

Committee Name and Date of Committee Meeting

Cabinet – 10 July 2023

Report Title

Financial Outturn 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 outlines the final revenue and capital outturn position for 2022/23.

The Council set a balanced budget position for 2022/23 as part of the Budget and Council Tax Report 2022/23 approved at Council 2 March 2022. A Revenue Budget of £259.7m was set for General Fund services; this excludes schools' budgets and Housing Revenue Account (HRA). The Medium Term Financial Strategy (MTFS) contained within that report included a balanced position for 2023/24, 2024/25 and a funding gap of £3.9m for 2025/26, the first year of the next spending review. This Budget and MTFS position was based on sound financial assumptions at the time, factoring in cover for service demand pressures in particular within Adult Social Care.

However, following approval of the Budget the global economic position significantly changed with rising inflation and substantial increases in energy prices. These two impacts have seen the Council's base costs rise significantly during 2022/23, not only through the Council's own costs increasing for example, through increased energy bills, but the price of goods and services the Council procures have increased.

The Financial Monitoring Report 2022/23 submitted to Cabinet on 13 February 2023 was based on the financial monitoring position as at December 2022 and 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 proposed 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. However, 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.

During 2022/23 the Council has successfully delivered 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 nationally determined pay award. As a result, the final outturn was significantly improved at £7.3m, down from £18.2m as reported to Cabinet in September 2022 and £8.4m reported to Cabinet in February 2023.

This improved position means that the final call on reserves to balance the Council's outturn position was funded from the Transformation Reserve (£4.1m) and Budget and Financial Strategy Reserve (£3.2m), leaving £1.1m more than anticipated in the Budget and Financial Strategy Reserve.

The Council's General Fund minimum balance has remained at £25m as planned and set out within the Council's Reserves Strategy reported in the Budget and Council Tax Report 2023/24. The reserve is held to protect the Council against unforeseen events and realisation of contingent liabilities.

The Housing Revenue Account had an underspend of £2.1m, along with the revenue contribution to capital outlay remaining at the budgeted level of £2.9m. As a result of this the HRA was able to increase the budgeted transfer to reserves by £2.1m to £3.5m. This will help the HRA to mitigate the financial challenges presented by rising inflation and energy costs over the medium term.

The capital outturn shows slippage and underspend of £25.9m against the estimated spend for 2022/23 included within the Capital Programme. However, capital expenditure (programme delivery) in the year has achieved a higher level than in previous years at £130.3m, an increase of £25.4m or 24% over the 2021/22 outturn of £104.9m.

Recommendations

That Cabinet:

1. Note the revenue outturn position.
2. Note the budgeted transfer to HRA reserves increased by £2.1m following the revenue and capital outturn positions.
3. Note the carry forward of the combined schools balance of £2.992m in accordance with the Department for Education regulations.
4. Note the reduced DSG deficit following receipt of Safety Valve funding, as set out in paragraph 2.14.

5. Note the reserves position set out in paragraphs 2.51 to 2.62.
6. Note the capital outturn and funding position as set out in paragraphs 2.63 to 2.92.
7. Note the revised Capital Programme following year end 2022/23 as set out in paragraphs 2.93 to 2.97 and appendices 1 to 4 of this report.

List of Appendices Included

Appendices 1 to 4 – Capital Programme 2022/23 to 2025/26.

Appendix 5 Equalities Impact Assessment

Appendix 6 Carbon Impact Assessment

Background Papers

Budget and Council Tax Report 2022/23 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 Monitoring Report to Cabinet on 21st November 2022

November Financial Monitoring Report to Cabinet on 23rd January 2023

December Financial Monitoring Report to Cabinet 13th February 2023

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

Consideration by any other Council Committee, Scrutiny or Advisory Panel

No

Council Approval Required

No

Exempt from the Press and Public

No

Financial Outturn 2022/23

1. Background

- 1.1 This report sets out the Council's revenue, capital, HRA and schools outturn position in 2022/23. It also describes the details of the Council's reserves balances as at the end of the financial year. The Council set a revenue budget for 2022/23 of £259.7m and a capital programme that was revised to £156.2m as part of the Budget and Council Tax 2022/23 Report to Council 2 March 2022.
- 1.2 In understanding the outturn position, it is helpful to set out the financial context of the Council.
- 1.3 Following approval of the Budget for 2022/23 the Council has faced some significant financial challenges during 2022/23 that were not evident at the time of setting the 2022/23 Budget and could not have been foreseen. For example, the significant rise in energy prices, inflation (10.5% as at December 2022) and Local Government Pay Award created a significant pressure within the Council's 2022/23 Budget and future MTFs planning. In an update to November 2022 Cabinet the Council noted that it was estimated that the impact of inflation and in particular energy price increases would be £4m above available budget.
- 1.4 In addition, the financial impact of the Local Government Pay Claim 2022/23 against base Budget was £6.1m greater than anticipated, increasing the Council's base budget moving forwards. However, for 2022/23 this pressure was reduced by £0.5m due to vacant posts. Together these pressures alone created around a £10m gap per year within the Council's Medium Term Financial Strategy from 2022/23 onwards.
- 1.5 These two impacts have seen the Council's base costs rise significantly during 2022/23, not only through the Council's own costs increasing for example, through increased energy bills, but the price of goods and services the Council's procures have increased. At its peak the Council's forecast overspend for 2022/23 was £18.2m.
- 1.6 The Council has worked 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 nationally determined pay award.
- 1.7 These short term savings have reduced the Council's forecast outturn position to £7.3m for 2022/23, however, the Council's base costs have now also risen across the MTFs. These costs could not have been projected within the Council's Medium Term Financial Planning at the time the 2022/23 Budget was set.
- 1.8 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 were 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.

