

ROTHERHAM BOROUGH COUNCIL – REPORT TO CABINET

1	Meeting:	Cabinet
2	Date:	19th October 2011
3	Title:	Revenue Budget Monitoring for the period ending 30th September 2011
4	Directorate:	Financial Services

5 Summary

In setting the 2011/12 Revenue Budget the Council had to manage an unprecedented level of savings (£30.3m) resulting from the withdrawal of Central Government funding and grant allocations. In meeting this significant financial challenge the Council, from the outset, said that the Budget process must focus on the customers it serves, the communities and businesses of Rotherham. This has meant, as a first course of action, streamlining our management and administration, and reducing as far as possible our back office costs. These were highlighted as a priority by the public in our 'Money Matters' budget consultation.

This report provides details of progress on the delivery of the Revenue Budget for 2011/12 based on performance for the first 6 months of the 2011/12 financial year. The report flags up a potential overspend of £6.923m (3.20%). The main reasons for the variance are:

- The continuing service demand and cost pressures in looking after vulnerable children across the Borough, which are also being felt both nationally and locally by a large number of councils;
- Additional, one-off property costs relating to the continued rationalisation of the Council's asset portfolio as part of the efficiency drive to reduce operational costs; and
- The extended timescale for realising the full forecast management and business support savings of £1.45m.

However, the report identifies actions being taken by the Strategic Leadership Team to drive the Budget position towards a balanced position by the end of the financial year.

6 Recommendations

Cabinet is asked to:

- **Note the contents of this report;**
- **Note the progress made to date in delivering the significant financial challenges presented in the Council's Revenue Budget;**
- **Determine any further actions to be taken by Directorates so as to minimise the impact on the Council's medium term financial position.**

7.1 Proposals and Details

This report presents details of spending against budget by Directorate covering the first 6 months of the 2011/12 financial year – April to September.

7.2. The Overall Position

Service Area	Annual Budget 2011/12 £'000	Projected Outturn 2011/12 £'000	Variance after Actions (over+)/under spend) £'000	%
Children & Young People Services	35,623	41,023	+5,400	+15.2
Environment and Development Services	43,876	44,272	+396	+0.9
Neighbourhoods & Adult Services	80,056	79,996	-60	0
Chief Executive's Office	10,788	10,788	0	0
Financial Services	8,204	8,204	0	0
Central Services	41,075	42,262	+1,187	+2.9
TOTAL	219,622	226,545	+6,923	+3.2
Housing Revenue Account (HRA)	76,787	76,525	-262	-0.3

Appendix 1 to this report provides a detailed explanation of the key areas of forecast over / underspend by Directorate. The summarised position for each Directorate is described below.

Children & Young People's Directorate (£5.4m forecast overspend)

The £5.4m forecast overspend position is largely due to pressures within Safeguarding and Corporate Parenting Service and is a continuation of the position from 2010/11. The position in Rotherham is similar to that being publicly reported by statistical and regional neighbours as well as nationally.

Recent information acquired from a number of Local Authorities (including some statistical and regional neighbours) showed that in 2010/11 these authorities' outturn positions ranged from £1m overspend to £10.3m overspend - in one authority, the overspend was 14% above the budgeted amount. **For the current year, the same authorities are all forecasting an overspend of between £249k and £5m mostly resulting from the increasing number and cost of out of authority placements and / or agency staffing.**

The Director of Children's Services has contacted colleagues from Bedford, Middlesbrough, Darlington, and Poole, amongst others as to their Looked After Children (LAC) position. All are reporting increases in their LAC population. The Tees Valley authorities are reporting the highest ever. One of them has gone from

260 to 350 and rising. **In Rotherham we are doing well to hold our LAC population below 400 and reduce the numbers in residential care.**

Children's Services nationally suffered significant reductions in grant allocations both in 2010/11 and 2011/12. Rotherham's former Area Based Children's Grants (now paid via the Early Intervention Grant) were reduced by £3.9m in 2011/12. School grants were also reduced by £2.8m. This has inevitably placed further pressure on the service.

