

**Committee Name and Date of Committee Meeting**

Cabinet – 07 July 2025

**Report Title**

May 2025/26 Financial Monitoring Report

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

Yes

**Strategic Director Approving Submission of the Report**

Judith Badger, Strategic Director of Finance and Customer Services

**Report Author(s)**

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**Ward(s) Affected**

Borough-Wide

**Report Summary**

The report sets out the financial position as at the end of May 2025 and forecast for the remainder of the financial year, based on actual costs and income for the first two months of 2025/26. 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 first 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 May 2025, the Council's financial position for 2025/26 remains positive with a projected underspend of £0.1m. This position is made up of a Directorate overspend of £4.2m, offset by a projected Central Service underspend of £4.3m.

The pressures reported in the Directorates are largely due to demand led pressures, in particular in relation to Children's residential placements. Increased costs are also being felt across the wider Children's social care market, this is leading to market prices increasing at above inflation levels, placing further pressures on the Council's Budget. These pressures were anticipated and a corporate provision was maintained within Central Services as part of the Budget and Council Tax Report 2025/26.

Early indications also suggest that the Local Government Pay Award will be higher than budgeted, the Council has no control over the level of pay award agreed.

As a result, Central Services has a £4.3m forecast underspend, reflecting the budgetary support from the £5.4m Social Care Contingency set aside as part of the Budget and Council Tax Report 2025/26 and Treasury Management Savings. This contingency and treasury savings are offset by the estimated financial impact of the Local Government Pay Award.

The Council's Treasury Management Strategy continues to perform well with the Council's approach to borrowing adapted to minimise the level of borrowing and borrow short term to ultimately minimise interest costs. The position has also improved following the outturn for 2024/25 because of re-profiling of the Capital Programme delivery, which pushes back the need to borrow. It is estimated that this approach should see the Council generate savings to support Council wide pressures such as the impact of the pay award. However, it should be noted that the Council's Budget and Council Tax Report 2025/26 approved a requirement for the Treasury Management Strategy to save at least £3m in 2025/26. This is on track, however economic and market conditions are out of the Council's control.

The report also provides an updated position on the Council's Capital Programme.

### **Recommendations**

That Cabinet

1. Note the current General Fund Revenue Budget forecast underspend of £0.1m.
2. Note the updated position of the Capital Programme.

### **List of Appendices Included**

*Appendix 1 Equalities Impact Assessment*

*Appendix 2 Carbon Impact Assessment*

### **Background Papers**

Budget and Council Tax 2025/26 Report to Council on 5<sup>th</sup> March 2025

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

No

### **Council Approval Required**

No

### **Exempt from the Press and Public**

No

## May Financial Monitoring 2025/26

### 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 first in a series of financial monitoring reports to Cabinet for 2025/26, setting out the projected year end revenue budget financial position in light of actual costs and income for the first two 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 2025/26 as at May 2025**

Directorate	Budget 2025/26	Forecast Outturn 2025/26	Forecast Variance over/under (-)
	£m	£m	£m
Children and Young People's Services	72.2	76.7	4.5
Adult Care, Housing & Public Health	144.2	144.2	0.0
Regeneration and Environment Services	52.6	52.5	-0.1
Finance and Customer Services	37.4	37.4	0.0
Assistant Chief Executive	8.7	8.5	-0.2
Central Services	43.9	39.6	-4.3
<b>Directorate Forecast Outturn</b>	<b>359.0</b>	<b>358.9</b>	<b>-0.1</b>
<b>Dedicated Schools Grant</b>			2.9
<b>Housing Revenue Account (HRA)</b>			0.0

- 2.2** As at May 2025, the Council's financial position for 2025/26 remains positive with a projected underspend of £0.1m. This position is made up of a Directorate overspend of £4.2m, offset by a projected Central Service underspend of £4.3m.
- 2.3** As part of setting the Council's Budget and MTFS for 2025/26 the Council set a Social Care Contingency budget of £5.4m as a provision to support anticipated pressures across Social Care placements, principally linked to CYPS placements. This provision is factored into the Central Services forecast and as such supports the Council's financial position, mitigating Social Care cost pressures across the Council.
- 2.4** The forecast position will continue to be monitored closely and mitigations identified to address forecast pressures where possible. It is currently anticipated that the Council's financial position can be managed within the parameters approved within the Council's Budget and Council Tax Report 2025/26.
- 2.5** The Budget as approved at Council on 5th March 2025 included provisions, allocations for inflation, pay award and anticipated cost pressures. These budgets are held centrally at the start of the year and allocated to services as costs are confirmed and incurred.
- 2.6** The table below sets out the headline reasons for the movement between opening budgets and the latest budget that has been forecast against in this report.