- 1.9 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. As detailed within the Council's budget report this financial pressure has been mitigated through an increase in fees and charges above the previous MTFs assumption of 2% to 6%, new proposed savings across all Directorates of the Council and an increase in Council Tax for 2023/24 above the 3% assumed in the approved MTFs to 4%.
- 1.10 These proposals have allowed the Council to approve a balanced budget position for 2023/24 whilst retaining prudent levels of reserves to guard against the significant risk and uncertainty that still exists in the UK economy around inflation and energy prices. It is therefore important that the Council continues to effectively monitor and deliver upon the agreed savings plans during 2023/24.
- 1.11 The current economic climate remains uncertain, with challenges in projecting where inflation will move and the pace at which it moves. Whilst the uncertainty in the economy still remains the most significant pressure in the Council's Budget and MTFs proposals, by being aware of the current challenges the Council has been able to better plan for this new economic position and set a budget which retains a sufficient balance in reserves to ensure the impact of further unexpected volatility can be mitigated without impact on services to residents.
- 1.12 Whilst the future funding of local authorities remains uncertain and the Council faces significant challenges moving forwards in regards to the funding of social care and significant inflation, the Council faces these challenges from a sound financial footing, with a robust budget for 2023/24 and medium term financial strategy boosted by a more positive financial outturn for 2022/23 than expected.

2. Key Issues

- 2.1 The core Directorates services had 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 funded from the Transformation Reserve (£4.1m) and Budget and Financial Strategy Reserve (£3.2m).

- 2.2 The table below provides a summary of the Revenue Outturn for 2022/23. This is followed by a summary of the position by Directorate which includes an explanation of the key variances.

Directorate	Budget 2022/23	Outturn 2022/23	Variance over/ under
	£m	£m	£m
Children and Young People's Services	69.1	71.1	2.0
Adult Care, Housing & Public Health	96.8	95.0	-1.8
Regeneration and Environment Services	54.9	57.8	2.9
Finance and Customer Services	20.8	20	-0.8
Assistant Chief Executive	7.9	7.4	-0.5
Central Services	10.3	15.7	5.5
Directorate Outturn	259.7	267.0	7.3
Less Transfer from Transformation Reserve			4.1
Less Transfer from Budget and Financial Strategy Reserve			3.2
Net balanced Outturn			0.0

- 2.3 The main factors contributing to the Directorate overspend of £7.3m are explained below.
- 2.4 **Children and Young People's Services**
- 2.5 Children & Young People Services continue to implement the budget recovery plan with budget savings of £7.7m to be delivered across the 2022/23 to 2024/25 financial years.
- 2.6 The outturn position at the end of the March was a £2.0m overspend. In the main the overall pressures in Children's Social Care related to demands on residential & emergency placements, Section 17, staffing and home to school transport, offset by maximisation of grant income.
- 2.7 At the financial year end the Looked After Children placement numbers have remained constant at 547 and aligns to the original budget profile (547). However, the placement mix is showing higher than projected placements at March 2023

in external residential (11), IFA (24), Leaving Care (26), Parent and Baby (2) and non-placement (6) offset by in-house fostering (50), Emergency (2) in-house residential (5).

2.8 The LAC number of 547 includes 36 Unaccompanied Asylum Seeker Children which has risen from 14 at March 2022. This is having an impact on the ability to reduce the overall LAC numbers.

2.9 The direct employee budget had increased following implementation of the pay award to £39.4m and is a combination of general fund, traded and grant funded services. The overspend at the end of the 2022/23 financial year is £616k, which includes a general fund staffing pressure of £538k, with £78k of cost pressures across DSG and other grant / traded services.

2.10 A significant element of the CYPS non-pay budgets relates to placements which had a net budget of £37.1m with an outturn projected spend of £39.3m and a overspend of £2.2m.

2.11 The £2.2m adverse projection related in the main to £2.4m on residential placements, £800k on IFA placements and £100k in emergency offset by in house residential £100k, leaving care £700k, in house fostering £300k.

2.12 Dedicated School Grant Reserve & High Needs Block

2.13 The High Needs Block (HNB) was £51.5m (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.

2.14 The central DSG reserve now stands at £5.9m following receipt of £6m Safety Valve funding. This is set out in the table below

<u>DSG Reserve Summary (£)</u>	
Balance @ 31/3/2022	12,840,025
In Year Variances	-912,637
Balance @ 31/3/2023	11,927,388
Safety Valve Funding	-6,000,000
Revised Balance @ 31/3/23	5,927,388

2.15 The overall DSG favourable movement of £913k was due to High Needs underspend of £724k and an improved financial outturn on Rotherham's Pupil Referral Units.

2.16 **Adult Care, Public Health and Housing**

2.17 The overall Directorate outturn was an underspend of £1.8m on general fund services: Adult Care (£2.17m); Housing £598k and Public Health (£177k).