The service has been proactive in driving down costs:

- Management actions (predominantly through successful recruitment to vacant Social care posts), is expected to result in an equivalent staff/agency cost reduction of £353k compared with 2010/11. Plans are in place to end all remaining agency assignments on or before the 30th December (with the exception of the Operations Manager (Central), and, going forward the basis for using agency staff will be 50% of vacant posts.
- A Multi-Agency Support Panel was introduced by the Director of Safeguarding & Corporate Parenting in April 2011 and has delivered in the past 6 months, **cost avoidance in the region of £2.22m - this represents costs avoided through effective multi agency management actions and decision making.**
- Successful work undertaken in commissioning and re-commissioning service provider contracts has led to significant cost reductions/cost avoidance (£0.72m)

The service has also implemented a number of invest to save actions which will facilitate the implementation of more preventative and early intervention services, delivering net savings in excess of £1m over the next four years. In addition, the service aims to reduce the number of out of authority fostering placements from 130 to 80 over the next 3 years.

Children's Services are constantly looking for ways to reduce spend and increase efficiency with the aim of reducing their current forecast overspend.

Environment & Development Services (£396k forecast overspend)

Key areas of overspend are within Planning and Regeneration where there has been a significant reduction in external funding (£166k) and in Asset Management where additional, one-off cost pressures exist related to the ongoing rationalisation of the Council's asset portfolio (£200k). These pressures are partially offset by forecast savings within Streetpride due to one-off savings arising from deferred implementation of Waste contracts.

The service is actively looking to identify options to reduce and eliminate the forecast overspend.

Neighbourhoods and Adult Services (£60k forecast underspend)

Overall the Directorate is forecasting a £60k underspend. Within this, Adult Services are forecasting a balanced position and Neighbourhood Services £60k underspend. The forecast balanced position in Adult Services is made up of a number of under and overspends, detailed in Appendix 1.

Financial Services - (forecast balanced budget)

Although Financial Services is currently forecasting a balanced budget for 2011/12 the service budget includes a number of savings (£1.141m) in relation to the successful completion of the Council's Strategic Partnership with RBT. Managing the transition towards reintegrating these services into the Council is ongoing and an update on delivery of these budgeted savings will be provided in the next budget monitoring report.

Chief Executive - (forecast balanced budget)

At this stage of the financial year the Directorate is forecasting an outturn position in line with budget (balanced).

Other Issues

In setting the 2011/12 Budget, the Council pledged **to protect services for those in most need**. To do this, the Council put forward a wide range of Council-wide savings or additional sources of funding – totalling £14.4m. It is currently forecast that the Council may not fully realise this target this year by just over £1.1m (7.6%). The main reasons for this variance are:

- **Management Review (£1.25m)** – Progress to date shows management savings of £1.78m which includes annual revenue savings of £1.07m. Due to timing effects, this amounts to savings of £593k for 2011/12 as staff have left part way through the year. It is expected that further revenue savings will be identified from this review, and these will be included in the next budget monitoring report.
- **Business Administration Review (£200k)** – Progress to date shows that annual revenue savings of £134k have been achieved although for 2011/12 this amounts to £70k as staff have left part way through the year. Any further revenue savings identified from this review will be included in the next budget monitoring report.
- **Localities Review & Premises Costs (£500k)** – the Council is optimistic that over time it will be possible to deliver the savings target - to date revenue savings of £100k are expected to be achieved in 2011/12.

Progress on delivery of other savings targets including development of shared services (£500k), Customer Services Review (£250k), Improved Commissioning (£400k) are proactively being managed and are projected to be on target. However, delivering these savings will be challenging. A progress update will be included in the next budget monitoring report.

Other cross-cutting savings within the 2011/12 budget included non-payment for Concessionary Days (£1.120m) and deferral of incremental progression (£800k), mileage savings (£100k) and reductions to supplies and services budgets (£400k). These targets have been allocated across Council Directorates and performance against these is included in the Directorate forecast outturn positions in the table at 7.2 above.

