

Summary Sheet

Council Report

Advisory Cabinet/Commissioners' Decision Making Meeting – 15th February 2016

Title

Revenue Budget Monitoring Report for the period ending 31st December 2015

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

Yes

Strategic Director Approving Submission of the Report

Stuart Booth – Interim Strategic Director of Finance and Corporate Services

Report Author(s)

Pete Hudson – Chief Finance Manager, Finance & Corporate Services

Email: peter.hudson@rotherham.gov.uk

Ward(s) Affected

All

Executive Summary

The December Revenue Budget Monitoring report currently shows a forecast outturn of £8.816m (+4.3%) above budget. The forecast outturn position has deteriorated by £197k since the November monitoring report due to additional needs-led demand pressures within Children's services (£398k), partially mitigated by reduced forecast spend in Neighbourhoods and Environment and Development Services.

There is £5.326m one-off funding (detailed in previous budget monitoring reports) which could be made available, subject to Commissioner approval, to help mitigate the current forecast overspend. If this £5.326m one-off funding is used to support the forecast overspend in 2015/16 the revised forecast overspend as at 31st December 2015 would reduce to £3.490m.

Key pressures contributing to the forecast overspend (£8.816m) are:

- The continuing service demand and agency staffing cost pressures for safeguarding vulnerable children across the Borough and the strengthening of Social Work and management capacity; and
- Demand pressures for Direct Payments within Older People and Physical and Sensory Disability clients and clients with Mental Health needs.

The recommendation in the October revenue monitoring report to impose a moratorium on all 'non-essential' spend is in place and Managers are closely scrutinising orders to ensure they meet the 'essential spend criteria' before orders are placed. These criteria are:

- The proposed spend must already be contractually committed;
- It must be essential for the safeguarding of vulnerable children and adults;
- It must be required to meet essential health and safety requirements;
- The spend is required to in order to avoid a false economy (something which will cost more in the longer term);
- The spend is highly sensitive to local Members or local communities.

To assist with managing this spend moratorium Managers are closely scrutinising the daily spend analysis reports which provide details of orders placed the day prior. This gives the opportunity for orders to be challenged, reprioritised or rejected before the contractual commitment is incurred.

Staff within the procurement team (P2P), are also closely reviewing orders being placed, and where appropriate, making further enquiries to ensure spend does meet the 'essential' criteria.

A number of 2016/17 budget savings proposals have already been agreed (some only requiring Officer approval through delegated powers) which will also contribute towards in-year savings in 2015/16. As these materialise their impact on the forecast outturn will be reflected in future revenue budget monitoring reports.

The financial impact of any decisions to release staff through voluntary severance or voluntary early retirement has been factored into budget monitoring reports. There are 35 severance applications on which a decision is still awaited. It is unlikely that, if approved, these will impact significantly on the forecast outturn.

In order to deliver on the tighter deadlines being imposed to finalise the Council's Annual Accounts it is proposed that next month's revenue monitoring report, which covers the period April 2015 to January 2016, will be the Council's 2015/16 Estimated Outturn report which will be considered by Advisory Cabinet in mid-March. In the event that anything is identified during the initial period of closing down the annual accounts in late March which is sufficiently material to warrant alerting Members urgently, a separate report will be produced for Advisory Cabinet consideration.

The aim is to provide the Advisory Cabinet with the final revenue Outturn report by the end of May 2016. This approach is in line with that being taken by Council's elsewhere.

Recommendations

- Note the forecast overspend and the need to maintain continuous close scrutiny of spend to significantly mitigate the current forecast overspend. To facilitate this a significant corporate overview of all spend between now and the end of March will be undertaken through the Strategic Leadership Team.
- Implement any 2016/17 budget savings proposals at the earliest appropriate opportunity (i.e. subject to clearance through appropriate approval mechanisms) to both guarantee full year effect of the saving in 2016/17 and contribute to mitigating the forecast overspend in 2015/16.