2.18 Care packages have seen a reduction of £1.4m since the last report due to a range of factors. Learning Disability placement costs and transitions reduced by £1.4m due to reductions in costs for some clients along with additional and backdated income from Health contributions. Due to the higher cost of these packages' changes across a small number of people can have a large financial impact. The remaining movement is largely due to reduced spend on older people's home care and care homes, including additional client income offset by additional costs for Mental Health packages. During the early part of the year providers of homecare especially were unable to meet demand which contributed to the underspend. It is also probable that the Hospital Discharge Fund grant income of £1.12m reduced demand on some packages of care as it helped the timely discharge of people from hospital.

2.19 Neighbourhood Services' (Housing) has overspent by £598k. The biggest pressure was an overspend of £800k on homelessness accommodation including hotel costs.

2.20 Public Health service was underspent by £177k. The main variance is savings in staff costs due to vacancies and additional grant income received that offset some of the costs.

2.21 **Regeneration and Environment**

2.22 Regeneration and Environment Services outturn was an overspend of £2.9m, which represents an increase of £700k from the £2.2m reported to Cabinet in February 2023. The outturn position reflects the impact of the worsening of the pressures in Facilities Services, principally as a result of rising food prices affecting the School Meals service. This was offset by improvements in Asset Management, resulting in part from capitalisation of repairs and maintenance spend and an improvement in Estates income.

2.23 The outturn continues to reflect the ongoing demographic pressures in Home to School transport, the impact of a weak economy and the cost of living crisis on some of the directorate's services, for example, the underlying cost inflation which impacts direct costs of delivery and the ability to generate income such as in Parking Services and in Country Parks and Green Spaces.

2.24 A summary of the main overall budget variances are identified below:

2.25 Planning Regeneration and Transport

2.26 The Planning, Regeneration and Transport Service overspent by £1.6m a worsening of £800k from that reported to Cabinet in February 2023. The most significant outturn pressure was in Facilities Services at £1.9m in the main due to inflationary pressures on food prices in school meals. RIDO outturn was an underspend of £400k. This service had an overall pressure on Markets income arising from the number of void stalls and the ongoing difficult trading conditions (£300k) but this was mitigated 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 (-£300k), and realisation of funding for other RIDO services (-£400k).

2.27 Asset Management recorded an outturn pressure of £100k in the main due to reduced income generation in Building Consultancy and higher than budgeted repairs and maintenance costs.

2.28 Culture, Sport and Tourism

2.29 Culture, Sport and Tourism underspent by £200k. This represents a £300k improvement to the forecast from February Cabinet. The Service is still seeing reduced levels of income compared to pre-pandemic levels at Rother Valley Country Park, Green Spaces, Theatre and the Music Service. Commercial Development, which includes Waleswood Caravan Park, reported an overspend of £300k, a worsening of £200k from February, largely as a result of poor weather in March.

2.30 Vacant posts within Libraries and an increase in income from Landscape Design service helped to achieve a favourable outturn position in CST.

2.31 Community Safety and Streetscene

2.32 Community Safety and Streetscene overspent by £1.1m. The most significant pressure in this service continues to be in respect of Corporate Transport, £1.8m. This is 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 in Home to School Transport which are affecting all local authorities. In order to address 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 and more efficient routes.

2.33 Waste Management recorded an underspend of £200k, unchanged from the forecast in the February Cabinet report. This underspend resulted from a gainshare payment from the residual fuel created at the BDR Waste PFI facility, as a result of the increase in the wholesale energy price. This additional income helped offset pressures arising from increased waste tonnages, a trend which has continued from lockdown. The Council also benefited from an increase in recycling income as a result of market price improvements during the year, however, a reduction in market prices is now beginning to be seen. Additional income in Street Works and Enforcement, and vacancies in Community Safety and Regulation further helped to offset the pressures elsewhere in CSS, which include an ongoing pressure in Parking Services.

2.34 **Finance and Customer Services**

2.35 The directorate delivered a year-end outturn underspend of £773k. Like all directorates, the service reviewed planned expenditure and deferred spending or delayed recruitment to support the overall Council position without adversely impacting service delivery. This generated in year temporary savings of £256k.

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

2.37 With continued high demand for Legal Services 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. Bereavement Services recorded an overall underspend of £491k, primarily due to income generation from contractual charges in relation to the Dignity Contract for Bereavement Services.

2.38 **Assistant Chief Executive**

2.39 The service had a £539k underspend at outturn, in the main due to steps taken in-year to reduce expenditure and delay recruitment where possible to do so, to support the overall Council's budget position. This activity generated £256k of temporary savings, in additional income was generated within HR from recruitment advertising and consultancy.

2.40 **Central Services**

2.41 The outturn for the Central Services was a £5.5m pressure, as reported in the December forecast to Cabinet in February 2023. This overspend related to pressures arising from the significant rise in energy prices, inflation and Local Government Pay Award.

2.42 This overspend in Central Services was maintained at £5.5m. However, due to further savings within Treasury Management as detailed below, the planned 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 future MTFS position.

2.43 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.

2.44 **HOUSING REVENUE ACCOUNT (HRA) OUTTURN 2022/23**

2.45 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 was £2.1m underspent at outturn.

