

Committee Name and Date of Committee Meeting

Cabinet – 18 September 2023

Report Title

July Financial Monitoring 2023/24

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 July 2023 and forecast for the remainder of the financial year, based on actual costs and income for the first four months of 2023/24. 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 second financial monitoring report of a series of reports for the current financial year which will continue to be brought forward to Cabinet on a regular basis.

As at July 2023, the Council currently estimates an overspend of £4.5m for the financial year 2023/24. This is largely due to demand led pressures on Children's residential placements and home to school transport as well as the impact of inflationary pressures in the economy, particularly on food prices, and the legacy impact of lockdown restrictions on some directorate's services, especially in R&E.

The current economic climate remains turbulent, with challenges in projecting where inflation will move and the pace at which it moves. At present inflation is showing signs of slowing owing to reductions in energy and fuel prices. This will help support the Council's Budget position for 2022/23, though it is too early in the financial year to be clear on its full benefit.

There remains funding uncertainty for the local government sector beyond 2023/24 as the Local Government financial settlement was only a one-year allocation and the

Council will continue to face significant challenges moving forwards in regards to the funding of social care.

Although inflation appears to be easing, the Local Government Association (LGA) Pay Award is yet to be agreed and the full financial impact remains unknown at the present time. The next report to Cabinet in November may present a more certain picture of the Council's Directorate financial position and the impact on the Council's Medium Term Financial Strategy if this is resolved.

Recommendations

That Cabinet:

1. Note the current General Fund Revenue Budget forecast overspend of £4.5m.
2. Note that actions will continue to be taken to reduce the overspend position but that it is possible that the Council will need to draw on its reserves to balance the 2023/24 financial position.
3. That Cabinet approve the capital budget variations as detailed in section 2.61 of the report.

List of Appendices Included

Appendix 1 Equalities Impact Assessment
Appendix 2 Carbon Impact Assessment

Background Papers

Budget and Council Tax 2023/24 Report to Council on 2nd March 2023
May Financial Monitoring 2023-24 Report to Cabinet on 10th July 2023

Consideration by any other Council Committee, Scrutiny or Advisory Panel

No

Council Approval Required

No

Exempt from the Press and Public

No

July Financial Monitoring 2023/24

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 second in a series of financial monitoring reports to Cabinet for 2023/24, setting out the projected year end revenue budget financial position in light of actual costs and income for the first four 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 2023/24 as at July 2023

Directorate	Budget 2023/24	Forecast Outturn 2023/24	Forecast Variance over/under (-)
	£m	£m	£m
Children and Young People's Services	65.4	70.2	4.8
Adult Care, Housing & Public Health	120.0	120.0	0.0
Regeneration and Environment Services	49.3	54.2	4.9
Finance and Customer Services	20.8	20.8	0.0
Assistant Chief Executive	7.4	7.2	-0.2
Central Services	39.3	34.3	-5.0
Directorate Forecast Outturn	302.2	306.7	4.5
Dedicated Schools Grant			-4.2
Housing Revenue Account (HRA)			-4.7

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

- Placement pressures within Children and Young People's Services and Adults Social Care.
- Home to School Transport pressures within Regeneration and Environment and Children and Young People's Services.
- Pressures relating to the longer term recovery from Covid-19, on income generation within Regeneration and Environment.
- Inflationary costs impacting the cost of food in Schools Catering and contractual and provider inflation impacting Children and Young People's Services.
- Increased costs of homelessness due to increased demand.
- Increased property costs within Regeneration and Environment.

2.3 As at July 2023, the Council currently estimates a directorate overspend of £4.5m for the financial year 2023/24. Whilst the core directorates services have a forecast year end overspend of £9.5m on the General Fund, there is a £5m forecast underspend within Central Services reflecting the corporate budget provision approved within the Council's Budget and Council Tax Report 2023/24 to support anticipated pressures within Home to School Transport and Children's placements.

2.4 However, there are expected to be pressures within Central Services as a result of inflation remaining high and the potential Local Government Association (LGA) Pay Award. This pressure is expected to be mitigated through the Council's Medium Term Financial Strategy which did have reasonable cover for inflationary impacts. The Council's current forecast assumes an increase in pay award based on the LGA pay offer. This is above the position built into the Council's Budget for 2023/24 and could increase further following national pay negotiations.