List of Appendices Included

Appendix 1 – Detailed analysis of forecast under and overspends

Background Papers

Revenue Budget and Council Tax Setting Report for 2015/16 to Council 4th March 2015

November 2015 Revenue Budget Monitoring Report to Commissioner Manzie's decision making meeting – 7th January 2016

Consultation with Strategic Directors

Consideration by any other Council Committee, Scrutiny or Advisory Panel

Overview & Scrutiny Management Board (26th February 2016)

Council Approval Required

No

Exempt from the Press and Public

No

Revenue Budget Monitoring Report for the period ending 31st December 2015

1. Recommendations

- 1.1 Note the forecast overspend and the need to maintain continuous close scrutiny of spend to significantly mitigate the current forecast overspend.
- 1.2 Implement any 2016/17 budget savings proposals at the earliest appropriate opportunity (i.e. subject to clearance through appropriate approval mechanisms) to both guarantee full year effect of the saving in 2016/17 and contribute to mitigating the forecast overspend in 2015/16.
- 1.3 Propose any further measures which may be implemented to help mitigate the current forecast overspend for 2015/16.

2. Background

- 2.1 As part of its performance and control framework the Council is required to produce regular reports for the Strategic Leadership Team and Members to keep them informed of financial performance on a timely basis such that where necessary, actions can be agreed and implemented to bring spend in line with the approved budget for the financial year.
- 2.2 Delivery of the Council's Revenue Budget and Medium Term Financial Plan within the parameters agreed at the start of the current financial year is essential if the objectives of the Council's Policy Agenda are to be achieved. Financial performance is a key element within the assessment of the Council's overall performance framework.
- 2.3 The last (November) revenue budget monitoring report was presented to Commissioner Manzie's decision-making meeting on 7th January 2015.
- 2.4 This report presents details of spending against budget by Directorate covering the first seven months of the financial year – April to December 2015 – and forecast costs and income to 31st March 2016.

3. Key Issues

- 3.1 Table 1 below shows the summary forecast revenue outturn position by Directorate. More detailed analysis of forecast under and overspends is included in Appendix 1.
- 3.2 The forecast overspend has increased since the November report by £197k to £8.816m or 4.3% of the Council's General Fund Budget.

Table 1: Forecast Outturn by Directorate/Service as at 31st December 2015

Directorate / Service	Annual Budget 2015/16	Forecast Outturn 2015/16	Forecast Variance (over (+) / under (-) spend)		Variance change Nov-Dec*
	£'000	£'000	£'000	%	£'000
Children & Young People's Services	52,552	60,230	+7,678	+14.6	+398
Adult Services, Neighbourhoods & Public Health	69,215	69,864	+649	+0.9	-63
Environment & Development Services	46,381	45,817	-564	-1.2	-126
Finance & Corporate Services	16,828	17,093	+265	+1.6	-12
Capital Financing, Levies and Central Services	18,578	19,366	+788	+4.2	0
TOTAL	203,554	212,370	+8,816	+4.3	+197
Housing Revenue Account (HRA)	84,880	82,283	-2,597	-3.1	-322

* November to December comparison has been adjusted to reflect Neighbourhoods now being reported within Adults and Neighbourhoods Directorate rather than Environment & Development Services.

The following sections (3.3 – 3.28) provide key reasons for the forecast level of annual under or overspend by Directorate. More detailed information is included in Appendix 1.

Children & Young People's Directorate (+£7.678m forecast overspend)

- 3.3 The recurrent pressure (£4.6m) Children's Services has had on its placement budgets (out of authority residential and independent fostering placements) has been addressed both in year (2015/16) through additional budget allocation from the Council's Transformation Reserve (as a short – term financial mechanism) identified in the 2015/16 budget setting process. The appropriate budget to cover the pressure on placements has now been added into the Medium Term Financial Strategy on a recurrent basis. However, CYPS supported by Commissioners has been spending one-off funding on transformational activity designed to improve the standards of service post Jay and Casey, and this funding is being covered from a range of sources, some from the Transformation Reserve, or from bidding mechanisms, or specific government funding. In some cases, recurrent funding has been added into the budget by agreement with Commissioners and Members (see below related to salaries).