- 2.46 Key variances include:
- £1.6m underspend on Repairs and Maintenance gainshare savings from contractors' profits.
 - £1.3m overspend on energy costs. The significant increases in gas and electricity prices led to a large subsidy for the District Heating scheme.
 - £492k reduction to the bad debt provision due to well-maintained rent collection rates.
 - £870k additional interest receivable as interest rates increased in the year.
 - £307k slippage on some planned works into 2023-24.
 - £234k Ward Housing Hubs underspend.
- 2.47 There was a revenue contribution to capital outlay at the budgeted level of £2.9m.
- 2.48 As a result of the underspend the HRA was able to transfer to reserves the underspend value of £2.1m referred to above and the £1.4m already budgeted. This increase in reserves will help the HRA to mitigate the financial challenges presented by rising inflation and energy costs over the medium term.
- 2.49 **SCHOOLS OUTTURN 2022/23**
- 2.50 School balances at the end of 2022/23 for the Council's maintained schools was £2.992m. This is a £802k decrease compared to the previous year and takes account of one school that converted to an academy (£10k deficit) during 2022/22.
- 2.51 **RESERVES**
- 2.52 The Council's budget for 2022/23 included the use of the Children's and Young Peoples Services Social Care Reserve (£2m), Local Council Tax Support Grant Reserve (£1.6m) and Treasury Management Savings (£1.5m). The CYPS Social Care Reserve and Local Council Tax Support Reserve were used as planned. However due to the strong position on Treasury Management a transfer to the Treasury Management Savings Reserve has been processed at £6.8m, £2.3m more than had been assumed in the Budget and Council Tax Report 2023/24.
- 2.53 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. 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.
- 2.54 During 2022/23 the Council has successfully delivered short term in-year savings to help mitigate some of the forecast cost pressures. As a result the final outturn was significantly improved at £7.3m. This improved position means that the final call on reserves to balance the Council's outturn position was funded from the

Transformation Reserve (£4.1m) and Budget and Financial Strategy Reserve (£3.2m).

2.55 The table below sets out the reserves position as at the outturn 2022/23 compared against the expected position per the Budget and Council Tax Report 2023/24.

2.56 The bullet points below explain the reasons for variation:

- Budget and Financial Strategy Reserve planned use reduced by £1.1m in line with the reduced outturn position from £8.4m to £7.3m.
- Corporate Grants Reserve planned use significantly reduced as the final inflationary impacts for Energy and Fuel costs that been challenging to project given the fluctuating markets were £800k less than anticipated and as such required less planned corporate support. In addition, the Council has received new burdens grants during 2023/24 for schemes delivered in year such as the Council Tax Rebate scheme. As these schemes were delivered in house with existing staff this grant benefit has been transferred to the grants reserve.
- Covid Recovery Fund reserves planned use has reduced as over half of the approved spend on the Energy Crisis Support Scheme has been funded through Household Support Fund for October 2022 to March 2023.
- Treasury Management Savings Reserve has increased as the Council has been able to continue to invest its cash balances at interest rates that continued to rise during quarter 4 2022/23 and due to slippage on the Capital Programme, reducing the need to borrowing during 2022/23 (in turn reducing the cost of borrowing).

2.57 In summary, this means that the total of Corporate Reserves balance at the Financial Outturn 2022/23 is £62.6m, which is £6.1m more than the £56.5m estimated balanced at the end of 2022/23 reported in the Budget and Council Tax 2023/24. The individual reserve balances are shown in the table below. The Budget and Council Tax Report 2023/24 also planned for £7.1m use of reserves during 2023/24. As such, based on the 2022/23 Outturn position, that will leave a total of £55.5m within Corporate Reserves at the end of the 2023/24 financial year (up from £49.4m estimated in the Budget and Council Tax report 2023/24).

2.58 In addition, the Councils Corporate Other Grants Reserve has reduced from £11.9m to £1.1m as the Council has delivered a wide variety of grant schemes during 2022/23, predominantly Covid grant support schemes for individuals and businesses along with utilising a number of new burdens funds to support the 2022/23 position. The breakdown of the funding remaining is shown below:

2.59 General Fund Other Grants - £1.1m

- £0.2m of COMF grant
- £0.9m of New Burdens funding in relation to Test and Trace Support payments and Business Support Grant schemes.

2.60 The Corporate Reserve balances are shown in the table below.

2.61 **Table 3 Total Corporate Earmarked Reserves as at 31 March 2023**

	Projected Balance at 31 March 2023 (per Budget Report 23/24)	Actual Balance as at 31 March 2023	Transfer to/(from) in the year
	£m	£m	£m
General Fund Reserves			
Budget and Financial Strategy	13.5	14.6	1.1
Transformation	0.0	0.0	0.0
Business Rates	4.0	4.0	0.0
Corporate Revenue Grants Reserve	1.3	3.6	2.3
Children's and Young Peoples Services Social Care Reserve	0.0	0.0	0.0
Covid Recovery Fund	0.8	1.1	0.3
Local Council Tax Support Grant	1.2	1.2	0.0
Collection Fund Income Guarantee Grant	0.7	0.7	0.0
Treasury Management Savings	10.1	12.4	2.3
Total	31.5	37.6	6.1
General Fund Minimum Balance	25.0	25.0	0.0
Total General Fund	56.5	62.6	6.1
	Balance B/fwd from 2022/23	Balance C/fwd to 2023/24	
Council Tax Rebate Grant	17.0	0.2	
Other Grants	11.9	1.1	

2.62 **Capital Reserves**

The total earmarked and un-earmarked capital reserve balances at the end of 2022/23 are shown in Table 4 below.