**Table 2: Budget Movements during 2025/26**

Directorate	Opening Budget 2025/26	Pay Award / Fees & Charges Income Inflation	Contract Inflation & Central Provision Allocations to Services	Service Transfers between Directorates	Latest Budget 2025/26
	£m	£m	£m	£m	£m
CYPS	<b>68.8</b>	0.8	2.7	0	<b>72.2</b>
ACH&PH	<b>135.9</b>	0.9	7.4	-0	<b>144.2</b>
R&E	<b>48.6</b>	1.0	2.9	0	<b>52.6</b>
FCS	<b>35.1</b>	1.1	0.3	0.9	<b>37.4</b>
ACX	<b>8.3</b>	0.2	0.2	0	<b>8.7</b>
CS	<b>62.3</b>	-4.0	-13.5	-0.9	<b>43.9</b>
<b>TOTAL</b>	<b>359.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>359.0</b>

- 2.7** The Council's Budget and Council Tax report 2025/26 included the delivery of £7.494m of previously agreed savings to be delivered across the Directorates. At present, £1.456m of delivery has been secured. The biggest challenges at present on delivery relate to CYPS Placements, which is forecast as a significant cost pressure again in 2025/26. It remains challenging to clearly link the positive outcomes being delivered by CYPS in terms of reduced Looked After Children (LAC) numbers to the savings targets, principally as the service has seen rising market cost pressures and a number of significantly high cost placements.

- 2.8** The table below shows the total amount of all savings to be delivered during 2025/26 and the amount that has been delivered to date. More detail on savings delivery will be provided in the next financial monitoring report to Cabinet.

**Table 3: Delivery of Agreed Savings**

<b>Directorate</b>	<b>2025/26 Saving to be delivered £'000</b>	<b>Secured as at 31st May 2025 £'000</b>	<b>Still to be delivered £'000</b>
Adult Care, Housing and Public Health	600	0	600
Children's and Young Peoples Services	6,163	1,372	4,791
Regeneration and Environment	731	84	647
<b>Total</b>	<b>7,494</b>	<b>1,456</b>	<b>6,038</b>

- 2.9** The following sections provide further information regarding the Council's currently forecast outturn of £0.1m underspend, the key reasons for forecast under or overspend within directorates and the progress of savings delivery.

**Children and Young People Services Directorate (£4.5m forecast overspend)**

- 2.10** Children & Young People Services has a budget pressure of £4.5m at the end of May 2025 primarily driven by pressures in Children's Social Care and Education. In the main, the overall pressures relate to children in care placements costs (£4.3m) and Education Inclusion services (£0.2m).
- 2.11** The placements forecast pressure of £4.3m for May is consistent with the placement projections and plan for the year agreed with Service Management. The agreed placement plan reflects expected children in care placement numbers for the year and costs across the different placement provision types e.g. residential care, fostering, supported accommodation, etc.
- 2.12** The actual Children in Care (CiC) placement number at the end of May is 457 and compares favourably to the budget profile of 486. Placement numbers for May across the main provision types (including external residential care) continue to track positively against budget profile, except for in-house foster care where there is a reduction. Placement occupancy in Council owned children's homes (that are operational) currently stands at 75%, however this is expected to increase to 85% (budgeted level) in the next month.

