

1	Meeting:	CABINET
2	Date:	21st December 2011
3	Title:	Revenue Budget Monitoring for the period ending 30th November 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. It did this by ensuring the budget process focused on the customers the Council serves, the communities and businesses of Rotherham. Consequently, as a first course of action, our management and administration, and back office costs were streamlined.

This report provides details of progress on the delivery of the Revenue Budget for 2011/12 based on performance for the first 8 months of the 2011/12 financial year. It is currently forecast that the Council will overspend against its Budget by £7.393m (3.4%). This shows an increase in overspend of £470k compared to the budget monitoring report for the first 6 months of 2011/12. The main reasons for the forecast overspend 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.

6 Recommendations

Cabinet is asked to:

- **Note the progress made to date in delivering the significant financial challenges presented in the Council's Revenue Budget;**
- **Determine 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 8 months of the 2011/12 financial year – April to November.

7.2. The Overall Position

Service Area	Annual Budget 2011/12	Projected Outturn 2011/12	Variance after Actions (over+)/under spend)	
	£'000	£'000	£'000	%
Children & Young People Services	35,514	40,831	+5,317	+15.0
Environment and Development Services	39,668	39,264	-404	-1.0
Neighbourhoods & Adult Services	79,922	79,751	-171	-0.2
Resources	22,299	22,588	+289	+1.3
Central Services	42,219	44,581	+2,362	+5.6
TOTAL	219,622	227,015	+7,393	+3.4
Housing Revenue Account (HRA)	76,787	76,731	-56	0

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 (£5.3m forecast overspend)

The £5.3m 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.

CIPFA comparative benchmarking information (budgeted spend per capita) for Looked After Children for 2011/12 shows that these services in Rotherham are less well funded than in many other Authorities. Relevant comparative information is shown in the table below:

	Rotherham	Metropolitan Authorities	Statistical Neighbours	Yorkshire & Humber	England
	£	£	£	£	£
Residential Care	65	107	98	79	83
Fostering	109	125	134	108	122
Short Breaks	3	7	7	10	7
Other LAC Services	33	45	46	43	48
Total LAC Spend	210	284	285	240	261

Overall Rotherham's Safeguarding and Corporate Parenting services has a £6.31m lower level of funding than the average across Metropolitan Authorities, £6.46m less than the average across statistical neighbours and £3.42m less than the average across Yorkshire and Humber Authorities.

This comparative lower level of funding contributes to the pressures being evidenced in our Children's Social Care services despite the services' proactive approach to drive down costs including:

- 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 £2.9m - 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 (£0.7m)

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.

The comparative data and the level of recurrent pressure in Children's services strongly indicates that the service is relatively underfunded and has a structural budget deficit, which needs to be tackled.

The various management actions and Invest to Save work implemented by the service is estimated to reduce these pressures going forward but it is still estimated that £4.384m of additional funding is required in 2012/13, reducing to £3.284m in 2012/13 (i.e. a reduced additional budget requirement of £1.100m from 2012/13 to 2013/14)

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 (£404k forecast underspend)

The Directorate is forecasting an underspend of £404k due to forecast due to some one off savings in Waste due to deferred implementation of waste contracts and Regeneration and Planning savings due to restructures in the Cultural Services Service, and additional (non-recurrent) income recovery within the Transportation service.

Neighbourhoods and Adult Services (£171k forecast underspend)

Overall the Directorate is forecasting a £171k underspend. Within this, Adult Services are forecasting an underspend of £100k and Neighbourhood Services a £71k underspend. The forecast position is made up of a number of under and overspends, detailed in Appendix 1.

Resources Directorate - (£289k forecast overspend)

The Directorate is forecasting an overspend of £289k. Legal services are forecasting an overspend of £249k, Human Resources are forecasting an overspend of £70k and these are partially offset by forecast savings on Asset Management (£24k) and Commissioning, Policy and Performance services (£4k). Further details are included in Appendix 1.

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.

