

<b>1</b>	<b>Meeting:</b>	<b>Cabinet</b>
<b>2</b>	<b>Date:</b>	<b>17<sup>th</sup> November 2010</b>
<b>3</b>	<b>Title:</b>	<b>2010/11 Budget</b>
<b>4</b>	<b>Directorate:</b>	<b>Financial Services</b>

## **5 Summary**

This report outlines the impact on the Council of the Government's Emergency Budget and reductions in public spending announced this summer. The report also provides details of the pressures on the Council's Revenue Budget that have been identified as part of the monitoring process during the first half of the 2010/11 financial year.

In response, the Council has put forward budget proposals which clearly and positively set out how it is to address the implications of both the grant reductions and in-year budget pressures. This Budget will enable the Council to deliver its corporate priorities, protect front line services, safeguard the most vulnerable and make a positive difference to the wellbeing of the people of Rotherham while protecting the ongoing financial position of the Council.

## **6 Recommendations**

**Cabinet is asked to:**

- **Note the contents of this report;**
- **Recommend to Council the proposals regarding the Council's Revenue Budget for 2010/11;**
- **Determine any further actions to ensure that the Council's spending in 2010/11 remains within the approved Revenue Budget; and**
- **Note the reductions in the Council's capital funding and the actions proposed to address them.**

## 7 Proposals and Details

7.1 Over the summer, since it came to office in May, the new Coalition Government has made several announcements directed at correcting the structural deficit in the nation's public finances. Initial reductions of £1.166bn from specific grants made to local government in 2010/11 were announced on 24 May 2010, followed by an Emergency Budget in June and details of other grant reductions leading up to the Comprehensive Spending Review (CSR) last month.

7.2 Of the £1.166bn savings required from local authorities this year; £288m (24.7%) is being taken from capital grants and £878m (75.3%) from revenue funding streams. The grants affected include Area Based Grant (ABG), LAA Reward Grant, LABGI, Housing and Planning Delivery Grant and Housing Market Renewal Funding. The main grant streams affected are:

- The Council's ABG allocation has been reduced by £2.406m. The largest single element of this is £2.1m of DfE grants to Children and Young People. This grant cut has resulted in reconfiguration of the School Effectiveness Service and reductions in support for young people across a variety of projects.
- LAA reward grant is reduced by £2.8m (split evenly between revenue and capital funding). Planned spend across all partners has been reprioritised to focus the reduced resources on priority activities only.
- The Local Authority Business Growth Incentive scheme (LABGI) £0.21m ceases. This funding was already committed to fund advice services and therefore remains a priority for the Council to fund.
- Government support for Free Swimming for the under 16s and over 60s ended from 31<sup>st</sup> July, however Council decided to continue to support this initiative until the end of September this year.
- Migration Impacts Fund: the Council (and partners) will only receive half of its expected allocation this year, giving rise to a pressure of £0.084m. This funding supports the delivery of contracts signed prior to notification of funding reductions with CAB, Unity Centre Roma Project and ESOL. Consequently this now needs to be funded by the Council.
- On July 14<sup>th</sup> further reductions in funding for Children and Young People's services (over and above the loss of ABG) were announced by the Department for Education including the loss of £0.361m of revenue funding in the form of Play Pathfinder and 0-7 Partnership Pilot funding. These grant reductions were expected and therefore spending plans had not been developed or funding committed.

7.3 The total reduction in revenue grants and funding is currently £5.020m. It has been possible to put in place actions to address £3.628m of this leaving an outstanding pressure of £1.392m (£0.509m loss of LAA Reward Grant and £0.883m other grant and funding reductions).

7.4 The Chancellor's Emergency Budget announced a number of measures that will not take effect until next April and will be fully reflected in the Council's

2011/12 Budget and Medium Term Financial Strategy (MTFS). There were however some proposals that will have an impact in the current financial year. In particular, a two year pay freeze for public sector workers earning over £21,000 and a flat rate £250 annual increase for those earning less. The Local Government Employers' organisation has recently reiterated that local government pay "*remains a matter for free collective bargaining between the national employers and trade unions through the National Joint Council .....* The position on local government pay for 2010/11 is that the employers have not offered an increase." In line with the position of the LGE, the Council has not budgeted for an increase in Management, Admin and Clerical pay this year.