2.5 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 increases 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 short term financial pressures that will need to be managed and mitigated through the Medium Term Financial Strategy and the Council's reserves.

2.6 The forecast position will continue to be monitored closely and mitigations identified to improve the position, though it is possible that the Council will need to call on reserves to achieve a balanced outturn. There remains significant volatility at present in the economy that makes projecting forwards the impact of inflation 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 mitigating actions are taken to reduce the current directorate forecast outturns along with ensuring that savings plans are delivered on time to mitigate any knock on impact on future years Medium Term Financial Planning.

2.7 The Council is able to report secured delivery of £1.618m against the planned savings for 2023/24. Table 2 below provides an update on the remainder of the £11.5m of planned savings that had been re-profiled for delivery over the medium term, £4.4m of which were delivered during 2022/23. During 2022/23 the Council successfully delivered £4.9m savings, £4.4m on a permanent basis. As such £7.1m remains to be delivered across 2023/24 and 2024/25, with £4.4m to be delivered by the end of 2023/24 and the full £7.1m by the end of 2024/25. To date £1.618m has been secured at the end of July from savings in CYPS placements and management costs and R&E operational property budgets. Whilst placement costs have been reduced in CYPS demand has increased as such CYPS is still reporting a pressure on placements. Further detail is provided in the Directorate position narrative.

Table 2: Previously agreed savings

Saving	To be delivered by end of 2023/24	Total to be delivered end of 2024/25	Secured as at 31 st July 2023
	£000	£000	£000
CYPS	3713	6,385	1,594
R&E	388	410	24
R&E Customer & Digital	300	300	0
Total Savings	4,401	7,095	1,618

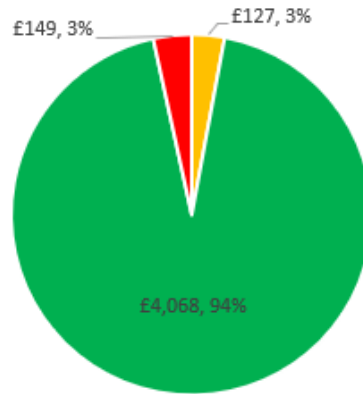
2.8 As part of the Budget and Council Tax Report 2023/24 a series of new temporary and permanent savings were approved. Table 3 shows the progress against these new savings, these include a range of permanent and temporary savings with a total of £2.789m secured against 2023/24 total of £4.344m so far.

Table 3: New Savings agreed as part of the Budget and Council Tax 2023/24 report

Directorate	2023/24	2024/25	Secured as at 31 st July 2023
Finance and Customer Services	308	238	310
Assistant Chief Executive	303	407	96
Children's and Young Peoples Services	1,348	1,059	1,348
Adult Care, Housing and Public Health	1,224	1,998	235
Regeneration and Environment	1,161	1,001	800
Total	4,344	4,703	2,789

2.9 A summary of these new savings RAG status is shown below.

Total Savings RAG Values (£000s)



2.10 £149k of savings plans are deemed high risk. This is in respect of ACH&PH3 Housing Related Support. The proposed timescales for making the savings relating to Burns and Browning, whilst legally achievable, did not anticipate the current lack of options to place existing clients in alternative provision. The subsequent review has highlighted that other HRS providers have become deskilled at supporting this cohort of vulnerable adults.

2.11 This saving should be achievable longer term when the new mental health service options are fully in place and the flexible purchasing system for Housing Related Support (HRS) is completed. A Cabinet report on progress is scheduled for June 2024 which will include timescales and recommendations for the future of these two facilities. The Cabinet report will explore opportunities for any efficiencies that can be made from the HRS service at that time. It is expected that in the meantime this saving will be mitigated via additional NHS income in Adult Social Care on a temporary basis until clarity over the longer term deliverability of the Housing Related Support is confirmed. Following confirmation, the revised approach will be reported to Cabinet to approve as an amendment to the savings plan.