- 2.13** The children's placement budget position shows that the Council continues to make progress in reducing the overall cost of placements year on year and is reducing demand. However, the placement mix and complexity of care placements remain the most significant challenge for the Council in this Directorate. The in-house residential programme and the increase of accommodation options for 16+ placements should help to alleviate these pressures. It should be noted that the number of Unaccompanied Asylum-Seeking Children (UASC) continues to impact demand levels and placement options available for step downs.
- 2.14** A forecast overspend of £0.2m is currently anticipated against the Education Inclusion Service. This reflects income pressures facing the Education Psychology service as the service is placing greater focus on the core statutory service that delivers stronger outcomes in terms of improving inclusiveness within schools (creating a shortfall in trading income with schools). Separately, it should be noted that the use of Locum and agency staff within Education Psychology service and in the Education Health Care (EHC) team poses a potential significant financial risk that will need to be closely monitored during the year.
- 2.15** A balanced budget position is currently forecast against the Social Care Assisted Travel budgets (Home to School) managed within CYPS, that relate to children in care who are placed with foster carers outside the borough and post 16 learners with Education, Health and Care Plan (EHCP's).

#### **Dedicated Schools Grant (DSG) (£2.9m forecast deficit)**

- 2.16** A net surplus balance of £1.2m is currently forecast for all 21 maintained schools in Rotherham for 2025/26 based on submitted budget plans. Within this there are 4 schools with forecast budget deficits totalling £463k. A budget recovery plan will be agreed with these schools to bring the budget back into a surplus position within an agreed timeframe.
- 2.17** A cost pressure of £2.9m is currently forecast for central DSG budgets and mainly relates to the Special Education Needs and Disabilities (SEND) / high needs budget. The cost pressure reflects the ongoing demand pressures in the SEND system, namely, inflationary cost, increase in EHCP pupils and continuing out of authority placements.
- 2.18** The latest DSG reserve account, inclusive of the above high needs deficit and expected safety valves funding payments from Department for Education (DfE), shows a forecast accumulated DSG deficit of £3.4m at the end of the financial year. This forecast accumulated year end deficit presents a financial risk to the Council, as the statutory protection of DSG deficits is due to be removed from the end of 2025 under current legislation.

#### **Adult Care, Housing and Public Health (£0.0m balanced position)**

- 2.19** The directorate is forecasting a balanced outturn position. However, there are areas of risk that will need to be closely monitored over the year. The cost of care packages is based on demand and has been increasing significantly for a number

of years. The two main areas of pressure are older people and mental health support, due to increased numbers of people in older people's residential and nursing care and in mental health provision, as well as increased complexity, and hence cost.

- 2.20** A focus on preventative work, including through the increased use of the Enablement service and a strength-based approach is looking at improving people's outcomes, whilst also minimising the need for long-term support. Staffing costs are another area of risk as a high number of vacancies in statutory services will potentially lead to increased spend on agency.
- 2.21** Neighbourhood Services (Housing) is forecast to come in on budget. The cost of homelessness will be closely monitored over the year. A number of temporary accommodation properties have been acquired to reduce the spend on hotels. At the end of May 2025 there were 5 households in hotels, down from a high of 87 in April 24.
- 2.22** Public Health is also forecast to budget at this stage.

#### **Regeneration and Environment Directorate (£0.1m forecast underspend)**

- 2.23** The Directorate is forecasting an underspend of £0.1m. Within each service there are a significant number of offsetting over and underspends.
- 2.24** The Waste Management service has a requirement for the delivery of the £0.5m saving linked to utilising route optimisation to improve the efficiency of the service, approved as part of the Budget and Council Tax Report 2025/26. As work progresses on route optimisation to increase the efficiency of waste rounds, the position regards to the delivery of this saving will become clearer. The Markets service is forecasting a £0.3m overspend because of income shortfalls which is a similar position to previous years, though is expected to improve as the redevelopment of the Markets completes. Within Culture Sport and Tourism, there is a £0.3m overspend resulting from assorted income pressures within Country Parks along with additional staffing.
- 2.25** These pressures are offset by a £0.3m underspend in Community Safety and Regulation owing to vacancies and delays in implementation of the new Safer Streets team. Licensing is also projecting a £0.2m underspend as a result of vacancies, which is a similar position to last year. The Rotherham Investment & Development Office (RIDO) team is capitalising staff salaries of project managers delivering the Capital Programme, resulting in a £0.2m revenue underspend.