Table 4 Capital Reserves as at 31 March 2023

	Balance as at 31 March 2023	Committed Resources	Un- earmarked as at 31 March 2023
	£m	£m	£m
Capital Receipts Reserve			
General Fund	0.0	0.0	0.0
Housing (Corporately held)	15.7	0.4	15.3
HRA	11.7	11.7	0.0
Sub-Total	27.4	12.1	15.3
Capital Grants – Unapplied			
General Fund	42.5	42.5	0.0
HRA	1.5	1.5	0
Sub-Total	44.0	44.0	0.0
Major Repairs Reserve – HRA	16.0	16.0	0
Total	87.4	72.1	15.3

2.63 **CAPITAL OUTTURN 2022/23**

2.64 The outturn on the Capital Programme was £130.339m, an increase of £25.4m or 24% over 2021/22 (£104.9m). The final Capital Programme was £156.197m split between the General Fund £115.418m and HRA £40.779m with underspend and slippage of (£25.858m). The programme was ambitious, however, the impact and recovery from the Covid 19 pandemic along with rising inflation and an overloaded construction market has significantly impacted its delivery. This has been seen through restrictions to scheme delivery on contractors and the need to re-think, re-engineer schemes or find new funding solutions when inflationary based cost increases have been forecast.

2.65 The level of slippage on the Capital Programme is reflective of the delivery challenges that the Council faces due to built up demand in the supplier market following Covid restrictions, inflation and the Council's Capital Programme being the largest it has ever been. The outturn position shows that 83.4% of the planned expenditure has been delivered. The Council is on an improvement journey in terms of Capital delivery and management with work underway to review the delivery side of the Capital Programme in Regeneration and Environment, the biggest element of the programme, in order to identify areas for improvement.

2.66

Table 4 Capital Outturn 2022/23

Directorate	2022/23 Budget £m	2022/23 Outturn £m	2022/23 Variance £m
General Fund Capital			
Children and Young Peoples Services	8.513	7.069	-1.444
Assistant Chief Executive	0.481	0.280	-0.201
Adult Care & Housing	5.638	4.043	-1.595
Finance & Customer Services	5.448	4.260	-1.188
Regeneration & Environment	94.338	77.593	-16.745
Capitalisation Direction	1.000	0.000	0.000
Total General Fund Capital	115.418	93.245	-22.173
Total HRA Capital	40.779	37.094	-3.685
Total RMBC Capital Programme	156.197	130.339	-25.858

2.67 **Children and Young People's Services**

2.68 The CYPS Capital Programme outturn had a variance of £1.444m against the approved budget of £8.513m. The main items contributing to this position are:

- Aston Academy Classroom Replacement, £688k slippage, £560k of this is due to a forecast underspend which will be available to support other council priorities during 2023/24 onwards. The remaining amount is due to an estimated £120k contractor payment and accrued retentions.
- Children's Residential homes, £835k slippage. The purchase of these properties is now due in the summer of 2023/24 resulting in slippage of costs from 2022/23. The challenge has been in identifying suitable property types in suitable locations.
- Adaptations – Foster Care, £569k slippage. Progress in 2022/23 was slower than anticipated due to increased building costs resulting in the exploration of other options. For example, making contributions towards house purchases. There are 11 families identified to potentially care for looked after children as at the start of 2023/24.

2.69 As part of the outturn position the following key outputs have been delivered:

- Secondary schools: Completion of the Aston Academy replacement classrooms.

- Work has continued on the rebuild of Newman Special school lower building with completion of the project due for this summer ready for new school year.
- SEND Phase 2: Completed the final project within SEND phase 2, the creation of 22 places at Aston Academy.
- SEND Phase 3: Completed all works to the Dinnington College site creating 135 places in Block A, with a further 44 places in Blocks C & D which are now in use.
- Investment in 26 primary school's projects utilising the capital enhancement programme.
- 1 pathway to care grant awarded to facilitate an additional foster care placement.

2.70 **Adult Care & Housing**

2.71 The Adult Care & Housing capital programme outturn had £1.595m of slippage against the approved budget of £5.638m. The main variance contributing to this position are:

- Fair Access to All (Aids and Adaptations Privates – Disabled Facilities Grant's – DFG's), underspent by £742k. This is due to a reduction in the number of extensions that the contractor can complete in year.

2.72 As part of the outturn position the following key outputs have been delivered:

- 159 DFG's completed
- A further 45 DFG's started.

2.73 **Assistant Chief Executive**

2.74 The Assistant Chief Executive capital programme outturn had £201k of underspend and slippage against the approved budget of £401k.

2.75 As part of the outturn position the following key outputs have been delivered:

- The completion of the Neighbourhoods Hub at Badsley Moor Lane Primary school has now been completed. The Hub will provide a new space to educate pupils, support their parents and engage the wider community, including local partners. The Hub will have a focus on advice sessions around budgeting, debt advice, training to get back into work and drop in sessions to meet Ward Councillors, Housing officers and local partners.
- 88 projects supported across the borough through the ward allocations, broken down as follows:-
 - North – 22 projects
 - South – 46 projects
 - Central – 20 projects

2.76 **Finance & Customer Services**

2.77 The Finance & Customer Services Capital Programme outturn had £1.188m of underspend and slippage against the approved budget of £5.448m. The main variances contributing to this position are:

- Network Equipment Refresh Project, £817k slippage. Following an assessment of network requirements, it became clear that a new order for equipment was not required until 2023/24.