2.12 The Amber savings include FCS2 ICT Contracts (£70k budget) and ACEX6 UKSPF grant income (£57k budget). Against FCS2 £36k has been delivered to date, although it is expected the remainder will be delivered during the year, it cannot be confirmed until new contract values are agreed as the Council continues to refresh/renew its ICT contracts. There is a risk to delivery as values are subject to procurement. ACEX6 is anticipated to be delivered via alternative grant funding stream to UKSPF. When grant funding is confirmed this saving will be adjusted to green.

The following sections provide further information regarding the Council's forecast outturn of £4.5m, the key reasons for forecast under or overspends within directorates and the progress of savings delivery.

2.13 Children and Young People Services Directorate (£4.8m) forecast overspend)

2.14 Children & Young People Services has a budget pressure of £4.8m at the end of July, a £1.5m worse position than the £3.3m overspend reported in May. This is primarily driven by pressures in Children's Social Care and Education. In the main the overall pressures in Children's Social Care relate to demands on placements (£3.8m) and home to school transport cost pressures (£1.3m), offset by staff savings of £300k.

2.15 The Looked After Children placement numbers at the end of July 2023 are 518. This is 28 below the July 2023 budget profile (546).

2.16 However, the placement mix is showing higher than projected placements at July in external residential (9), Remand (2), Parent & baby (2), external emergency (2) offset by in-house fostering (21), IFA (10), Supported Accommodation (4), and in house residential (3) and in house emergency (1), no cost placement (5).

2.17 The LAC number of 518 includes 40 Unaccompanied Asylum Seeker Children which has risen from 14 in March 2022.

2.18 The direct employee budget is £41.3m and is a combination of general fund, traded and grant funded services. The forecast underspend at the end of the July 2023 financial year is £300k, which includes a general fund staffing underspend of £300k after removing placement related staffing costs.

2.19 A significant element of the CYPS non-pay budgets relates to placements which has a net budget of £34.4m with an outturn projected spend of £38.2m and a projected overspend of £3.8m. The £3.8m adverse projection relates in the main to a £3.3m pressure in relation to residential placements.

2.20 The £3.3m residential pressures is due to a combination of a reduction in the estimated residential step downs (£3.4m) as well as increase in the unit costs (£200k) due to market pressures, offset by increased DSG funding (£300k) where young people are educated by the childrens home.

2.21 The Home to School transport pressures of £1.3m reflect demands on transporting children in care (£450k), those children in care placed out of borough with EHC plans £400k and post 19 transport costs £450k. CYPS have operational groups set up to review transport costs to ensure the most appropriate method of transport is in place.

2.22 Dedicated Schools Grant (DSG)

The High Needs Block (HNB) is £57.8m (including the £3.5m transfer from the schools block) and demand remains high due to rising numbers of children supported in specialist provision and the rising costs of Education Health Care (EHC) plans. The High Needs Budget is based on the DSG recovery plan and includes anticipated growth of EHCs numbers and the implementation of new developments linked to the SEND Sufficiency Strategy.

2.23 The central DSG reserve now stands at £5.927m deficit following receipt of £6.0m safety valve funding during 2022/23 and a £913k underspend across all DSG elements. The Council will receive 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.

2.24 The High Needs Block (HNB) budget is set to provide a £2.068m contribution to reserves in line with the management plan, but only after agreement of the 1.5% School Block funding transfer (£3.459m) and would have been a £1.391m in-year deficit without this funding.

2.25 The position at the end of July is a £1.517m overspend on the High Needs Block and therefore the contribution to reserves would reduce from £2.068m to £551k. The Central DSG is forecast to underspend by £1.751m in 2023/24 when taking into account the underspend on the HNB (£551k), Safety Valve funding (£2.0m), offset by planned use of reserves in Early Years and Schools Block (£800k). The DSG reserve deficit is expected to reduce to £4.176m by March 31st 2024.

2.26 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 resource provision in Rotherham linked to mainstream schools and academies, with further capacity becoming operational by the end of 2023/24.
- Implement the accessibility strategy.
- Work with schools and academies to maintain pupils in mainstream settings wherever possible.

