors, as contracts performed better than

expected, which has been recognised in the period. In addition, there are some smaller variations.

- 2.45 The HRA budget includes a contribution to HRA reserve of £2.037m. This is now forecast at £1.904m and nets the HRA budget to nil.

UK Shared Prosperity Fund grant 2022/23

- 2.46 South Yorkshire was allocated £38.9m from the UK Shared Prosperity Fund (UKSPF) earlier in 2022. The funding is for three years from April 2022 and is managed by South Yorkshire Mayoral Combined Authority (SYMCA) with notional allocations for the four South Yorkshire local authority districts (£7.08m for Rotherham).

- 2.47 The funding is predominantly revenue and aims to build pride in place and increase life chances across the UK, aligning in particular with the following Government levelling up mission: 'By 2030, pride in place, such as people's satisfaction with their town centre and engagement in local culture and community, will have risen in every area of the UK, with the gap between the top performing and other areas closing.'

- 2.48 Funding is divided between three investment priorities: Community and Place, Supporting Local Business and People and Skills.

- 2.49 In December, the Government approved year 1 (2022/23) funding for UKSPF in South Yorkshire, based on the investment plan submitted by SYMCA at the end of July. In principle approval was given for years 2 and 3, subject to ongoing review.

- 2.50 Given the delay in receiving funding approval from the Government and the risk that unspent year 1 funding will not be carried forward to year 2 (this is subject to ongoing discussions between SYMCA and Government officials), it is proposed to allocate Rotherham's share of the funding to the projects set out in the table below. The projects are also subject to SYMCA approval via a process that is operating concurrently due to the urgency.

- 2.51 The total allocation for year 1 (2022/23) is £859,647.

Project	Amount (£)	Description
Cost of living response: Open Arms Rotherham	405,000	A targeted programme of Warm Welcome activities and one-stop-shop information and advice sessions delivered by key voluntary sector organisations and managed by Voluntary Action Rotherham, working with the Council and other partners. The proposal also includes community leadership training for local volunteers and support for consultation and engagement, with a specific focus on building stronger networks around equalities, diversity and inclusion.

Children's Capital of Culture: Chapter 2 – Taking Shape	275,000	This will take forward the next phase of Children's Capital of Culture (CCoC), with the CCoC team partnering with 3 cultural providers and working with young people to deliver a programme of creative and cultural events, festivals, experiences and opportunities across Rotherham.
Business support	Up to 116,000	This focuses on the support provided, through the Council's business centres and advisors in RiDO, to help businesses start and grow (backdated to April 2022). It also includes a small grants pot to help businesses overcome short term financial pressures or to support their growth ambitions.
To be allocated	64,000	This is the remaining capital funding which will be carried forward into 2023/24 subject to agreement

2.52 The UKSPF 2022/23 has to be spent before the 31st March 2023, though there are ongoing negotiations between Government and the SYMCA around the ability to carry forward any unspent funds. Should Cabinet support the proposed approach for use of the UKSPF officers will then seek SYMCA authority for the funding to be drawn down and ensure the outlined projects are delivered within the current timeline. The use of the remaining capital funding element still needs to be agreed, as such it is proposed that delegated authority is given to the Assistant Chief Executive in consultation with the Leader of the Council to agree how this capital funding will be utilised and if necessary, any changes to the proposed project allocations in order to ensure the UKSPF is maximised.

2.53 Capital Programme Delivery Updates

This section of the monitoring report focuses on what has been delivered during 2023/23 since the November Cabinet report. In order to reflect the positive outcomes that the Council has achieved the following list of key achievements has been provided.