- 3.4 The Council has had difficulty in attracting and retaining Social Work staff as its contractual terms and conditions of employment for this staff group have been less favourable than neighbouring and regional authorities. Children's Services have received a supplementary allocation of £1.9m for additional Social Worker posts and an additional £1.1m to fund enhanced leadership capacity in 2015/16 to enable the service to respond positively in making the service delivery improvements required in the Children's Improvement Plan. This additional £3m has been built into the Council's Medium Term Financial Strategy.
- 3.5 The service is facing a range of pressures (£7.678m as shown in the table above) largely due to the need to engage costly agency and interim staff for a limited period to provide much needed capacity to both meet current service demands and improve service delivery performance on a day to day basis. These costs are expected to gradually taper off as new social work staff are recruited and allocated appropriate caseloads. The current projected overspend also includes spending £1.003m above budget on out of authority residential placements (an additional 4 placements) and an overspend of £443k on Independent Fostering Placements (a potential 9 pending placements) additional to the £4.583m that has been allocated from one off earmarked funding this year. As a direct consequence of improving the service response to protecting vulnerable young people, more adolescents are presenting with social care needs which are not able to currently be accommodated within the borough. Until the impact of the new Sufficiency strategy is realised, demands on this particular budget are likely to increase in the short term. The budget is being closely monitored to ensure that 'local' (closer to home) placement options continue to be fully appraised; that those young people who may be able to return home are facilitated in doing so safely and that Partner's contributions are secured for young people with very complex care packages.
- 3.6 To address the disparities in terms and conditions with neighbouring authorities, the Council has recently improved its contractual terms and conditions of employment. An additional £1.353million is being added into recurrent budgets to reflect these changes in terms and conditions in 2016/17. £600k additional budget has already been allocated in 2015/16 to address the part-year effect of this change. In addition, the Council is in the process of recruiting 29 permanent new social work posts. These appointments will over the short to medium term significantly reduce reliance on the more costly agency staff.
- 3.7 A five year strategy of transformation in children's services is being mapped which includes opportunities to streamline costs once solid performance has been secured. The recently published outline MTFS has a priority to design and begin to implement a sustainable service to children and families, prioritising the most important interventions.
- 3.8 There are some further, as yet, unquantified costs (and also some unquantified income) which will be incurred within Children's services during the remainder of this financial year as part of making the service fit-for-purpose. These will be included in future budget monitoring reports as they become apparent.

- 3.9 Notwithstanding the above, any opportunities for the Directorate to review operations and deliver efficiencies in-year and into the medium term, are being driven forward. The Directorate is actively reviewing temporary agency and interim staff contracts to identify where there may be opportunities to safely bring forward any planned end dates to help mitigate the forecast overspend. The service are also reviewing high cost residential placements to determine whether or not young people can be safely returned to better (and less costly) placements closer to home.

Adult Services (+£1.038m forecast overspend) and Neighbourhoods (-£389k forecast underspend)

- 3.10 The Adult Services forecast outturn based on information as at the end of December 2015 is an overall overspend of +£1.038m; a small reduction of £12k on the position reported for November.
- 3.11 The main budget pressure continues to be the increased demand for Direct Payments (£1.75m) - an additional 277 clients in 2015/16 to date, a 29% increase. A task group established to review Direct Payments has commenced – including analysis of high cost care packages to ensure they are appropriately aligned to client need and to review the processes and procedures associated with assessment for the provision of Direct Payments to ensure they are fit for purpose. Since last month's report there has been a slight increase in the forecast overspend due to the increase in the number of clients receiving a direct payment.
- 3.12 There are also pressures on the residential and nursing care budgets across all client groups as a result of an increase in placements (overall 5% increase across all client groups) and lower than forecast 'Continuing Health Care' income contributions. Management actions to mitigate these increasing budget pressures are being put in place.
- 3.13 The forecast overspend is being partially reduced by projected underspends within the Assessment and Care Management budget due to receipt of one-off grant funding and high staff turnover, and within Enabling Care services due to vacancies and efficiencies on transport costs. Future models of delivery of enabling care are being developed for discussion and consultation.
- 3.14 The service is also reviewing Out of Authority placements and high cost care packages to identify any opportunities to reduce costs both in year and into the future. A meeting has been held with learning disability care providers to discuss the review of care packages. Wherever possible and appropriate to do so, clients' needs are being met in a way which maximises their independence, which is what most clients and families want, and at the same time does not attract high residential care costs.
- 3.15 To mitigate these increased budget pressures management actions plans are being established covering a range of measures including: authorisation of care packages by managers; ensuring that we are charging for services from the start of the provision of care; and reviewing the Resource Allocation

System. In addition, managers have also been requested to identify options for a 3% in-year budget saving and these savings will be included in reports once confirmed.

- 3.16 Neighbourhood services' latest forecast is an underspend of -£389k mainly due to additional income generation from increased demand through the Furnished Homes scheme and savings in staffing costs.

Public Health (Forecast balanced outturn)

- 3.18 The current overall forecast is to spend to budget with a transfer to reserves of £400k. Final confirmation has now been received of the Government's in-year reduction to Public Health grant in 2015/16 (£1.1m). Funding for this has been identified within the Public Health specific grant reserve.