7.5 The Emergency Budget also provided an indication of some of the contents of last month's Comprehensive Spending Review, such as a freeze on Council Tax from April 2011 - which, as the CSR announced last month, will be funded by a grant. In addition, details of proposals to replace Council Tax Capping with local referendums on Council Tax increases were released for consultation at the end of July. The impact of CSR itself continues to be assessed and the full implications of the proposals on local authority funding will become clearer when the local authority's specific settlement is released at the end of this month or in early December.

7.6 As well as the loss of revenue resources the recent grant reductions have had an impact on the capital resources available to the Council. In total 2010/11 capital resources have reduced by £4.958m including:

- £1.4m of LAA reward grant. This reward grant would have been available to support future initiatives.
- Transport capital funding - £0.570m plus Rotherham's share of the reduction in funding for the South Yorkshire Strategic LTP - £0.915m. Loss of the £570k has resulted in the LTP being revised by removing or reducing a number of schemes. Loss of the £915k halted improvements to the A57 and Waverley Link Road, however, recent announcements potentially provide an alternative funding solution. Details are awaited.
- DfE capital grants of £0.766m (including, Harnessing Technology Capital Grant £0.55m). This has resulted in a 50% reduction in allocations to schools for ICT.
- Yorkshire Forward support for projects like the Weirside Public Realm and Deck of Cards £0.940m. Alternative options for delivery of these schemes are being explored.
- £0.697m of funding from the Housing Market Renewal Programme for Neighbourhoods and EDS programmes. The capital programme activity which was planned for 2010/11 but had not been initiated has been deferred to await identification of future funding opportunities.

7.7 Changes to Capital funding is being kept under review in the light of ongoing announcements from ministers and as the impact of developments including the cancellation of Building Schools for the Future (BSF) is assessed and the recent announcement of the cancellation of the Housing Market Renewal Pathfinder. The impact of changes in capital resources will be factored into

capital programme as they are assessed and a report on the revised capital programme is being prepared for consideration by Cabinet later this month.

## 7.8 Revenue Budget 2010/11

In addition to the pressures resulting from the recent Government announcements, the ongoing revenue budget monitoring process has identified significant budget pressures in the Children and Young People's Directorate, specifically in the area of Social Care. Other Directorates have identified and implemented a number of management actions which assist in reducing the overall in-year financial pressure facing the Council.

**Children and Young People's Service** is forecasting a net overspend of +£5.1m. Work continues to drive the overspend down as far as possible whilst ensuring that children's needs are met. The main area of overspend is Children's Social Care with a forecast overspend of £5.4m. There are also non-social care pressures across the Directorate and a number of savings which mitigate this forecast overspend down to £5.1m. The key pressures in the Directorate are as follows:

- £3.613m forecast overspend relating to Looked After Children. At the time of setting the budget it was assumed that an average of 14 residential placements would need to be supported throughout the year at an average cost of £3,463 per week. Actual numbers have shown a net reduction of 1 since the end of March 2010 with current residential care placements being 23. The residential care forecast overspend is £2.020m. (82% above budget). The number of children in Independent foster care is 112 (an increase of 17 since the end of March). The annual budget will support 65 full year equivalent placements at a current average unit cost of £897. The 47 placements above budget has resulted in an additional forecast cost of £1.554m (+51% above budget). The forecast overspend in this area has been partially offset by expected savings as result of the anticipated recruitment of new foster carers during the year.
- £1.668m forecast overspend relating to Commissioning and Social Work mainly attributable to agency staff costs (£1.521m) and non achievement of vacancy factor (£138k)
- £156k forecast overspend on Other Children & Families services due to non-achievement of the vacancy factor target (£114k) and projected overspends on inter-agency adoption costs (£75k), Adaptation costs (£75K), Leaving Care Services (£23K) and supplies & services (£29K). These are partially offset by projected underspends on Adoption Allowances (£140K) and Special Guardianship allowances (£20K)
- £93k forecast overspend on Home to School Transport due to changes in (needs-led) requirements on Home to School Transport (£68K) and forecast non-achievement of vacancy factor (£25k).
- £99k forecast over-spend on the Strategic Management account largely due to increased central support charges and ICT costs (£75K) and the costs projected to be incurred from the Ofsted inspection (£17K).

- £84k forecast overspend on Youth & Community through a forecast under-recovery of income from the Outdoor Education Service (£26k) as a result of the current economic climate, and non-achievement of the Youth Service vacancy factor (£58k).
- £245k forecast overspend on Support Services & Management Costs due to a projected overspend on Legal fees resulting from the continuing high numbers of Looked After Children (£200K) and Agency costs for a Service Manager post (£45K).