2.78

As part of the outturn position the following key outputs have been delivered:

- 196 laptop computers refreshed/upgraded
- Implemented the technical foundations for a modern software defined network, providing long-term sustainability, compliance and improved resilience.
- Upgraded wi-fi capability within Riverside House and Town Hall – improving availability, reliability, coverage and extending public access
- Piloted a number of process automations utilising new technology – developing a pipeline of processes for further use.
- Enhanced cyber security defences and maintained PSN accreditation.
- Developed a new Intranet, ready for launch in 1st quarter of 2023/24.
- Developed a digital inclusion strategy and action plan.
- Developed a new reporting capability for finance, reducing external supplier dependence and costs.
- Extended the use of 8x8 to reduce the impact of the closure of the public switched telephone network and to achieve savings.

2.79

Regeneration & Environment

2.80

The Regeneration & Environment Capital Programme outturn had £16.745m of slippage against the approved budget of £94.338m. The main variances contributing to this position were:

Planning, Regeneration & Transport

- Manvers Way, (£590k) slippage. This is slippage on the project due to the project not commencing until March 23. This will be rolled forward.
- Clean Air Zones Electric Charging Points (£442k) underspend. The underspend on this scheme will be transferred to the electric vehicle charging points capital scheme.
- Renewable Energy (£999k) slippage. This scheme can no longer take place at Kilnhurst due to the Coal Authority requiring the land. Alternative sites are being considered. If these are not suitable then another cabinet report will be required to consider alternative options.
- Building Decarbonisation, (£429k) slippage. In September 2022 £1.5m was reserved to match fund 3 Government Public Sector Decarbonisation Grant applications. Of the 3 only 1 application remains requiring £429k to be held for 12% match funding. This final application has secured £3.1m of central government funding so funding is carried forward to deliver this project.
- Forge Island Commercial Development has required £5.750m of the budget to be brought forward. This is due to the scheme progressing well and

development on site getting into the main construction as well as completion of the enabling works.

- Public Realm Frederick Street, (£539k) overspend. Unexpected groundworks, inclusion of PAS rated bollards, general market inflation on materials and delays have all factored into the increased cost of the project. The overspend will be covered from the Public Realm works programme.
- Parkway Widening, (£1.155m) underspend. There was a reduction in costs of the employer risk element of the contract as this risk budget wasn't ultimately required on this successfully delivered scheme.
- Riverside Gardens, (£1.270m) slippage. There was an extended design period for this scheme and the remaining budget has been slipped in to 2023/24 due to delay in project starting.
- Towns & Villages Fund (£0.994m) slippage. The slippage relates in the main to the planned delivery of a project at Maltby, that has a larger allocation from the fund and requires a clear plan prior to delivery. Delivery is expected to commence during 2023/24.
- Corporation St Public Realm, (£1.418m) slippage. There was an extended design period for this scheme This budget has slipped to 2023/24 due to a delay in the project starting.
- Water Lane Public realm, (£1.278m) slippage. There was an extended design period in order to finalise the correct design for this scheme. This has resulted in remaining budget to be rolled forward.
- Wentworth Woodhouse, (£1.130m) slippage. There was a delay in the final design due to value engineering. This resulted in budget slippage but the project has now commenced.
- Strategic Acquisitions Fund, (£420k) slippage. A number of acquisitions will complete in early 2023/24 and funding has been slipped to fund these.

Community Safety & Streetscene

- 2020-2024 Roads Programme. (£683k) slippage. This is underspend due to schemes scheduled to start until May/ June 23. This will be rolled forward to 2023/24.
- Pothole Funding, (£773k) slippage. An element of this funding is intended to be used for wider road maintenance capital schemes which are yet to be identified but are expected to commence in 2023/24.

2.81 As part of the outturn position the following key outputs have been delivered:

- The transfer of Thurcroft Library to the Gordon Bennett Memorial Hall site has progressed with legal documents between RMBC and the Parish

Council complete and the contract for the construction of the new library being awarded. The construction of the new library is planned to commence in June 2023.

- Completion of the refurbishment of Herringthorpe Athletics Stadium which includes new floodlights, track repairs and a hammer cage upgrade. The building has been fully refurbished with new lighting, PA system, decoration, flooring, wiring, heating, toilets and hand basins.
- Completed the restoration of the grade 11 listed Keppel's column which is now open to the public after more than 30 years of closure.
- Forge Island is now underway and Century II Business Centre nearing completion, while Council supported projects at Wentworth, Maltby and Magna are all on site and Grimm & Co nears completion. Significant progress has been made against land assembly with the Council taking ownership of a number of major long term vacant and derelict sites in and around the town centre.
- The Towns & Villages Fund now has 7 projects complete and a further 2 on site.
- Major progress has been made against Town Deal, Levelling Up and Future High Street Fund projects over the last 12 months with detailed design development and several first stage contracts let, leading to delivery over the next 2- 3 years.
- An additional £20m has been awarded to the Council for its 'Principal Areas of Growth' bid at the Spring budget. This will see targeted redevelopment in Dinnington town centre and a new library for Wath town centre.
- A630 Parkway Widening (£44.5m). In December 2022, the A630 Parkway officially opened, radically improving journey times between Sheffield and Rotherham, providing greater access to the Advanced Manufacturing Innovation District and supporting the operation of the M1 motorway. The scheme includes a reduced speed limit for air quality purposes, resurfacing and additional operational capacity, with added lanes and changes to the roundabout.
- A633 High Street Bellows Road (£2.3m). An improved signal facility on the A633, linked to the Clean Air Zone to improve traffic flow and rationalise traffic movements in the wider Rawmarsh area. The scheme included the removal of a subway, to provide a new crossing facility linking the community and improving access to bus stops.
- Greasbrough Coach Road (£3.1m). The scheme included the removal of a mini roundabout and the provision of a signalised junction with integrated pedestrian facilities.