- The works on the Parkway scheme have completed. The project has created an extra lane in each direction between Catcliffe and the M1, resurfacing of the road from Catcliffe junction to Sheffield boundary and the roundabout at J33 of the M1 has been widened. This scheme will reduce journey times, reduce congestion, improve air quality and improve safety for drivers.
- Working with its development partner Muse, the Council has secured pre-lets on the Forge Island development with a cinema, hotel and five restaurants. Construction works on the scheme are now in progress.
- The Council have completed or acquired an additional 62 new homes to bring the total in this year to 106. This includes 75 direct delivery via the Council's construction contracts and a further 31 from acquisitions from private developers. The acquisitions are from contracts for Fairfields and Laughton Gate.

Capital Programme Financial Update

2.54 The Capital Programme 2022/23 now totals £175.622m split between the General Fund £131.584m and HRA £44.037m. This is an increase of £1.775m to the position as at the end of September reported to Cabinet on 21st November 2022. The majority of this is due to revised grant funding estimates combined with slippage of schemes to future years. The movement is based on the latest profiles of expenditure against schemes, including new and revised grant allocations of £7.672m, new corporate funding allocations £1.380m and slippage and re-profiles of (£7.277m). The overall Capital Programme 2022/23 to 2025/26 has increased by £22.098m, as detailed in the following sections.

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	1.954	1.380	0.574
Revised Grant and Funding Estimates	20.144	7.672	12.472
Slippage / reprofiling	0	-7.277	7.277
Total	22.098	1.775	20.323

2.55 The main re-profiles are:

- **Disabled Facilities Grant, £1.8m slippage.** This is largely due to carried forward grant underspend in prior years due to the impact of the pandemic creating a backlog in cases. The service is reviewing use of the grant which is ringfenced and agreed via the Better Care Fund to enable delivery of a greater level of DFG's moving forwards in order to maximise the allocation.
- **School PFI Lifecycle Programme £2.6m slippage** This budget is used to fund the capital lifecycle cost on the PFI programme. This expenditure is delivered by the PFI contractor and is only confirmed in the final quarter of the financial year.
- **Special Educational Needs Budget, £1.9m slippage** This relates to a new grant allocation provided during 2022/23. The Council is still in the planning phase for utilising this grant and as such is unlikely to incur capital expenditure this financial year.

2.56 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 5: New Grant/HRA funding added to the programme

Directorate/Scheme	2022/23 £M	Post 2022/23 £m
Children & Young People		
Additional Devolved Formula Capital Allocation for 2022/23. Additional funds notified on 6 th December 2022 for energy efficiency measures. As it is unlikely that funds will be spent in 2022/23 this has been profiled in later years.	0.000	2.487
Regeneration & Environment		
New Changing Places allocation. This will be used to provide changing places toilets at Thrybergh Country Park, Clifton Park Museum, Rother Valley Country Park, Gullivers Valley, Rotherham United Football Club and Wentworth Woodhouse Camelia House.	0.195	0.166
New S106 monies for the provision of travel safety measures. This is being utilised to provide a pedestrian crossing on Morthen Road.	0.077	0.000
Adjustment due to confirmation of Local Transport Plan pothole funding allocation.	-0.013	0.000
New Transforming Cities Fund allocation to fund schemes at Sheffield Road £1.178m, Manvers Way £0.550m and A631 Maltby Bus Corridor £1.800m.	1.728	1.800
New Police & Crime Commissioner grant for CCTV upgrade. This was awarded as part of the Home Office's Safer Street 4 Fund and is 50% match funding against RMBC budgets.	0.372	0.000
Revised expected Clean Air Zones grant allocation for works at Bellows Road and Wortley Road.	0.193	0.000
Revised European Regional Development Fund grant allocation. Due to revised profiles and costs there has been a small increase in ERDF grant for Forge Island and Ickles Lock.	0.067	0.000
New Gainshare grant assumptions (SYMCA) for the works at Rotherham Market 22/23 and Broom Road 2023/24.	3.531	1.500