The above pressures are partially offset by underspends made up from redistribution of grant (£460k), below budget pension costs (£22k), additional income generation from SEN Extra District placements and services traded with Schools (£186k), staff slippage (£119k) and below budget SEN placements (£85K).

**Environment and Development Services Directorate** is currently forecasting an underspend of £177k which consists of the following:

- £310k - Asset Management forecast overspend. The key pressures for this Service remain Office Accommodation costs at £300k above budget, the vacancy management target which the Service may find difficult to achieve in the year (£85k), and the impact on revenue of property related costs which are unfunded (£85k). However, these pressures are partially mitigated by savings identified across the Service due to staffing savings and additional income generation. (£160k).
- £273k - Culture and Leisure forecast underspend. The position for Culture and Leisure Services is mainly due to the inclusion of staff savings as a result of retirements and voluntary severance, and a one-off saving of £70k from the Materials Fund.
- £70k - Regeneration and Planning forecast overspend. The Service continue to work through the reductions in grant funding from Yorkshire Forward and reductions in fees that are claimable against capital projects, and have managed to reduce this to a pressure of £74k. The vacancy management target of £129k will be difficult to achieve in year due to other pressures within services. There is a pressure of £45k within Building Control as the income target not being achieved due to the continued economic climate. These pressures are being mitigated by some in year savings offered, reducing the use of RERF (Rotherham Economic Regeneration Fund) by £50k, reduced use of LDF (Local Development Framework) budget £65k, along with staff savings due to vacancies & retirement £63k.
- £284k - Streetpride forecast underspend. There are two key pressures identified within the service; Street Cleansing (£25k) and emergency maintenance (£32k). These pressures are being mitigated by savings across the Service and include staff savings as a result of retirements and voluntary severance. The key reasons for the forecast underspend are: Green waste charging, changes to

Christmas waste collection, reduced Public Rights of Way maintenance (£25k), reduced gully emptying (£15k), reduced opening hours at household waste recycling centres (£15k), wheeled bin income (£50k) and additional fee income (£26k).

**Neighbourhoods and Adult Services Directorate** is currently forecasting net saving of £1.140m by the end of 2010/11. There are a number of pressures within the Directorate which are also being managed in producing this forecast outturn. These are:

- £135k pressure within Commissioning & Partnerships in respect of a restructure agreed as part of this year's budget setting process, which now forms part of the corporate review on policy and performance and commissioning. The Government announcement to cut the full Supporting People Admin grant in year is being contained within the procurement process, non recruitment to vacant posts and income carried forward from previous years.
- £603k forecast overspend within Older Peoples' Home Care Service due to increased demand for maintenance care within the independent sector.
- £77k pressure on independent home care within Physical and Sensory Disability Services due to a continued increase in demand. An additional 55 new clients on service since April (+817 hours).
- £362k budget pressure on client income within in-house residential care.
- £293k overspend against budget within Learning Disabilities Day Care Transport.
- £495k pressure on Direct Payments. Additional 64 new clients since April, mainly within the mental health and physical and sensory disabilities client groups.
- £100k slippage on introduction of new day care charge.

These pressures are being reduced by the following forecast underspends within Health and Well Being:-

- £755k forecast underspend on independent sector residential and nursing care due to less actual placements than planned (-33) and additional income from continuing health care and property charges.
- £278k continued underspend employee costs within Extra Care Housing.
- £117k underspend within Transport Unit within employees and leasing costs plus additional income.
- £505k forecast underspend within Learning Disabilities residential and nursing care due to admissions less than planned.
- £66k continuing Health Care Income for Supported Living Scheme within Physical and Sensory Disabilities.
- £157k saving on vacant posts within Assessment & Care Management as part of vacancy management.
- £62k forecast underspend on Richmond Fellowship SLA is reducing the pressure on mental health direct payments.
- £17k underspend on Independent Living within Extra Care Housing due to slippage in vacant posts and a slight underspend on Rothercare Direct in respect of additional income.

- £96k - Housing and Neighbourhood Services forecast underspend, primarily as a result of the increasing number of vacant posts due to Voluntary Severance and Early Retirement

The Directorate has also implemented further savings to help mitigate the Councils wider in year budget pressures:

- £250k – Deferral of the implementation of community based alternatives to residential care.
- £90k – Flexible one-off use of Social Care Reform Grant.
- £10k – Efficiencies through merging Adult Social Care and Supporting People Commissioning Staff.
- £18k – Commissioning Learning Disabilities training externally rather than through direct provision.
- £500k – Additional contribution from health towards the cost of Continuing Health Care provision. (This is a projected income from NHS Rotherham. Any in-year change to the basis of health contributions may impact on this income level being achieved).
- £100k - Merging of Home Care Enabling and Wardens Services to deliver efficiencies and better customer outcomes.
- £76k – Reconfiguration of Neighbourhood Wardens and Neighbourhood Partnership Services.