Housing Revenue Account (HRA) – (Forecast -£2.597m underspend)

- 3.19 The forecast for the HRA is a transfer to reserves of £2.597m mainly due to the downward revision of the Revenue Contribution to Capital Expenditure (by £1.756m) where some capital schemes due to be funded from revenue have been re-profiled into future years. There is also an underspend within Supervision and Management budgets (-£695k) due to higher than anticipated staff turnover and a reduction in the provision for potential bad debts (-£119k) and forecast underspends across other budgets (-£27k).

Environment & Development Services (-£564k forecast underspend)

- 3.20 The Environment and Development Services Directorate is currently forecasting an underspend of -£564k. This is composed of: forecast underspends in Asset Management (-£134k), Planning Regeneration and Culture (-£45k), Business Unit (-£31k) and Streetpride (-£354k). This represents a further improvement of £126k on the position last reported principally due to an improved financial position within Streetpride due to reduced pressure on the winter maintenance budget as a result of milder weather conditions. It should however be noted that this budget is very volatile and the financial forecast could change dependent on the weather conditions resulting in the need to grit the highways. It should be noted that this budget has historically overspent - in 2014/15 the budget overspent by £324k.

- 3.21 The Directorate is strictly adhering to the protocol of all vacancies being considered at the management team meetings and are only approved for release where it is business critical to do so. The service is also minimising the use of non-pay budgets wherever possible.

Finance & Corporate Services (+£0.265m forecast overspend)

- 3.22 Overall the Directorate is forecasting an overspend of +£265k for the year, which is in line with the position reported for November. The forecast overspend is chiefly in respect of continuing additional staff costs within Legal Services, additional costs of business support across the Council and one-off costs for senior management recruitment.

- 3.23 To help mitigate the forecast overspend the service is, where is it appropriate and sensible to do so, freezing vacancies as they arise, minimising the use of non-pay budgets wherever possible, maximising the flexible use of grant funding within spending conditions and reviewing any agency contracts to determine if costs can be curtailed.

Corporate & Central Services (+£0.788m forecast overspend)

- 3.24 Additional costs have also been incurred within corporate services in respect of responding to the Alexis Jay and Louise Casey reports in such areas as temporary posts and the funding of essential permanent posts. These additional costs are being reviewed but a number of these costs have already been incurred.
- 3.25 £0.478m of the £0.788m costs include funding of the new senior management structure and revenue costs of commencing implementation of the new corporate (Children's and Adult's) social care IT system to respond positively to criticisms in the Jay, Ofsted and Casey reports.
- 3.26 The other key pressure within Corporate & Central Services relates to the extent that the Imagination Library budget saving proposal agreed when the Council set its 2015/16 budget will not be delivered during the year (+£310k).

Agency, Consultancy and Non-Contractual Overtime Costs

- 3.27 Details of spend on Agency, Consultancy and Non-Contractual overtime costs are shown in Tables 2, 3 and 4 below. These costs are included within each Directorate's forecast outturn position shown in Table 1 above.

Agency

Table 2: Agency costs to December 2015 compared with annual cost 2014/15

Directorate	Outturn 2014/15 (Year)	Cumulative to December 2015 (9 months)
	£'000	£'000
Children & Young People's Services	1,532	3,514
Adult Services & Neighbourhoods	57	342
Environment & Development Services	666	656
Finance & Corporate Services	116	309
TOTAL	2,371	4,821

3.28 Main reasons for agency spend:

- Children & Young People's Service: Cover for Interim Director posts; additional Social Work posts and Manager posts to build capacity and deliver the recommendations in the Children's Improvement Plan.
- Adult Services: Residential Care and Assessment & Care Management Social Work teams to maintain statutory levels of service, including cover for vacancies and sickness.
- Environment & Development Services: Temporary cover for holidays and sickness absence mainly within waste, highways, construction, building cleaning and catering services.
- Resources: Predominantly funding additional staff within Legal Services to provide capacity to respond to the recommendations of the Jay and Casey reports.

Consultancy

Table 3: Consultancy Costs to December 2015 and annual cost for 2014/15.

Directorate	Outturn 2014/15 (Year)	Cumulative to December 2015 (9 months)
	£'000	£'000
Children & Young People's Services	356	770
Adult Services & Neighbourhoods	0	183
Environment & Development Services & Neighbourhoods	198	150
Finance & Corporate Services	82	324
TOTAL	636	1,427

3.29 Main reasons for consultancy spend:

- Children & Young People's Service: £176k in respect of Education Consultants engaged within the School Effectiveness traded service where costs are recovered from schools and academies and grant funded services, and also includes £594k consultancy costs incurred engaging professionals to address recommendations in the Jay, Ofsted and Casey reports.