Management Actions

Given the pressures in the Council's Budget, the Strategic Leadership Team has identified a series of actions aimed at driving the Budget towards a balanced position by the end of the financial year. These include:

- Ensuring that all available resources are focussed on the Council's priorities, as set out in the Corporate Plan
- Limiting operational expenditure to that which is essential, whilst ensuring that the needs of Rotherham's most vulnerable people are fully and securely met
- Ensuring that target savings within the 2011/12 Budget are delivered at the earliest opportunity
- Ensuring that all staff vacancies are tightly managed
- Working with partners to maximise the impact of scarce resources (such as working with Health colleagues on continuing health care services)
- Reviewing all contractual arrangements to ensure best value in a changing financial climate
- Identifying further actions to bring spend into line with Budget limits.

Housing Revenue Account (HRA) (£262k forecast underspend)

At this stage of the financial year the Housing Revenue Account is forecasting a £262k (0.3%) underspend. Any underspend at the end of the year will transfer to HRA reserves (ringfenced funding).

8. Finance

The financial issues are discussed in section 7 above.

9 Risks and Uncertainties

Management actions have been put in place to address some of the issues identified to date and work is being undertaken to identify further actions. As these take effect they will be monitored to enable the impact of the actions to be assessed. Careful scrutiny of expenditure and income across all services and close budget monitoring therefore remain essential.

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. Financial performance is a key element within the assessment of the Council's overall performance framework.

11. Background Papers and Consultation

- Revenue Budget and Council Tax for 2011/12 Report to Council 2nd March 2011.
- Strategic Directors and Service Directors of the Council

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Key reasons for forecast over / underspends**Children & Young People's Services (£5.4m forecast overspend)**

The key factors contributing to the forecast overspend are:

Children Looked After – Forecast overspend of £2.m net of Invest to Save funding. The forecast overspend on Residential out of authority placements is £602k. The number of children in residential out of authority placements as at 31st August is 15.

The forecast overspend on Independent Fostering placements is £2,604k. The number of children in Independent foster care as at 31st August is 129 (an increase of 22 since the end of March 2011).

The number of looked after children requiring placements increased from 345 at the end of March 2008 to 391 at the end of March 2011. As at the end of August this number is 389, a reduction of 2 (-0.5%) since the end of March 2011. The commissioning work to negotiate reductions in placement costs has already achieved a reduction in costs of £582K and an additional projected saving of £139K is included in the figures above.

Commissioning and Social Work – Forecast overspend of £1.961m due to staffing costs (£1,671K), interpretation costs (£24k), Section 17 payments (£38K), Section 23 payments (£8K), premises costs (£99K), Transport (£34K), supplies & services (£87k)

Other Children & Families Services – Forecast overspend £580k as a result of non-achievement of vacancy factor target (£85k), projected overspends on inter agency adoption costs (£177k), Special Guardianship allowances (£124K), Action For Children contract due to there being 27 care leavers to support & the budget was for only 15 (£278K) and offset by projected under spends on Adoption Allowances (£84K).

Support Services & Management Costs – Forecast Overspend of £634k is mainly due to Legal costs relating to Looked After Children.

Strategic Management – Forecast overspend of £338k mainly due to £256K costs on central supplies & services & £82K on non-achievement of vacancy factor.

School Effectiveness Service – Forecast over spend of £21k mainly due to staff savings not fully realised in year.

Access to Education – Forecast overspend of £12k due to non-achievement of vacancy factor.

Youth & Community – Forecast Overspend of £38k due to a projected under recovery of income with the outdoor education service (£45K) which is offset by staffing slippage within Adult Community Learning (-£7K).

Pension/Miscellaneous – Forecast Overspend of £28k due to additional pensions costs.

Delegated Services – Forecast Overspend of £106k. £52K of the forecast overspend is as a result of Rockingham Teachers Centre being unable to meet its income target as due to a reduction in staff within School Effectiveness Service they are unable to offer the

normal level of training courses. £44K is due to the Schools Music Service not achieving full year savings as the new structure has only been implemented in September. £10K is due to an under recovery of income on the RBT Schools HR SLA.

Other Children Looked After Services - £17k forecast underspend which includes a forecast overspend on Residence Orders (£144K), non-achievement of vacancy factor on the Fostering Team (£52K). This is offset by a forecast under-spends on fostering allowances (-£154K), Families Together packages (-£16K), staff slippage on Residential homes (-£43K).