2.27 Adult Care, Housing and Public Health (balanced outturn position)

2.28 The overall directorate forecast is currently breakeven. However, there is significant demand pressures within Adults (£1.1m) and Homelessness (£864k). It is currently expected that these pressures can be mitigated across the financial year as has been the case in previous years. This will be closely monitored over the period.

2.29 The cost of care packages is forecast to be £1.1m overspent. This is due to increased numbers of people in older people's residential and nursing care and in mental health provision. This includes some high-cost packages. 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 and additional income from CHC may offset some of the costs. Transitions are forecast as underspent by £313k reflecting historic trends.

- 2.30** Staffing budgets are forecast to be £384k overspent due to vacancies which have needed to be filled by agency placements that provide cover for the service and overtime payments for staff.
- 2.31** Neighbourhood Services (Housing) is forecast to overspend by £881k. Homelessness is expected to overspend by £864k after accounting for grant income. This is due to continued use of hotels as numbers of people seeking support continues to increase. In July there were 61 households needing hotel accommodation. This is an increase from 35 in April. The forecast assumes that numbers will decrease steadily over the year.
- 2.32** Public Health is forecast to budget at this stage.
- 2.33 Regeneration and Environment Directorate (£4.9m forecast overspend)**
- 2.34** The July outturn projection for the directorate indicates a forecast pressure of £4.9m for this financial year. This represents a significant worsening of £1.0m from the May forecast. The forecast reflects the impact of ongoing demographic pressures in Home to School Transport, the impact of inflationary pressures in the economy, particularly on food prices, rising property costs in Asset Management and the legacy impact of lockdown restrictions on some of the directorate's services. For example, the impact on waste tonnages 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.
- 2.35** Community Safety and Street Scene (CSS) is forecasting an overall pressure of £1.9m, a decrease of £0.3m from May's reported position. The most significant pressure continues to be in respect of Home to School Transport of £2.0m, 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. To address 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.
- 2.36** Parking Services is forecasting a pressure of £340k. 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. The pressure in Parking Services is being mitigated by income over-recovery of £470k in Streetworks and Enforcement.
- 2.37** Waste Management is currently forecasting a £530k underspend, an improvement from the break-even position last reported. There has been a slight worsening in recycling market prices, and an increase in agency costs adding to collection costs, as a result of staff absence but pressures in the service are being

mitigated by the windfall payment from the Waste PFI contract, as a result of the high energy price which is overachieving against budget.

- 2.38** Culture Sport and Tourism (CST) is forecasting an overall pressure of £400k, an increase of £300k from May's forecast. There is a £160k pressure in Green Spaces as a result of income pressures and staffing pressures in the Trees and Woodland Service, resulting from the requirement to increase resources in the Service to deal with a backlog of maintenance issues. There is an ongoing pressure in the Theatre of £60k as a result of a forecast under-recovery of income. There is also a forecast overspend of £90k at the Waleswood Caravan Park as a result of flooding in April that impacted on pitch availability, poor weather during the summer impacting on income generation, and an increase in food costs. The Music Service is reporting an £80k pressure as a result of staffing pressures, due to teachers pay increases and changes to contractual arrangements.
- 2.39** Planning, Regeneration and Transport (PRT) is forecasting an overall pressure of £2.3m, an increase of £0.7m from May's forecast. The major pressure is in School Meals of £1.5m, due to inflationary pressures on food prices and pressures on income in the service.
- 2.40** Asset Management is forecasting an overspend of £870k. The forecast reflects an increase of £330k in cleaning charges, to reflect the true service cost. There is a corresponding increase in income in the Cleaning Service. The forecast assumes income under recovery in Estates, as a result of staff vacancies impacting on income generation. Pressures in Facilities Management include rising property costs, including repairs and maintenance and fixtures and fittings. The timing of the achievement of property savings is under regular review and will be fed into future forecasts as key decisions are able to be taken.
- 2.41** A pressure of £200k is being reported in the RIDO service, largely due to a forecast shortfall on Markets income arising from the number of void stalls and the ongoing difficult trading conditions. However, grant income offsetting direct costs in other services in RIDO has helped to partially mitigate the Markets service pressure.
- 2.42 Finance and Customer Services (balanced outturn position)**
- 2.43** The overall directorate is reporting a balanced outturn position. Whilst there are some financial pressures within the directorate, the service is projected to make savings on Legal disbursements and Bereavement Services income, which will help to mitigate these financial pressures and deliver a balanced budget.
- 2.44** Within Customer, Information and Digital Services, the service continues to generate cost reductions on the renewal or removal of ICT contracts, which has delivered a budget saving this year. The service has also incurred difficulties with recruitment, creating further temporary cost reduction. This is offset by over-recruitment within Customer Services contact centre to help manage the difficulties caused by high staff turnover in this area, that impacts on call waiting times. This is intended to be managed from underspends elsewhere within the Directorate.