#### **Finance and Customer Services (£0.0m balanced position)**

- 2.26** Overall, the directorate is reporting a balanced position. Whilst there are some financial challenges within the wider directorate, projected savings on Legal disbursements and additional income generation in Bereavement Services and Building Cleaning are expected to offset those pressures along with robust budget management.

- 2.27** Property and Facilities Services (PFS) is forecast to be underspent by £0.5m. There's an underspend of £1.2m within Facilities Services as income is above budget in Building Cleaning. Facilities Management is £0.6m overspent due to assorted building costs above budget, in the main, repairs and maintenance. Across PFS there is £0.1m overspend on staffing as a result of a restructure that is underway.
- 2.28** Within Customer, Information and Digital Services, increased costs on postage and print are under review. Ongoing recruitment challenges are creating a temporary cost reduction, which is offset by temporary and managed 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.
- 2.29** Legal Services faces continued demand for legal support with child protection hearings and court case costs relating to Looked After Children. Ongoing difficulties in recruiting to key posts are currently resulting in the extended use of locum solicitors and external suppliers. However, the number of cases remains volatile and will continue to be monitored closely, along with an internal development programme for in trainee solicitors. The projected savings on Legal disbursements are helping to offset these pressures.

**Assistant Chief Executive (£0.2m underspend)**

- 2.30** The service is currently forecasting an underspend of £190k. Contributing factors include external grant income and a number of vacancies in services such as Human Resources, Organisational Development and Change and Policy Performance and Improvement at the start of the year which have now been recruited to in the main and overachievement of income from salary sacrifice schemes.

**Central Services (£4.3m underspend)**

- 2.31** Central Services has a £4.3m forecast underspend, reflecting use of the £5.4m Social Care Contingency set aside when the Budget was approved and Treasury Management Savings, offset by the estimated financial impact of the Local Government Pay Award.
- 2.32** There continues to be significant financial challenges as a result of increased market costs and the potential impact of the 2025/26 Local Government Pay Award. It has been well reported that the impact of high inflation in recent years continues to impact the renewal of Council contracts and payments to key service providers, thus creating a financial challenge to the MTFS. However, the Council was able to build into the Council's Budget and Council Tax Report 2025/26 greater levels of funding to manage the impact of these costs. As such it is currently anticipated that the impact can be controlled within the existing budgetary provision. Ongoing uncertainty in the global and UK economy remains a significant budget risk and as such will need to continue to be closely monitored.



- 2.33** The Council's Treasury Management functions are expected to continue to perform well for the bulk of 2025/26. The Council still holds cash balances and can invest them for a greater return, and additional slippage on the Capital Programme in 2024/25 means that the level of financing costs for 2025/26 will be less than previously anticipated. The benefits from the Treasury Management function can be used to support wider inflationary pressures that the Council will face during 2025/26, however it should be noted that as the Capital Programme progresses, these short-term opportunities will diminish.
- 2.34** The Central Services budgets are made up of a number of corporate budgets for levies and charges such as the Integrated Transport Levy (ITA), Private Finance Initiative (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 2025/26, approved at Council on 5<sup>th</sup> March 2025. 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.

#### **Housing Revenue Account (HRA) (£0.0m balanced position)**

- 2.35** 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 budget. The areas of risk, including development costs, will be monitored over the year.

#### **Capital Programme Update**

- 2.36** The Capital Programme 2025/26 has been updated following the 2024/25 outturn and the latest information on project position and delivery plans. The Capital Programme 2025/26 has been reset at £211.024m split between the General Fund £149.275m and HRA £61.749m. This position will act as the original budget position for 2025/26, future reports will explain how this budget moves during the year due to project and programme variations, but this value will remain as the original budget.
- 2.37** The 2025/26 programme has decreased overall by £30.969m from the position reported to Cabinet in March 2025. The movement is based on the latest profiles of expenditure against schemes, following the 2024/25 outturn position, factoring in slippage from 2024/25 and new grant funding.

