

**Committee Name and Date of Committee Meeting**

Cabinet – 19 June 2023

**Report Title**

Finance Update

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

Yes

**Strategic Director Approving Submission of the Report**

Judith Badger, Strategic Director of Finance and Customer Services

**Report Author(s)**

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**Ward(s) Affected**

Borough-Wide

**Report Summary**

This report provides an update to Cabinet on a number of financial matters. The report is provided as an interim update for Cabinet, following on from the approval of the Budget and Council Tax 2023/24 report at Council on 1 March 2023 and in advance of the Financial Outturn 2022/23 report and May Financial Monitoring 2023/24 report to be submitted to Cabinet in July 2023.

This report also provides an update on the Council's administration of the Local Council Tax Support Top Up payment and Household Support Fund for 2023/24 along with a number of Capital Programme variations and an update on Feasibility Funding received from the South Yorkshire Mayoral Combined Authority.

**Recommendations**

1. That the update on the revenue budget financial outturn 2022/23 be noted.
2. That the Council's progress on the delivery of the Local Council Tax Support Top Up payment 2023/24 be noted.
3. That the Council's delivery of the Household Support Fund 2022/23 be noted.

4. That Cabinet delegates the decision to allocate and spend the £3m Feasibility Fund to the Strategic Director for Regeneration & Environment in consultation with the Leader of the Council and Assistant Director Financial Services.
5. That Cabinet approve the capital budget variations as detailed in section 2.7 of the report.

**List of Appendices Included**

Appendix 1: Equality Screening

Appendix 2: Carbon Impact Assessment

**Background Papers**

Budget and Council Tax Report 2022/23 to Council on 2 March 2022

December Financial Monitoring Report to Cabinet 13 February 2023

Budget and Council Tax Report 2023/24 to Council on 1 March 2023

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

No

**Council Approval Required**

No

**Exempt from the Press and Public**

No

## **Finance Update**

### **1. Background**

- 1.1 This report is provided to update Cabinet on a number of financial and budget matters following on from the approval of the Budget and Council Tax 2023/24 report at Cabinet on 13 February 2023 and at Council on 1 March 2023.
- 1.2 The report is an interim update to Cabinet in advance of the more detailed Financial Outturn 2022/23 and Financial Monitoring 2023/24 reports which will be submitted to Cabinet on 10 July 2023.

### **2. Key Issues**

#### **2.1 Revenue Budget Financial Outturn 2022/23**

- 2.1.1 The Financial Outturn 2022/23 report to Cabinet in July 2023 will set out the full details of expenditure against budget for 2022/23, revenue and capital, along with an updated analysis of revenue reserves and an updated position of the Capital Programme.
- 2.1.2 The Financial Monitoring Report 2022/23 submitted to Cabinet on 13 February 2023 was based on the financial monitoring position as at December 2022, which outlined that the Council anticipated an overspend of £8.4m. This forecast position was also outlined in the Budget and Council Tax 2023/24 report which was submitted to the same Cabinet meeting and also to Council on 1 March 2023. The overspend was to be funded from the Transformation Reserve (£4.1m) and Budget and Financial Strategy Reserve (£4.3m) as approved at Council as part of the Budget and Council Tax 2023/24 report though the report noted the Council's intention was to further improve that outturn position, if possible, which would see a lower value call on reserves.
- 2.1.3 The final Financial Monitoring position as at outturn reflects an overspend of £7.3m for the financial year 2022/23. The core Directorates services have a year-end overspend of £1.8m, an improvement of £1.1m from the £2.9m Directorate overspend forecast within the February Cabinet report. The remaining £5.5m cost pressure sits within Central Services and relates to inflationary and energy price pressures that were reported to Cabinet throughout 2022/23. This improved position means that the final call on reserves to balance the Council's outturn position was £7.3m, funded from the Transformation Reserve (£4.1m) and Budget and Financial Strategy Reserve (£3.2m).