- **Adult Services:** Costs relate to the interim Director of Adult Services (significantly funded by the vacant Strategic Director of Neighbourhoods and Adult Services post) and additional project management and business change resources as part of implementing the Service Development Programme.
- **Environment & Development Services:** Specific advice has been required in respect of aspects of the now operational waste PFI contract, specialised valuation advice, planning policy advice and civil engineering advice. Engagement of the Housing Contract and Service Development Manager (funded via the Housing Revenue Account).
- **Resources and Corporate Services:** Costs incurred in relation to capacity building in response to the Alexis Jay and Louise Casey reports and Specialist ICT, digital engagement and information management support.

Non-Contractual Overtime

Table 4: Non-contractual Overtime to December 2015 compared with annual cost 2014/15

Directorate	Outturn 2014/15 (Year)	Cumulative to December 2015 (9 months)
	£'000	£'000
Children & Young People's Services	109	170
Adult Services & Neighbourhoods	158	242
Environment & Development Services	420	341
Resources	164	137
TOTAL	851	890

3.30 Main reasons for spend:

- **Children & Young People's Service:** Provision of staff cover for sickness, holidays and vacancies, mainly within residential units.
- **Adult Services:** Maintaining statutory staffing levels in residential, intermediate care, Rothercare, transport services and social work posts, and represents cover for sickness and delays in recruiting to vacant posts.
- **Environment & Development Services:** Maintaining Streetpride services, Library and Customer Services and Markets.

- Resources: ICT staff overtime to maintain business continuity (£25k), Revenues and Benefits to maximise income collection (£99k), and HR and Legal Services (£13k).

3.31 Collection Fund

The Collection Fund is the technical term for the statutory fund into which Council Tax and Business Rates income and costs are accounted for. At this stage of the financial year it is forecast that the budgeted level of Council Tax and Business Rates will both be achieved.

4. Options considered and recommended proposal

- 4.1 It is recommended that in order to help reduce the forecast overspend and bring spend back in line with the approved 2015/16 Budget all of the actions included in the recommendations section of this report at 1.1 to 1.3 are continuously adhered to.

5. Consultation

- 5.1 Budget Managers, Holders and Operators across the Council and the Strategic Leadership Team (SLT).

6. Timetable and Accountability for Implementing this Decision

- 6.1 Subject to the approval of the recommendations in the report, Strategic Directors and Managers to ensure implementation of recommendations at the earliest opportunity to maximise opportunities for mitigating the forecast overspend.

7. Financial and Procurement Implications

- 7.1 All financial details and implications are set out with section 3 of this report.

8. Legal Implications

- 8.1 No direct implications.

9. Human Resources Implications

- 9.1 Social Work staff and Trade Unions are aware of the changes that have been made to contractual terms and conditions of employment.
- 9.2 Staff and Trade Unions are aware of budget savings proposals under consideration and being progressed to help mitigate the in-year forecast overspend, which may impact on jobs.

10. Implications for Children and Young People and Vulnerable Adults

- 10.1 No direct implications.

11 Equalities and Human Rights Implications

11.1 No direct implications.

12. Implications for Partners and Other Directorates

12.1 Partners are aware of budget savings proposals under consideration and being progressed to help mitigate the in-year forecast overspend.

13. Risks and Mitigation

13.1 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.

13.2 Any potential cost of CSE claims over and above that already provided for in the 2014/15 accounts is not included in this report.

13.3 Although both Council Tax and Business Rates collection levels are currently on target there remains a risk that this could change during the remaining months of the year.

13.4 The current forecast assumes that costs associated with the EDS Highways Winter Pressures will be contained within budget. In 2014/15 these costs exceeded budget by £324k.

13.5 Some costs in respect of Children's services which will be incurred in 2015/16 are pending quantification. These will be reflected in future monitoring reports as they are confirmed.

14. Accountable Officer(s)

Pete Hudson – Chief Finance Manager

Approvals Obtained from:-

Interim Strategic Director of Finance and Corporate Services:- Stuart Booth

Interim Director of Legal Services:- Catherine Parkinson

This report is published on the Council's website or can be found at:-

<http://moderngov.rotherham.gov.uk/ieDocHome.aspx?Categories=>