### **Chief Executive's**

The Chief Executive's Directorate is currently forecasting a saving of £207k as a result of taking the following actions:

- £31k - Reorganising working practices and patterns
- £25k - In year reduction of non-essential Training & Development spend
- £83k - Review of subscriptions, non-pay costs, ICT budgets and cessation of the 'Place Survey'
- £13k - Refocus of HR support budgets (Management Development, staff awareness raising sessions, etc)
- £55k – Generation of one-off income

### **Financial Services**

Financial Services Directorate is currently forecasting a saving of £225k due to not filling posts and reconfiguring and reprioritising work when staff leave the Directorate and more recently, through savings from staff being supported with voluntary severance and flexible retirement applications. The Directorate has also generated some additional income and delivered savings through improved collection rates on sundry accounts.

### **2010/11 Service Reviews**

The current year's budget included several cross-cutting reviews (Admin and Back-office functions, Management, Performance and Quality, Asset Management and Procurement) which were planned to deliver £1.776m of savings. Collectively these targets have broadly been met.

## Accounting Opportunities

Recent changes to Accounting requirements under International Financial Reporting Standards (IFRS) have provided an opportunity for elements of the Council's capital financing, in particular the Minimum Revenue Provision (i.e. the amount set aside to meet future liabilities), to be reconfigured while maintaining a prudent provision. This has enabled the freeing up resources which can be made available to support the Council's current in-year financial pressure (£2.2m).

### 7.11 The Financial Challenge

Mitigating the impact of the reductions in Government funding and addressing the in-year budget pressures described represents a significant financial challenge for the Council. The proposals outlined to address this significant challenge have been developed with the intention of addressing the key priorities and ambitions of the borough, safeguarding the most vulnerable, protecting front line services and with a focus on the customer through reducing bureaucracy and joining up services and delivering key investment priorities across the borough.

Nevertheless, despite the actions outlined above, a shortfall of £603,000 remains, and it is therefore proposed that this should be funded from general reserves and balances. Having reviewed the risks to which the Council's Budget is exposed, and having regard to the exceptional nature of in-year funding losses, use of general reserves and balances to this limited extent is deemed both appropriate and prudent.

The table below therefore summarises the net in-year revenue pressures currently facing the Council and the proposed method of funding these:

	£'000
C&YPS Budget Pressures	5,100
C&YPS (ABG)	518
EDS	-177
NAS	-1,140
Chief Executive	-207
Financial Services	-225
Unmitigated loss of LAA Reward Grant	509
Unmitigated loss of Other grants	365
Use of specific reserves & balances and contingency fund	-1,000
ICT Capitalisation	-760
Slippage in un-ringfenced Supporting People Grant	-180
Accounting Opportunities	-2,200
<b>Net forecast in-year deficit</b>	<b>603</b>
<b>Proposed Use of General Reserves &amp; Balances</b>	<b>-603</b>



## **7.12 Other savings opportunities**

The Council's current voluntary severance scheme is also expected to generate ongoing savings from the release of staff that are not part of any reviews and the deletion of non essential posts that fall vacant as described above. There may also be further in-year savings resulting from additional reviews which are currently taking place across the Council including Localities, Financial Services, School Effectiveness Service, Regeneration, Comms. & Marketing Review, etc. Savings from these additional reviews will however, in the main, be delivered from April 2011.

## **8. Finance**

The financial issues are discussed in section 7 above.

## **9 Risks and Uncertainties**

As indicated, the Council is facing significant financial challenges which will require difficult decisions and actions to address. Although most of the issues surrounding resource reductions are known, there is still some uncertainty with respect to the implications of the CSR for the Council and the borough. The budget proposals put forward to meet the in year pressures will need to be carefully managed so as to ensure the Council is able to meet its revised financial plan.

## **10. Policy and Performance Agenda Implications**

The delivery of the Council's Revenue Budget 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.

## **11. Background Papers and Consultation**

- Proposed Revenue Budget and Council Tax for 2010/11 - Report to Cabinet 24 February 2010.
- Revenue Outturn 2009/10 - Report to Cabinet 7<sup>th</sup> July 2010.
- The Chancellor's Emergency Budget Statement 22 June 2010.

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