2.45 Legal Services faces continued demand for legal support with child protection hearings and court case costs relating to Looked After Children. Reduced costs of legal disbursements and ongoing difficulties in recruiting to key posts, in particular within Adult Social Care legal support, are currently resulting in a forecast underspend. However, the number of cases during the year remains volatile and will continue to be monitored closely.

2.46 Assistant Chief Executive (£0.2m underspend)

2.47 The service is currently forecasting an underspend of £200k. This is due to increased income in HR of £102k (offset by increased costs of DBS checks) and additional funding in support of resettlement work. Staffing is also forecast to be underspent due to a small number of vacancies across the directorate.

2.48 Central Services (£5m forecast underspend)

2.49 Central Services has a forecast underspend of £5m reflecting the corporate budget provision approved within the Council's Budget and Council Tax Report 2023/24 to support anticipated pressures within Home to School Transport and Children's placements.

2.50 There continues to be significant financial challenges as a result of high inflation, energy prices and the potential impact of the 2023/24 Local Government Pay Award. Whilst energy prices are expected to continue to reduce they remain well in excess of levels prior to the war in Ukraine. Inflation continues to impact the renewal of Council contracts and payments to key service providers, as such it continues to present a financial challenge to the Council's approved Budget and Medium Term Financial Strategy. However, the Council was able to build into the Council's Budget and Council Tax Report 2023/24 greater levels of funding to manage the impact of inflation, energy and pay. As such it is currently anticipated that these impacts can be controlled within the existing budgetary provision. As stated within the Budget and Council Tax Report 2023/24 uncertainty in the global and UK economy remains the most significant budget risk and as such will need to continue to be closely monitored.

2.51 The current economic climate remains turbulent, with challenges in projecting where inflation will move and the pace at which it moves. At present inflation is showing signs of slowing owing to reductions in energy and fuel prices. This will help support the Council's Budget position for 2022/23, though it is too early in the financial year to be clear on its full benefit. These financial challenges are being regularly reviewed as part of the Council's ongoing Medium Term Financial Planning. It is currently expected that the period of high inflation will last for around for 12-18 months before returning to a more normal level. As such, the Council will face short term financial pressures that will need to be managed and mitigated through the Medium Term Financial Strategy and where required the Council's reserves. As such the Council's ability to build further capacity into those reserves as part of the 2022/23 outturn position is a significant benefit.

2.52 The Council's Treasury Management functions are expected to continue to perform well for the bulk of 2023/24. The Council still holds significant cash balances and is able to invest them for a greater return given current high interest rates, in addition to slippage on the Capital programme in 2022/23 which means that the level of financing costs for 2022/23 will be less than anticipated. The benefits from the Treasury Management function can be used to support wider inflationary pressures that the Council will face during 2023/24. The positive impact of this will be reported later in the year when the value of this is more secure.

2.53 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 2023/24, approved at Council 1 March 2023. 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 2023/24 was set at £13.2m at the outset of 2023/24.

2.54 Housing Revenue Account (HRA)

2.55 The Housing Revenue Account is a statutory ring-fenced account that the Council has to maintain in respect of the income and expenditure incurred in relation to its council dwellings and associated assets. The HRA is currently forecast to underspend by £4,729k.

2.56 The underspend largely relates to reduced energy costs for the Council and the District Heating scheme £2,976k and £1,512k in contract shared savings.

2.57 Increases in energy costs were anticipated to have a big impact in this financial year. These have now decreased significantly. This saving has now been recognised in the forecast as Council has approved the proposed redistribution of the saving.