**Table 4: Updated Capital Programme 2025/26 to 2028/29**

Directorate	2025/26	2026/27	2027/28	2028/29	Total
	Budget	Budget	Budget	Budget	Budget
	£m	£m	£m	£m	£m
<b>General Fund Capital</b>					
Children and Young People's Services	14.879	9.403	6.836	17.120	248.238
Regeneration and Environment	104.493	47.835	12.473	14.140	178.941
Adult Care & Housing	13.902	4.924	8.969	6.927	34.721
Assistant Chief Executive	0.441	0.210	0.210	0.210	1.071
Finance and Customer Services	15.561	16.825	7.629	19.423	59.438
<b>Total General Fund Capital</b>	<b>149.275</b>	<b>79.197</b>	<b>36.116</b>	<b>57.820</b>	<b>322.408</b>
<b>Total HRA Capital</b>	<b>61.749</b>	<b>76.843</b>	<b>49.153</b>	<b>106.595</b>	<b>294.339</b>
<b>Total RMBC Capital Programme</b>	<b>211.024</b>	<b>156.040</b>	<b>85.269</b>	<b>164.415</b>	<b>616.748</b>

**Table 5: Funding of the approved Capital Programme**

Funding Stream	2025/26	2026/27	2027/28	2028/29	Total
	Budget	Budget	Budget	Budget	Budget
	£m	£m	£m	£m	£m
Grants and Contributions	70.858	33.379	10.054	16.762	131.053
Unsupported Borrowing	77.729	45.678	25.919	40.912	190.239
Capital Receipts	0.551	0.000	0.000	0.000	0.551
HRA Contribution	0.137	0.140	0.143	0.146	0.566
<b>Total Funding - General Fund</b>	<b>149.275</b>	<b>79.197</b>	<b>36.116</b>	<b>57.820</b>	<b>322.408</b>
Grants and Contributions	2.837	2.883	0.816	27.847	34.384
Unsupported Borrowing	14.059	31.007	11.325	25.181	81.572
Housing Major Repairs Allowance	36.964	25.256	27.803	28.669	118.693
Capital Receipts	4.705	4.773	3.208	18.387	31.073
Revenue Contribution	3.183	12.924	6.000	6.511	28.617
<b>Total Funding - HRA</b>	<b>61.749</b>	<b>76.843</b>	<b>49.153</b>	<b>106.595</b>	<b>294.339</b>
<b>Total</b>	<b>211.024</b>	<b>156.040</b>	<b>85.269</b>	<b>164.415</b>	<b>616.748</b>

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

- 3.1** With regard to the current forecast net revenue budget underspend of £0.1m, the Council will need to continue to carefully control the delivery of services within Budget to minimise the risk of requiring the use of reserves to balance the Council's Budget in 2025/26. A key area of focus for the Council will be the tracking, monitoring and delivery of savings plans approved as part of the Budget and Council Tax Report 2025/26. Should any of those prove to be undeliverable, the Council will need to quickly identify and seek approval for alternative options. It is nationally recognised best practice to monitor the performance against the agreed revenue budgets and the Capital Programme throughout the year.

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

- 4.1** The Council consulted on the proposed budget for 2025/26, as part of producing the Budget and Council Tax Report 2025/26. Details of the consultation are set out in the Budget and Council Tax 2025/26 report approved by Council on 5<sup>th</sup> March 2025.

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

- 5.1** Strategic Directors, Managers and Budget Holders will ensure ongoing tight management and close scrutiny of spend this financial year.
- 5.2** Financial Monitoring reports are taken to Cabinet meetings during the year. The Financial Outturn report for 2025/26 will be taken to Cabinet in July 2026.

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

- 6.1** The Council's financial 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 2025. 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. 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.

**10.2** An Initial Equality Screening (Part A) has been completed and is attached as Appendix 1.

## **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:-

	<b>Named Officer</b>	<b>Date</b>
Chief Executive	Sharon Kemp	23/06/2025
Strategic Director of Finance & Customer Services (S.151 Officer)	Judith Badger	19/06/2025
Assistant Director, Legal Services (Monitoring Officer)	Phillip Horsfield	19/06/2025

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This report is published on the Council's [website](#).