- Major improvement plans are currently underway at the markets which will include; a modern and accessible central library, a new community hub, extensive public realm and improved links to the town centre and college. Works on the redevelopment have begun with the demolition of the RAIN Building on Eastwood Lane completed.
- Completed delivery of the third year of the £24million to 2024 Roads Programme and the first year of the Highways Capital Maintenance funding through SYMCA with a total investment of over £11m.
- The delivery of the flood alleviation project at Ickles lock is progressing well and is planned to be completed in July/August 2023.
- Completion of the crash barrier replacement programme.
- Replacement of 150 at risk street lighting columns.

2.82 **Transformation Programme (Capitalisation Direction)**

2.83 The expenditure that the Council can capitalise under this direction is limited to the level of new-year Capital Receipts. A budget estimate of £1m of receipts was included in the 2022/23 Capital Programme to fund revenue expenditure that meets the criteria of being transformational spend. The Council's policy allows the use of new-year capital receipts to fund transformational costs that would otherwise be held within revenue expenditure accounts, releasing pressure on the revenue budget. Although capital receipts were generated in this financial year they were utilised to fund the expenditure on short life asset's in order to reduce borrowing costs which is a more favourable overall outcome for the Council. The cost of transformational spend was minimal and kept within revenue as a result.

2.84 **Housing Revenue Account (HRA)**

2.85 The HRA capital programme outturn was a £3.685m underspend / slippage against the approved budget of £40.779m. The main variance contributing to this position was:

- Refurbishments, £430k underspend. This budget was not required in 2022/23 and will be carried forward to be used on projects in 2023/34.
- Wentworth View Strategic Acquisition £599k slippage. The 2 shared ownership and 2 rental property handovers have now been pushed back to May 2023. This is due to developer site slow down and slower rate of sales.
- Swinton Fitzwilliam Concrete Structure works, £481k slippage. This is due to additional asbestos found in spoil, which resulted in additional time and cost to project. The scheme has been profiled over 2 years and costs firmed up, £583k budget is requested for 23/24. A £43k overspend is forecast overall.

- Maltby Phase 1 Externals and External Wall Insultation, £1.437m slippage. An extension has been approved by grant provider to end of June 2023. It is expected that all eligible works will be complete by the deadline.
- Fire Doors Replacement, £781k slippage. Equans have experienced problems with access to install the remaining doors. The Mears scheme for 556 doors is currently at the development and pricing stage.
- Major Voids, £1.130m overspend. The programme of Voids had a budget of £3.0m and an actual out turn position of £4.13m, the responsive nature of the service lead to an increase in volume and increase in that works required in properties.

2.86 As part of the outturn position the following key outputs have been delivered:

- The Housing investment delivered £19.245m of investment in the Councils existing housing stock during 2022/23. The programme is split into multiple schemes for example, investing in external elements including window and roof renewals, fascias, and soffit along with internal upgrades to boilers, improving communal areas, improving major elements in properties when they become void, increasing the energy efficiency of homes, and upgrading the fire doors to flats.
- 132 new units delivered in the town centre comprising of, 104 for affordable rent, 8 for shared ownership and 20 for private sale.
- A further 37 new units have been purchased under the strategic acquisitions programme, 17 at Dinnington, 11 at Aston, 6 at Swallownest and 3 at Treeton. 29 of those properties are for Social Rent and 8 are for Shared Ownership.
- 307 major void works undertaken, where values of works exceeded £5k per void and includes works to kitchens, bathrooms, rewires, central heating upgrades, etc.
- 1685 A-rated energy efficient boilers were installed in 2022/23 with appropriate heating controls – each of which are future-proofed to accommodate a 20% hydrogen mix within the natural mains gas supply.

2.87 Funding of the Capital Programme 2022/23

2.88 The £130.339m of capital expenditure was funded as shown in the table below:

Table 5 Funding of the Capital Programme 2022/23

Funding Stream	Outturn
	£m
Grants and Contributions	55.908
Unsupported Borrowing	34.154

Capital Receipts	2.874
Revenue Contributions	0.309
Total Funding - General Fund	93.245
Grants and Contributions	1.315
Housing Major Repairs Allowance	29.926
Useable Capital Receipts	3.127
Revenue Contributions	2.726
Total Funding - HRA	37.094
Total	130.339

2.89 **Capital Receipts Outturn 2022/23**

2.90 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, using the capital receipts flexibilities in place until 2024/25 to fund expenditure relating to transforming Council services to generate future revenue efficiency savings.

2.91 In 2022/23 General Fund Capital receipts of £1.223m were generated as shown in the table below. Although, £0.053m of this was for loan repayments, these cannot be used to support the revenue budget as only those receipts by the disposal of property, plant and equipment can be used under the new capital receipts flexibilities introduced from the 1st April 2016.