2.58 Contract shared savings is a refund from repairs contractors based on the profits they made during the previous year once those have been confirmed and audited.

The income is expected to be ringfenced to cover expected costs associated with:

- bringing stock conditions surveys up to date;
- improving systems and processes for providing assurance on property services compliance;
- preparing for new regulatory framework and inspection regime;
- and expanding our housing growth function to achieve the Council's 1,000 new homes target.

2.59 Capital Programme Update

2.60 The Capital Programme 2023/24 has been updated following the 2022/23 outturn and the latest information on project position and delivery plans. The revised Capital Programme is £249.767m split between the General Fund £198.322m and HRA £51.445m. This is a decrease of £16.994m from the position reported to Cabinet on 10th July 2023 as part of the Council's 2022/23 Financial Outturn report, the majority of which relates to the reprofiling of schemes due to delays caused by the high volume of capital activity taking place nationally that is limiting resources in the market and the challenges that inflation is causing on the cost of projects that ultimately requires greater work on project design and scope. The movement is based on the latest profiles of expenditure against schemes, including slippage and re-profiles of -£16.376m and new grant funding added to the programme of £2.793m.

2.61 Table 3: Variations to the Capital Programme 2023/24 to 2025/26.

	Total Impact £m	2023/24 Impact £m	Post 2023/24 Impact £m
Revised Grant and Funding Estimates	23.641	2.793	20.848
Changes to Corporate Resources	-6.244	0	-6.244
Slippage / reprofiling	-0.694	-16.376	15.682
Total	16.703	-13.583	30.286

2.62 The main items contributing to the reprofiling of the Capital Programme are:

- **Riverside Gardens**, £2.202m slippage. Following the outcome of the procurement exercise the project is undergoing a value engineering exercise and a subsequent procurement for the revised scheme. This will result in an expected delay of approximately 6 months.
- **Essoldo** £1.488m slippage. This scheme was forecast to be over budget. The cost plan is being reviewed to try to find savings. This has delayed the scheme whilst the building owner and potential operator review proposals.
- **Templeborough**, £2.365m slippage. There have been revisions to the delivery plan, costs and design which have delayed the project by approximately 3 months.
- **Leisure & Culture Qtr Infrastructure**, £1.817m slippage. Budget issues are causing a delay to the start of the project. The scheme design is being reviewed and procurement will be aligned to the Riverside Gardens scheme.

- **Riverside Infrastructure**, £1.089m slippage. The project has been rescope in order to remove the bridge that would have joined to the Guest & Chrimes site which has delayed the start of the scheme.
- **Rother Valley Country Park**, £3.128m slippage. In light of additional a refresh and review of the project scope and outputs a revised funding package has been required. This has resulted in a delay to the scheme.
- **Sheffield Rd, Phase 2 & 3** £2.385m slippage. This budget has been reprofiled to tie into anticipated phasing of a 15 month delivery programme.

2.63 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 July Cabinet report are listed below:

Table 4: New Grant/HRA Funded Schemes added to the programme

Directorate/Scheme	2023/24 £M	Post 2023/24 £m
Regeneration & Environment		
Local Electric Vehicle Infrastructure (LEVI) Funding.	0.500	0.790
Dept for Transport Clean Air Zone (CAZ) funding	0.081	0.000
Building Back Better Funding for Electric Vehicle infrastructure	0.123	0.000
City Region Sustainable Transport Settlements (CRSTS) Highways Maintenance Funding confirmed	0.825	0.000
CRSTS Grant for Mainline Station	1.000	0.000
Building Back Better Funding (Templeborough)	0.270	0.000
DLUHC Regeneration Grant (Wath & Dinnington)	0.000	19.990
Future High St Funding	0.141	0.000
Local Neighbourhoods Roads Safety Budget Allocations updated following year end	-0.145	-0.057
Transforming Cities Fund (Maltby Bus Corridor)	0.117	0.000
Adjustments to Levelling up Funding	-0.118	0.125
Total	2.793	20.848

2.64 Corporate Borrowing Changes

The Capital Programme includes provision for the purchase of the Council's Office 365 and telephony licenses. There is the option to pay for licences annually and as such avoid the cost of borrowing associated with paying upfront for a number of years. Moving these costs to revenue is operationally and financially more effective and will generate a saving of £57k per annum at a borrowing rate of 3%.