2.1.4 The main reasons for the improvement in the Directorate outturn position are as follows, though more detailed narratives will follow in the Financial Outturn report to Cabinet in July 2023:

- Children & Young People's overspend has reduced by £0.3m. The movement reflects a reduction in Home to School Transport costs as growth in demand was lower than had been estimated. CYPs budgets fund certain placement types, Looked After Children (LAC) with no Education, Health, and Care Plan (EHCP), LAC with EHCP that are out of borough and Post 19 transport. In addition, placement costs have also reduced over the last part of the financial year.
- Adult Care, Housing & Public Health underspend has increased by £1.3m, as several high cost care packages are instead being directly funded by Continuing Health Care (CHC) or are not eligible for support from the Council in addition to several smaller variances across staffing and overheads.
- Regeneration and Environment Services final outturn overspend has increased, with a final outturn of £2.9m, up £0.7m on December's forecast. The final outturn on Home to School Transport was £0.1m greater than estimated relating to higher than anticipated operational costs (not increased demand). Facilities Services outturn increased by £0.6m due in the main to increases in food costs, moving forwards these will be covered by a contractual increase in fees from September 2023.
- Assistant Chief Executive and Finance and Customers Services underspend have both increased by £0.1m as services have continued to defer spending, delay recruitment and maximise grant usage to support the overall Council position without adversely impacting service delivery.

2.1.5 The overspend in Central Services is largely made up of the inflationary pressures as a result of the Local Government Pay Award 2022/23, energy inflation and wider contractual inflation. The impact has been dampened through use of carried forward Covid new burdens funding and improvements in Treasury Management forecasts.

2.1.6 This overspend in Central Services has been maintained at £5.5m. However, due to further savings within Treasury Management as detailed below, the transfer to the Treasury Management Reserve was improved by £2.3m and has been processed as per the approvals within the Budget and Council Tax report 2023/24 to support the MTFS position.

2.1.7 The improvement in the treasury outturn position is linked to:

- Slippage on the Capital Programme that has reduced the need to borrow during 2022/23.

- PWLB borrowing of £227m in 2021/22 has meant that the Council hasn't needed to borrow during 2022/23 when rates have been higher and as a result has had more liquid cash available for investments.
- The Council carrying cash balances due to above, has been able to invest them in a higher interest return market, increasing interest on investments.

2.1.8 The improvements in the Directorate forecast outturns represent a positive direction of travel for the Council's finances and a significant improvement from the £18.2m forecast overspend reported in the September Financial Monitoring to Cabinet in November. This prudent financial management will be important in managing future budget pressures given the known volatility in external factors that was highlighted as the main budget risk in the Budget and Council Tax report 2023/24.

2.1.9 In addition, 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.

Table 1: Planned delivery of £11.5m savings

Saving	2022/23	2023/24	2024/25 & Total FYE	Secured as at 31 <sup>st</sup> March 2023
	£000	£000	£000	£000
ACHPH	2,800	2,800	2,800	2,800
ACHPH – One off saving	500	0	0	500
CYPS	971	4,739	7,411	1,120
R&E	374	762	784	293
R&E Customer & Digital	200	500	500	200
<b>Total Savings</b>	<b>4,845</b>	<b>8,801</b>	<b>11,495</b>	<b>4,913</b>

2.1.10 Whilst the energy price rises, and inflation, will impact the Council's costs in the provision of services there was some mitigation in future years through increased core funding as business rates income is indexed to the rate of inflation. However, those increases in core resources are not sufficient to cover the increase in the Council's base costs. It is currently expected that the period of high inflation will last for a further 12-18 months 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. This has been accounted for within the Council's

Budget and Council Tax Report 2023/24 though the report flags that uncertainty around inflation, energy and pay is the biggest budget risk.

### CYPS Fostering Allowances and Skills Payments 2023/24

#### 2.2

2.2.1 Fostering Allowances are statutorily uplifted annually each year by Government and for 2023/24 the uplift was (February 2023) as 12.4%. This uplift will impact the costs of Foster Care Allowances, Special Guardianship Order, Child Arrangements Order and Adoption, the total cost of that uplift is £700k, a £603k increase on the 2023/24 costs. Prior to 2023/24, 2 of the 4 fostering allowances (based on age range) that Council was paying were above the national maintenance allowance therefore dampening the impact of the 12.4% uplift to Rotherham.

2.2.2 In addition, it was agreed at Cabinet in October 2022 that the skills payments annual uplift would also be uplifted at the same rate as the Fostering Allowances, as such skills payments have been uplifted by 12.4% at a cost of £180k (these rates had remained unchanged for a number of years). An officer decision was recorded for this uplift in May 2023.