Funding from SYMCA for Local Growth schemes at Greasbrough Village £1.996m and the Whins £0.767m. These are schemes already in the Capital programme but where some of the funding was awaiting formal confirmation from the SYMCA.	2.763	0.000
New City Region Sustainable Transport Scheme grant allocations (SYMCA). The final allocation of CRSTS has now been confirmed. The CRSTS grant has replaced the DFT grant so previous DFT grant funding on the programme has been replaced with the confirmed CRSTS allocation and reprofiled to meet the latest expenditure profiles.	-1.241	6.519
Total	7.672	12.472

New Corporate Borrowing

- 2.57 The HRA budget has been increased by £1.187m for the Town Centre Housing scheme following identification of a number of cost pressures. These pressures are to be funded via additional capital receipts that the sale of some of the new properties are expected to generate.

Since Cabinet approved the budget, the project has borne further increases, attributable to three broad causes:

- Utilities issues (causing delay or additional works)
- Abnormal site costs
- Changes/clarifications to the specification to ensure the finished buildings meet the Council's requirements

- 2.58 A number of additions have been made to the Council's use of borrowing for 2022/23 in recognition of slippage on schemes that was not carried forward from 2021/22 into 2022/23 as expected. £0.192m has been added to the Markets capital scheme and an addition of £0.575m to the roads budget in 2022/23.

2.59 Programme Variations

There have been no significant variations between capital projects that are either key decision value or a change in use of corporate resources that are not detailed above and as such need reporting to Cabinet since the November Cabinet report.

2.60 MCA Approvals

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 September position was reported there have been approvals of £5.031m of Gainshare grant, £2.763 for local growth schemes and £9.892m of City Region Sustainable Transport Scheme grant added to the capital programme.

2.61 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	9.044	13.012	3.040	14.633	39.729
Regeneration and Environment	108.287	95.325	36.961	52.754	293.327
Adult Care & Housing	5.638	8.407	14.117	4.273	32.435
Assistant Chief Executive	0.496	0.210	0.210	0.210	1.126
Finance and Customer Services	7.120	10.483	3.375	8.059	29.037
Capitalisation Direction	1.000	1.000	1.000	11.000	14.000
Total General Fund Capital	131.585	128.437	58.703	90.929	409.654
Total HRA Capital	44.037	45.643	58.123	29.610	177.413
Total RMBC Capital Programme	175.622	174.080	116.826	120.539	587.067

2.62 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

2.63 The £175.622m of capital expenditure is funded as shown in the Table 7 below.

Table 7: Funding of the Approved Capital Programme

Funding Stream	2022/23 Budget £m
Grants and Contributions	78.085
Unsupported Borrowing	50.446
Capital Receipts	1.878
Capital Receipts - Flexible Use & HRA Contribution	1.000
HRA Contribution	0.176
Total Funding - General Fund	131.585
Grants and Contributions	2.958
Unsupported Borrowing	1.935
Housing Major Repairs Allowance	31.891
Capital Receipts	4.621
Revenue Contribution	2.632
Total Funding - HRA	44.037
Total	175.622

Capital Receipts

- 2.64 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.
- 2.65 To date General Fund useable capital receipts of £0.020m 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 November 2022 £m
Total Capital Receipts (Excluding loan repayments)	- 0.020
Repayment of Loans	- 0.030
Total Capital Receipts	- 0.050

- 2.66 The detailed disposal programme is currently being updated and it is very difficult to forecast. There is a further disposal for approximately £1m which may go through in the current financial year. Therefore, at this stage the forecast for

useable capital receipts is between £0.02m and £1m. It should be noted that there is no requirement to dispose 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 £9.5m, further management actions have been taken to identify short term temporary savings options to reduce the previously reported £18.2m forecast overspend. However, it is 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. 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 2022/23, 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 inflation, energy price rises and the Local Government Pay Award. 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 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 There are no direct legal implications arising from recommendations within this report.

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	09/01/23
Strategic Director of Finance & Customer Services (S.151 Officer)	Judith Badger	05/01/23
Assistant Director, Legal Services (Monitoring Officer)	Phillip Horsfield	05/01/23

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