Table 6 – General Fund Capital Receipts Received in 2022/23

Description	Total as at 31st March 2023 £m
Land Oaks Day Centre, 96 Oak Road	- 1.100
Arches Housing	- 0.040
Miscellaneous	- 0.030
Total Capital Receipts (Excluding loan repayments)	- 1.170
Repayment of Loans	- 0.053
Total Capital Receipts	- 1.223

2.92 Although capital receipts were generated in this financial year they were utilised to fund the expenditure on short life asset's in order to reduce borrowing costs which is a more favourable overall outcome for the Council. The cost of transformational spend was minimal and kept within revenue as result.

2.93 **Updated Capital Programme 2023/24 to 2025/26**

2.94 The Capital Programme 2023/24 has been reset at £266.764m split between the General Fund £215.300m and HRA £51.464m. The programmes for this year and last year (2022/23, 2023/24) are higher than previous programmes due in the main to the following;

- Significantly increased government and external funding to support Town Centre redevelopment and Infrastructure programmes. Such as the Town Centre Fund, Future High Streets Fund and Transforming Cities Fund. Whilst this is positive, these resources are heavily time restricted and present a significant challenge for the Council to deliver.
- Slippage into the 2023/24 financial year from 2022/23 due to delays caused by inflation impacts and challenges from demand on suppliers in the sector, adding greater pressure on delivery to 2023/24.
- The Housing Growth Programme within the HRA programme, presents the ambition of the Council to expand and improve housing supply but also represents a sizeable challenge for delivery.

2.95 The 2023/24 programme has increased overall by £14.749m from the position reported to Cabinet in February 2023. The movement is based on the latest profiles of expenditure against schemes, following the 2022/23 outturn position, factoring in slippage from 2022/23 and new grant funding. The total slippage from 2022/23 was £25.894m.

2.96 **Table 8: Updated Capital Programme 2023/24 to 2025/26**

Directorate	2023/24 Budget £m	2024/25 Budget £m	2025/26 Budget £m	Total Budget £m
General Fund Capital				
Children and Young People's Services	13.365	6.804	11.733	31.902
Regeneration and Environment	186.008	41.846	15.953	243.807
Adult Care & Housing	8.825	14.117	4.273	27.215
Assistant Chief Executive	0.405	0.210	0.210	0.825
Finance and Customer Services	6.695	3.425	24.269	34.389
Total General Fund Capital	215.297	66.402	56.439	338.138
Total HRA Capital				
	51.464	58.123	29.609	139.196
Total RMBC Capital Programme				
	266.761	124.525	86.048	477.334

2.97 **Forecast funding position of Capital Programme 2023/24 to 2025/26**

The £477.337m of capital expenditure is funded as shown in the table below;

Table 9: Funding of the approved Capital Programme

Funding Stream	2023/24 Budget £m	2024/25 Budget £m	2025/26 Budget £m	Total Budget £m
Grants and Contributions	92.974	38.036	15.07	146.080
Unsupported Borrowing	121.265	27.492	39.974	188.731
Capital Receipts	1.026	0.691	1.062	2.779
HRA Contribution	0.032	0.183	0.333	0.548
Total Funding - General Fund	215.297	66.402	56.439	338.138
Grants and Contributions	2.42	0	0	2.42
Unsupported Borrowing	1.603	23.815	0	25.418
Housing Major Repairs Allowance	30.234	25.998	24.309	80.541
Capital Receipts	7.243	3.596	0.586	11.425
Revenue Contribution	9.964	4.714	4.714	19.392
Total Funding - HRA	51.464	58.123	29.609	139.196
Total	266.761	124.525	86.048	477.334

3. Options considered and recommended proposal

3.1 This detail is set out in Section 2 above.

4. Consultation on proposal

4.1 None identified

5. Timetable and Accountability for Implementing this Decision

5.1 The Strategic Director - Finance and Customer Services is responsible for implementing any actions arising from the supported recommendations in this report.

5.2 These should be actioned at the earliest opportunity to aid the monitoring of the 2022/23 Revenue Budget and Capital Programme.

6. Financial and Procurement Advice and Implications

6.1 As set out in the sections above.

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

7. Legal Advice and Implications

7.1 None identified

8. Human Resources Advice and Implications

8.1 None identified

9. Implications for Children and Young People and Vulnerable Adults

9.1 None identified

10. Equalities and Human Rights Advice and Implications

10.1 This is a finance update report, providing a review of the Council's outturn position for 2022/23. Any equalities and human rights impacts from service delivery have been or are 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 None identified

13. Risks and Mitigation

13.1 There are increasing cost pressures associated with the rising demand for social care services. The Council will continue to closely monitor its financial position throughout the year and if required management will implement appropriate mitigations.

13.2 There is funding uncertainty for the local government sector beyond 2023/24 as the Local Government financial settlement was only a one year allocation. The Council's Medium Term Financial Strategy will be revised and updated later in the year to reflect the estimated outcomes of economic pressures that are impacting the Council's costs such as inflation and energy prices along with revised resources as greater clarity is provided by Government.

14. Accountable Officers

Judith Badger, Strategic Director of Finance and Customer Services
Rob Mahon, Assistant Director – Financial Services

Approvals obtained on behalf of Statutory Officers:-

	Named Officer	Date
Chief Executive	Sharon Kemp	26/06/23
Strategic Director of Finance & Customer Services (S.151 Officer)	Judith Badger	23/06/23
Assistant Director, Legal Services (Monitoring Officer)	Phil Horsfield	23/06/23

Report Author:

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