2.65 To process this change the capital budget of £6.406m has been removed and a revenue budget will be set up within central services. The budget will be created by removing the cost of financing from the Treasury Management Budget.

2.66 There is also a budget addition of £162k for the demolition of Park Hill Lodge. Park Hill Lodge in Maltby is a General Fund asset proposed for development through the HRA for new Council homes. To facilitate this, and to mitigate against the revenue holding costs, it is proposed to use non-ringfenced Right to Buy receipts to fund the demolition.

2.67 Programme Variations

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

- **Rother Valley and Thrybergh Country Park:** An exercise has been undertaken to finalise the outputs for these two projects and as a result establish a funding package to deliver the two schemes. The outcome of this was reported to August Cabinet. Following this review a funding package has been approved to bridge the gap, this revised funding pack has now been factored into the Council's Capital Programme. This includes;

	Rother Valley (£M)	Thrybergh (£M)
Levelling Up Fund	5.500	2.500
CST Capital Contribution	0.08	0.064
Capital Contingency	0.374	0.271
Total	5.954	2.835

- **Templeborough Business Zone:** This Town Deal funded project facilitates the development of a new 'heart' of Templeborough situated at the gateway between Sheffield and Rotherham at the Magna Science Adventure Centre. New managed workspace units will be delivered, set within improved green space and complemented by drive up food and beverage.

This is a complex site to develop with several constraints resulting from its historic use requiring evolution and adaptation of design solutions as further knowledge of the site is gained through the project development

process. Scheme design has also had to respond nationwide cost increases and pressures in the construction market.

Cost variation

Cost at stage 2 was reported to be estimated at £648k over budget. A cost reduction exercise was undertaken, the main changes summarised below:

- Replace a new office build with improvement of an existing office building.
- Removal of one managed workspace unit and an increase in the size of the food and beverage unit.
- Design amendments to the specification for car park improvements.
- Increase in fees due to extended design period to complete scheme changes.
- Reduction in programme length resulting in savings on prelim costs.

The design and cost review has resulted in a reduction in the project cost increase to £270k over budget.

The revised funding package includes:-

	£M
Town Deal Enabling Fund	0.038
Town Deal	6.570
MCA Devolved Capital	0.270
Total	6.878

2.68 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. New funding received through SYMCA is £81k CAZ funding, £825k CRSTS maintenance funding, £1m CRSTS funding for the mainline station, £393k building back better funding, £117k transforming cities funding.

2.69 The proposed updated Capital Programme to 2025/26 is shown by directorate in Table 5 below.

Table 5: Proposed Updated Capital Programme 2023/24 to 2026/27

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	12.887	7.476	11.733	32.096
Regeneration and Environment	169.281	60.939	37.984	268.204
Adult Care & Housing	9.008	14.117	4.273	27.399

Assistant Chief Executive	0.405	0.210	0.210	0.825
Finance and Customer Services	6.740	3.380	16.216	26.335
Total General Fund Capital	198.322	86.123	70.415	354.859
Total HRA Capital	51.445	56.283	31.450	139.178
Total RMBC Capital Programme	249.767	142.406	101.865	494.038

The Capital Programme for 2023/24 remains ambitious even with a significant level of re-profiling of schemes into 2024/25. 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.

2.70 Funding Position of Capital Programme 2023/24

The £249.767m of capital expenditure is funded as shown in the Table 6 below.

Table 6: Funding of the Approved Capital Programme

Funding Stream	2023/24 Budget £m
Grants and Contributions	79.366
Unsupported Borrowing	118.087
Capital Receipts	0.738
HRA Contribution	0.130
Total Funding - General Fund	198.322
Grants and Contributions	2.516
Unsupported Borrowing	1.602
Housing Major Repairs Allowance	38.168
Capital Receipts	7.243
Revenue Contribution	1.915
Total Funding - HRA	51.445
Total	249.767

2.71 Capital Receipts

2.72 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.