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 £2.362m (16.4%). The main reasons for this forecast variances (shown in brackets) are:

- **Management Review (£732k)** – Progress to date shows annual revenue savings of £930k have been achieved against a savings target of £1.25m. Due to timing effects, the saving for 2011/12 amounts to £518k as staff have left part way through the year. Work on the Management Review is due to conclude by the end of December 2011 and any further revenue savings will be included in the next budget monitoring report.
- **Business Administration Review (£130k)** – Progress to date shows that annual revenue savings of £134k have been achieved against the saving target of £200k. 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 and Land Bank Pressures (£750k)** – the Council is optimistic that over time it will be possible to deliver the savings target however, none of these savings will be delivered in 2011/12. Additionally there are pressures on the Land Bank due to costs incurred for maintaining security of buildings and for preparing properties for the market. These are estimated to be c£250k.
- **Customer Services (£250k)** – The Council is now anticipating that this target will be delivered from 2012/13.
- **Shared Services (£500k)** – The Council is now anticipating that this target will be delivered from 2012/13.

Progress on delivery of the savings targets for improved Commissioning (£400k) is being managed proactively and is projected to be on target. An update will be included in the next budget monitoring report.

Other cross-cutting savings within the 2011/12 budget of £2.420m have been allocated across Council Directorates and performance against these is included in the Directorate forecast outturn positions reported in the table at 7.2 above.

Housing Revenue Account (HRA) (£56k forecast underspend)

At this stage of the financial year the Housing Revenue Account is forecasting a £56k 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 Monitoring Report – Cabinet 19th October 2011
- 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 (£5.3m forecast overspend)**

The key factors contributing to the forecast overspend are:

Children Looked After – Forecast overspend of £2.195m net of Invest to Save funding. The forecast overspend on Residential out of authority placements is £646k. The number of children in residential out of authority placements as at 30th November is 16.

The forecast overspend on Independent Fostering placements is £2.703m. The number of children in Independent foster care as at 30th November is 131 (an increase of 24 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 November this number is 392, an increase of 1 since the end of March 2011. The commissioning work to negotiate reductions in placement costs has already achieved a reduction in costs of £632K and an additional projected saving of £68k is included in the figures above.

Commissioning and Social Work – Forecast overspend of £1.943m due to staffing costs (£1,593k), interpretation costs (£30k), Section 17 payments (£38k), Section 23 payments (£10k), premises costs (£118k), Transport (£34K), supplies & services (£119k)

Other Children & Families Services – Forecast overspend £282k as a result of non-achievement of vacancy factor target (£79k), projected overspends on inter agency adoption costs (£177k), Special Guardianship allowances (£86k), 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 (£161k).

Support Services & Management Costs – Forecast Overspend of £625k is mainly due to Legal costs relating to Looked After Children.

Strategic Management – Forecast overspend of £295k mainly due to £242k costs on central supplies & services & £53k on non-achievement of vacancy factor.

School Effectiveness Service – Forecast over spend of £22k mainly due to staff savings not fully realised in year.

Access to Education – Forecast underspend of £9k due to staff slippage.

Youth & Community – Forecast Overspend of £86k due to a projected under recovery of income with the outdoor education service (£43k), a forecast overspend on the Youth Service (£52k) due to higher than anticipated top-slicing of premises costs. This is offset by staffing slippage within Adult Community Learning (-£9k).

Pension/Miscellaneous – Forecast Overspend of £20k due to additional pensions costs.

Delegated Services – Forecast Overspend of £75k. £1k 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. £64k is due to the Schools Music Service not achieving full year savings as the new structure was only implemented in September. £10k is due to an under recovery of income on the RBT Schools HR SLA.

Other Children Looked After Services - £148k forecast overspend which includes a forecast overspend on Residence Orders (£104k), additional staff costs in residential homes (£166k) and additional 'Boarding Out' costs (£22k). This is offset by forecast underspends on Fostering Team due to staff slippage (-£22k), fostering allowance payments (-£108k) and Families Together packages (-£14k).