2.2.3 Budget provision was made for inflation on CYPS placements, however it was not based on 12.4% as such these uplifts along with potential uplifts across Independent Fostering Agencies and Residential Care markets that are still to be confirmed, are likely to create a budget pressure for 2023/24. At present the wider impact is therefore unknown but will be closely monitored through the Council's management of the Medium Term Financial Strategy.

#### 2.3 Local Council Tax Support Top Up Scheme 2023/24

2.3.1 Council approved as part of the Council's Budget and Council Tax Report on the 1 March 2023, a Local Council Tax Support Top Up Scheme to run during 2023/24 and 2024/25. The scheme provides an additional award of up to £117.60 additional support to low income households most vulnerable to rising household costs, through reduced Council Tax bills. The application of the scheme includes all those becoming eligible up to and including 31 March 2024. At the time of writing a total of £1.434m has been awarded across 14,135 accounts, with 10,295 of these accounts being reduced to nil. Those bill payers in receipt of this award have been provided with a Council Tax bill that shows the top up support from the Council along with a letter explaining the reason for the award.

2.3.2 The scheme will continue to provide awards as required to new LCTS applicants during the course of 2023/24. The cost of this support for 2023/24 is to be funded from the Council's Household Support Fund allocation for 2023/24 as approved with the Household Support Fund April 2023 – March 2024 Cabinet report.

## 2.4 Household Support Fund 2022/23

2.4.1 Cabinet approved plans in July and September to deliver just under £5m of support to vulnerable households with energy and food costs funded from the Council's Household Support Fund grant in 2022/23.

2.4.2 As of 31 March 2023 the Council had fully spent this grant allocation, delivering over 156,000 Free School Meals vouchers across the school holidays up to and including Easter 2023. The Household Support Fund contributed to the delivery of the Council's Energy Crisis Support Scheme which paid 5,294 grants totalling £1.9m to support households with their fuel bills and funded one off energy payments to vulnerable pensioners of over £1m to 8,714 people. In addition, the VCS support scheme provided support to vulnerable households over Christmas and the New Year as planned and distributed 6,466 food parcels through to the end of March.

## 2.5 Domestic Abuse Duty Funding Proposals for the Financial Year 2023-24

2.5.1 The Domestic Abuse Act 2021 introduced new requirements for local authorities in relation to domestic abuse services. As a result, the Government provided £617,069 funding in the financial year 2021-2022 and a year later, allocated £619,679 for 2022-2023. In August 2021, the Council's Cabinet agreed a range of projects utilising the funding, many of which were to be recurring projects in light of the likely continuation of the funding after 2021-2022. In December 2022, the Department for Levelling Up, Housing and Communities (DLUHC) confirmed further Domestic Abuse Duty funding for the 2023-2024 and 2024-2025 financial years of £632,075 and £644,001 respectively. An officer decision has been made and recorded in relation to the non-recurring spend, which equated to £329k. This funding has been targeted based on the existing agreed strategy and will support the following additional activities:

- Target hardening for Domestic Abuse victims in private rented or own property
- Accommodation for victims
- Homeless prevention funding
- Domestic Abuse workers embedded within Housing Services

## 2.6 Feasibility Fund

2.6.1 The South Yorkshire Mayoral Combined Authority (SYMCA) have allocated £3m of revenue funding to the Council as a 'Feasibility Fund'. The aim of this grant is to facilitate the development and delivery of Rotherham's Place Based Investment Strategy (PBIS) by reducing capacity and capability

constraints and contributing to the development and delivery of both capital and revenue projects. The PBIS was presented to Cabinet in February 2023.

2.6.2 It is anticipated that the fund will be used to support resourcing costs, investment planning, strategy development, consultation, project preparation and costs associated with land holding on major projects. As such this report seeks approval to delegate the decision to allocate and spend the £3m Feasibility Fund to the Strategic Director for Regeneration & Environment in consultation with the Leader of the Council and Assistant Director Financial Services.

## 2.7 Capital Programme Variations

2.7.1 On 25 April 2023 a report was presented to Capital Programme Monitoring and Delivery Board (CPMDB) providing a summary of the latest position on a number of key Regeneration projects. Over the last two years projects have been in the early design and preparation phase. Now that projects are at a later stage in development the programme budgets have been realigned to take account of emerging design constraints, inflationary pressures and where efficiencies can be achieved. The following variations are presented for Cabinet awareness and where required approval.