The above over spends are being offset by under spends of £301k from redistribution of grant (£119k), slippage on Invest to save implementation (£148K) and below budget SEN placements (£34K).

Environment & Development Services (£396k forecast overspend)

Streetpride – The service is forecasting an underspend of £163k due to slippage on the implementation of some of the approved 2011/12 budget savings proposals (£305k), and pressures in respect of fuel inflation (£136k), these pressures are being more than offset by some one off savings in Waste due to deferred implementation of waste contracts.

Asset Management – The service is forecasting an overall overspend of £230k. £200k one-off cost pressures exist related to the ongoing rationalisation of the Council's asset portfolio. There is also a forecast part year pressure for Rawmarsh JSC when it becomes operational towards the end of 2011/12 (£30k).

Regeneration and Planning – The service is forecasting an overspend of £166k due to reduced external funding. This pressure is being reviewed on an ongoing basis.

Neighbourhoods & Adult Services (£60k forecast underspend)

Although Adult Services are forecasting a balanced outturn a number of pressures are being offset by a number of areas of forecast underspend. The key underlying budget pressures include:

Older Peoples' Home Care Service – forecast overspend of (+£669k) mainly due to increased demand for maintenance care within independent sector.

Physical and Sensory Disability Services – independent home care services forecast overspend (+£128k) due to a continued increase in demand. An additional increase of 40 new clients (+394 hours) on service since April.

In House Residential Care - income shortfall in respect of client charges (+£142k).

Older People in-house residential care - additional costs to cover vacancies and long term sickness (+£216k).

Direct Payments – forecast overspend of (+£460k) across all client groups due to increase in demand, a net increase of 13 clients since April.

Transport - recurrent budget pressure on transport (+£145k) including income from charges.

These pressures are being offset by the following forecast underspends:-

Older People's service – forecasting a net underspend on independent sector residential and nursing care due to an increase in the average client contribution and income from property charges (-£198k).

Learning Disabilities – forecasting an underspend within residential and nursing care due to slippage on transitions from Children's Services and additional income from health (-£479k).

Physical and Sensory Disabilities - In year slippage on developing Supported Living Schemes (-£140k). This scheme will however be fully operational in 2012/13.

Learning Disabilities - Review of care packages within supported living resulting in efficiency savings with external providers and additional funding from health (-£320k).

Mental Health – forecasting an underspend in respect of slippage in a number of service level agreements with external providers as clients move to Direct Payments (-£232k), therefore reducing the overall pressure on direct payments budgets.

Rothercare Direct – forecasting an underspend (-£106k) due to slippage on vacant posts and a reduction in expenditure on equipment including leasing costs.

Neighbourhood Services - £60k forecast underspend comprises:

Housing Access - There are small projected surplus balances within Adaptations Service (£5k) and Housing Management & Admin (£16k) as a result of vacant posts. These are partially reduced by a small forecast shortfall of £1k on the Medical Mobility and Community Care budget due to the unmet vacancy factor on this small budget area and a small projected income shortfall of £2k on the Housing Mortgage cost centre due to reducing income from Mortgage Interest.

Housing Choices - projecting a surplus within the Homelessness budget as a result of a post being held vacant since the post holder's secondment to another service area within Housing Choices.

Safer Neighbourhoods - forecast underspend within Community Protection due to vacant posts. This underspend is slightly offset by pressures on Transport and ICT support costs (£23k). Additional underspends are projected within Community Safety (£11k), Domestic Violence (£2k) and Anti-Social Behaviour (£12k) mainly due to vacant posts being held.

The Pest Control Service is currently facing a forecast income pressure of £18k which is being closely monitored.

Business Regulation - forecast underspends in Health & Safety and Food & Drugs totalling (£45k) as a result of vacant posts, which are mostly offset by projected overspends on Animal Health and Trading Standards mainly due to the services being unable to meet its vacancy management target.

Neighbourhood Partnerships - forecasting a small overspend (£4k) as a result of not being in a position to deliver its vacancy management target plus additional external audit costs on the Local Ambition programme.