The above overspends are being offset by under spends of £365k from redistribution of grant (-£107k), slippage on Invest to save implementation (-£129k) and below budget SEN placements (-£129k).

Environment & Development Services (£404k forecast underspend)

Streetpride – The service is forecasting an underspend of £215k which is due to some one off savings in Waste due to deferred implementation of waste contracts.

Regeneration and Planning – The service is forecasting an underspend of £189k, this is largely due to pay related savings due to restructures in the Cultural Services Service, and the Transportation service is reporting an improved (non-recurrent) position on income recovery.

Neighbourhoods & Adult Services (£171k forecast underspend)

Adult Services are forecasting an underspend of £100k, 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 (+£536k) mainly due to increased demand for maintenance care within independent sector.

Physical and Sensory Disability Services – independent home care services forecast overspend (+£208k) due to a continued increase in demand. An additional increase of 90 new clients (+1037 hours) on service since April.

In House Residential Care - income shortfall in respect of client charges (+£235k).

Older People in-house residential care - additional costs to cover vacancies and long term sickness (+£206k).

Direct Payments – forecast overspend of (+£141k) across all client groups due to increase in demand, a net increase of 26 clients since April.

Transport - recurrent budget pressure on transport (+£246k) 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 (-£316k).

Learning Disabilities – forecasting an underspend within supported living due to efficiency savings achieved on contracts with providers, slippage on developing a new scheme plus additional income from health (-£474k).

Physical and Sensory Disabilities - In year slippage on developing Supported Living Schemes (-£140k) plus slippage on developing specialist residential care placements (-£130k). These schemes will however be fully operational in 2012/13.

Rothercare Direct – forecasting an underspend (-£63k) due to slippage on vacant posts and a reduction in expenditure on equipment including leasing costs.

General Adult Services – forecasting an underspend on developing support to Carers (-£80k) and one-off slippage on vacant posts across the Directorate as part of the restructure and corporate reviews (-£469k).

Neighbourhood Services - £71k forecast underspend comprises:

Housing Access - There are small projected surplus balances within Adaptations Service (£5k) and Housing Management & Admin (£17k) as a result of vacant posts. These are partially reduced by a small forecast shortfall of £4k 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 (£7k), and a (£25k) projected surplus on the Lighting of Staircases budget as a result of some refunds relating to previous year's payments. The overall projected surplus for Housing Choices is (£32k).

Safer Neighbourhoods - forecast underspend within Community Protection mainly due to vacant posts, slightly offset by pressures on ICT support costs (£49k). Additional underspends are projected within Community Safety (£8k), and Anti-Social Behaviour (£18k) mainly due to vacant posts being held. These are slightly offset by a net pressure on Pest Control of £6k leaving an overall projected surplus of (£69k).

The Pest Control Service is currently facing a forecast income pressure of £21k which is being closely monitored.

Business Regulation - forecast underspends in Health & Safety and Food & Drugs totalling £81k mainly due to vacant posts. These 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, and Licensing which is currently showing a projected pressure on income budgets. The overall projected surplus for Business Regulation is (£4k).

Neighbourhood Partnerships - forecasting a balanced budget despite a small pressure due to external audit costs on the Local Ambition programme.

Neighbourhoods Investment – forecasting an overspend of £50k at present until the review of external funding is completed which funds this team. The budget is funded by Growth/Housing Market Renewal Revenue Programme, New Build Council Housing and Homelessness funding as a result of work undertaken by this team that links to the Homelessness service.

Resources Directorate (£289k forecast overspend)

Asset Management – Overall forecast is a £24k underspend due to staff and ICT savings within Facilities Management.

Legal Services – Forecast is a £247k overspend due to non-achievement of vacancy factor and only part year delivery of some budgeted staff savings. (Non-recurrent)

Human Resources - Forecast is a £70k overspend due to non-achievement of vacancy factor (£45k) and shortfall on recruitment advertising income (£25k).

Commissioning, Policy and Performance services – £4k forecast underspend due to staff slippage.