### 2.7.2 **Markets & Library**

In February 2022 a funding profile was agreed for the Market and Library development. However, in December 2023 DLUHC made available further funding of £3.4m via the SYMCA, with a funding agreement signed in March 2023. This funding was unexpected with Government handing it out automatically via the SYMCA. The Council proposes to use this funding to support the Markets and Library project.

### 2.7.3 **Century II**

Providing 22 workshops, 16 office units and 2 laboratory facilities this project was initially developed in 2017. A prolonged design stage and significant inflationary uplift resulted in a budget overrun of £549k. The scheme is now approaching completion and that cost overrun is not expected to increase further. It is therefore proposed that £549K is redirected from the wider R&E capital programme to address the funding gap on Century II. In the main this surplus funding is coming from completed schemes with small savings. In summary the funding breakdown is therefore as follows:

<b>Proposed Funding Allocation</b>	
Building Back Better	£3,600,000
Gainshare	£1,000,000

Council Funded Borrowing	£1,600,000
Other redirected R&E Capital	£549,000
<b>TOTAL</b>	<b>£6,749,000</b>

#### 2.7.4 **3-7 Corporation Street**

Funding from Town Deal and Levelling Up Fund has been secured for this project to include land acquisition, demolition and a contribution towards the redevelopment of the site. It is expected that a private sector development partner will be secured to provide match funding to the scheme and take on the delivery of the redevelopment of the site. However, until a private sector partner is secured a viability gap exists between the anticipated cost of the acquisition and development and funding available.

2.7.5 The Council will secure the necessary resources to deliver the scheme by making provision to fund this viability gap on the development through the Town Centre Investment Fund (TCIF). Should a private sector development partner be secured the TCIF balance of funding will be released back to support wider town centre investment.

2.7.6 The specifics of the funding arrangements for 3-7 Corporation Street are covered in greater detail within a separate Cabinet report on this agenda.

#### 2.7.7 **Snail Yard**

Acquisition and demolition of the Primark building took place between late 2020 and July 2021. Increased costs of demolition and remediation were identified in October 2021 and in April 2022 a pre-tender cost exercise identified additional development costs and there was a need to re-design the scheme. To date this has led to an increased budget requirement of £920,000. It is proposed to use £570k of the Town Centre Investment Fund and £350k of SYMCA Gainshare to support the funding gap.

<b>Proposed Funding Allocation</b>	
Town Deal	£1,000,000
TCIF	£570,000
MCA Gainshare - Place Based Investment Funding (PBIS)	£350,000
<b>TOTAL</b>	<b>£1,920,000</b>

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

3.1 This report is retrospectively updating on outcomes and outputs from the Councils revenue outturn position and a host of key schemes where the approach has already been approved by Cabinet.

### **4. Consultation on proposal**

4.1 Consultation with residents, business and partners was undertaken as part of the development of the 2022/23 budget setting and then again as part of budget setting for 2023/24.

### **5. Timetable and Accountability for Implementing this Decision**

5.1 The report is mainly an update on a range of financial matters.

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

6.1 The financial implications are contained within the main body of the report.

6.2 There are no direct procurement implications arising from this report.

### **7. Legal Advice and Implications**

7.1 No direct implications.

### **8. Human Resources Advice and Implications**

8.1 No direct implications.

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

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

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

10.1 No direct implications.

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

11.1 No direct implications.

### **12. Implications for Partners**

12.1 The Council is maintaining close liaison and joint working with Partners on Covid matters, with particular regard to Health and Social Care.

13. **Risks and Mitigation**

- 13.1. Budget management and spending controls remain as set out within the Council's Financial and Procurement Procedure Rules. Financial Monitoring reports to Cabinet will include information on Covid related spend and financial risk and also outline how this spend and risk is being managed and mitigated.

14. **Accountable Officers**

Owen Campbell – Head of Corporate Finance  
Rob Mahon - Assistant Director, Financial Services

Approvals obtained on behalf of Statutory Officers:-

	<b>Named Officer</b>	<b>Date</b>
Chief Executive	Sharon Kemp	05-06-23
Strategic Director of Finance & Customer Services (S.151 Officer)	Judith Badger	31-05-23
Assistant Director, Legal Services (Monitoring Officer)	Phil Horsfield	31-05-23

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