2.73 To date General Fund useable capital receipts of £1.290m 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 31st July 2023 £m
Land at Kiveton Park	-1.236
Miscellaneous	-0.039
Total Capital Receipts (Excluding loan repayments)	-1.275
Repayment of Loans	-0.015
Total Capital Receipts	-1.290

2.74 The detailed disposal programme is currently being updated. At this stage the forecast for useable capital receipts is between £1.275m and £1.75m but this may change when the detailed assessment has been completed. These receipts are made up of a small number of disposals and therefore any changes to these could impact on these forecasts significantly. It should be noted that there is no corporate requirement to disposal of General Fund assets and each individual decision should be taken as appropriate.

2.75 Capital Achievements

The following outputs have been achieved during the 2023/24 financial year to date.

- In the first quarter of 23-24 the council has completed the repair of 32 unclassified roads out of the 159 unclassified roads included in the indicative highways repair programme for 2023/24.
- In the initial Towns and Villages programme, eight schemes are now complete with a further scheme currently being delivered, and three projects issued to delivery teams ready for completion. The programme has been split into four phases, with five of the six projects in Phase 1 now completed, as well as three projects in Phase 2. The remaining project in Phase 1 is awaiting approvals from third parties through Legal Services.
- Continued progress on 'Shovel Ready' flood defence/mitigation schemes and complete Stage 2 (initial design work and engagement with third

parties) - Phase 2A (Ickles Lock) is now completed and a completion ceremony took place in July 23.

- Progress on the 6 priority Flood Alleviation Schemes is moving through the identified delivery stages of feasibility, site investigations, land owner engagement, detailed design and planning applications approvals ahead of the 2024 deadline.
- Manvers Way Cycle Scheme completed in July. This provides an attractive high quality and direct cycle route between Wath Upon Dearne Town Centre, residential areas and employment areas. This supports economic growth in the Dearne Valley and contributes towards reducing congestion and improving air quality.
- The new pedestrian bridge at Forge Island has been lifted into place linking Forge Island to the town centre.

3.0 Options considered and recommended proposal

3.1 With regard to the current forecast net revenue budget the directorates are forecasting an overspend of £4.5m, management actions are being identified with the clear aim of ensuring a balanced budget position can be achieved. It is currently assumed 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 2023/24 budget. This is in recognition that there are still financial implications that need to be fully understood and that may not be fully known until later in the financial year. It is nationally recognised best practice to monitor the performance against the agreed revenue budgets and the Capital Programme throughout the year.

4.0 Consultation on proposal

4.1 The Council consulted on the proposed budget for 2023/24, as part of producing the Budget and Council Tax Report 2023/24. Details of the consultation are set out in the Budget and Council Tax 2023/24 report approved by Council on 2nd March 2023.

5.0 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 2023/24 will be taken to Cabinet in July 2024.

6.0 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 and increases in demand. This position continues to be monitored closely. Control over spending

remains critical to both maintaining the robust Reserves Strategy and Medium Term Financial Strategy.

6.2 An update on the Council's Medium Term Financial Strategy will be provided to Cabinet later in 2023. This will provide a more detailed update on the Council's Medium Term Financial Planning factoring in the impact of the current year financial pressures and the longer term impacts on the MTFS and reserves strategy.

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

7.0 Legal Advice and Implications

7.1 No direct legal implications.

8. Human Resources Advice and Implications

8.1 No direct implications.

9. Implications for Children and Young People and Vulnerable Adults

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

10. Equalities and Human Rights Advice and Implications

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

11 Implications for CO2 Emissions and Climate Change

11.1 No direct implications.

12. Implications for Partners

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

13. Accountable Officers

Rob Mahon, Assistant Director – Financial Services

Approvals obtained on behalf of Statutory Officers:-

	Named Officer	Date
Chief Executive	Sharon Kemp	04/09/2023
Strategic Director of Finance & Customer Services (S.151 Officer)	Judith Badger	29/08/2023
Head of Legal Services (Deputy Monitoring Officer)	Bal Nahal	29/08/2023

Report Author: Rob Mahon, Assistant Director – Financial Services
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