

1	Meeting:	Self Regulation Select Commission
2	Date:	8th March, 2012
3	Title:	Revenue Budget Monitoring for the period ending 31st December 2011
4	Directorate:	Resources

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.

This report provides details of progress on the delivery of the Revenue Budget for 2011/12 based on performance for the first 9 months of the 2011/12 financial year. It is currently forecast that the Council will overspend against its Budget by £3.066m (+1.4%). This shows a decrease in the forecast overspend of £4.271m compared to the budget monitoring report for the first 8 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;
- 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 target of £1.45m and slippage in delivering the savings target for Shared Services (£500k).

In arriving at the revised forecast overspend of £3.066m, the above pressures are mitigated through the proposed closure of some reserves, additional income, use of contingency and in-year slippage against the Riverside House budget. (See section 7.3).

6 Recommendations

The Self Regulation Select Commission is asked to:

- **Note the progress made to date in delivering the significant financial challenges presented in the Council's Revenue Budget;**
- **Consider further actions to be taken by Directorates so as to minimise the impact on the Council's medium term financial position**
- **Note the use, and where appropriate closure of the reserves included in Appendix 2, to mitigate the forecast overspend.**

7.1 Proposals and Details

This report presents details of spending against budget by Directorate covering the first 9 months of the 2011/12 financial year – April to December.

The net Central Services figures shown in the table below consists of a number of pressures (detailed under 'Other issues' in 7.2 below) netted down by the proposed closure and use of some reserves and other savings and income. (Identified in 7.3).

7.2 The Overall Position

Directorate/Service	Annual Budget 2011/12	Projected Outturn 2011/12	Variance after Actions (over+)/under spend)	
	£'000	£'000	£'000	%
Children & Young People Services	35,789	41,271	+5,482	+15.3
Environment and Development Services	39,668	39,146	-522	-1.3
Neighbourhoods & Adult Services	79,911	78,869	-1,042	-1.3
Resources	22,924	23,430	+506	+2.2
Central Services	41,330	39,972	-1,358	-3.3
TOTAL	219,622	222,688	+3,066	+1.4
Housing Revenue Account (HRA)	76,787	76,665	-122	-0.2

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 (£5.482m forecast overspend)

The £5.482m 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.

Last month's Budget Monitoring Report included 2011/12 benchmarking information which showed that 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. Temporary engagement of any

agency staff from January 2012 will be on the basis that services are running with 50% of posts being vacant.

- A Multi-Agency Support Panel was introduced by the Director of Safeguarding & Corporate Parenting in April 2011 and has delivered in the past 9 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 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 Early Intervention and Prevention work implemented by the service will reduce some of the pressures going forward but it is still estimated that £3.1m of additional funding is required in 2012/13, reducing to £2.0m in 2013/14 (i.e. a reduced additional budget requirement of £1.1m from 2012/13 to 2013/14)

Children's Services continue to look for ways to reduce spend.

Environment & Development Services (£522k forecast underspend)

The Directorate is forecasting an underspend of £522k due to some one off savings in Waste Management resulting from the deferred implementation of waste contracts, savings due to restructures in the Cultural Services, additional (non-recurrent) income recovery within the Transportation service and savings due to the moratorium on non-essential spend. Further details are included in Appendix 1.

Neighbourhoods and Adult Services (£1.042m forecast underspend)

Overall the Directorate is forecasting a £1.042m underspend. Within this, Adult Services are forecasting an underspend of £748k (including £500k additional income from NHS Rotherham) and Neighbourhood Services a £294k underspend. The forecast position is made up of a number of under and overspends, detailed in Appendix 1.

Resources Directorate - (£506k forecast overspend)

Overall the Directorate is forecasting a £506k overspend. The target level of savings (£1.141m) to be delivered through successful completion of the Council's Strategic Partnership with BT will not be delivered in full for 2011/12. £566k of the target will be achieved in 2011/12. Additionally, Legal services are forecasting an overspend of £200k and Human Resources are forecasting an overspend of £23k. These are partially offset by forecast savings on Asset Management (£73k) and Commissioning, Policy and Performance services (£17k) and Finance (£202k). Further details are included in Appendix 1.

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 £2.443m (17%). The main reasons for the forecast variances (shown in brackets) are:

- **Management Review and Business Admin Reviews (£839k)** – Progress to date shows recurrent annual revenue savings of £1.087m against the annual target of £1.45m. (£363k shortfall). Due to timing effects, the saving for 2011/12 amounts to £611k as staff left part way through the year.
- **Commissioning Efficiencies (£104k)** – In 2011/12 £296k of the £400k savings target is forecast to be achieved.
- **Localities & Premises Review (£500k) and Land Bank Pressures (£250k)** – 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.
- **Shared Services (£500k) and Customer Services (£250k)** – The Council is now anticipating that these targets will be delivered from 2012/13.

7.3 Mitigation

The following savings and income sources mitigate the forecast pressures by £3.801m:

Additional NHS funding	£0.750m
Waste PFI capitalisation	£0.260m
Riverside House (In-year slippage against budget)	£1.091m
Use of Council Contingency	£0.600m
Proposed closure and use of some reserves	<u>£1.100m</u>
	£3.801m

Additional NHS Funding: - In January 2012 the Department of Health announced an additional one-off £150m would be allocated to Primary Care Trusts nationally for investment in social care services which also benefit the health system, recognising the significant pressures being faced during the winter periods. There is a requirement that this should be transferred to Council's under section 256 of the 2006 NHS Act. Negotiations are currently taking place with NHSR to determine the most appropriate way of utilising this funding in 2011-12 and beyond.

Waste PFI Capitalisation:- There is scope to capitalise costs in by £260k in excess of the budgeted level of capitalisation (£220k). This relates in the main to legal costs in respect of slippage to contract implementation. This additional capitalisation assists in mitigating the revenue pressures.

Riverside House:- Budget slippage due to a delay in taking over the lease – September rather than August, reduced running costs due to the phased decant of staff into Riverside and reduced capital financing costs.

Contingency:- In setting the 2011/12 budget Members set aside a £600k contingency to help mitigate any in-year pressures.

Use of Reserves:- Members will recall that the Directors 'Balancing the Budget Work Programme' commenced in November and one of the workstreams within that

Programme was a review of Reserves. This work is complete and has identified £1.1m of reserves which could be released to mitigate in-year pressures. Risks associated with reducing these reserves have been considered and all proposed use represents prudent financial management. It is recommended that Members approve use, and where applicable, closure of the reserves as set out in Appendix 2 to this report.

7.4 Housing Revenue Account (HRA) (£122k forecast underspend)

At this stage of the financial year the Housing Revenue Account is forecasting a £122k 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 21st December 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 (£5.482m forecast overspend)**

The key factors contributing to the forecast overspend are:

Children Looked After – Forecast overspend of £1.973m net of Invest to Save funding. The forecast overspend on Residential out of authority placements is £370k. The number of children in residential out of authority placements as at 31st December is 15.

The forecast overspend on Independent Fostering placements is £2.722m. The number of children in Independent foster care as at 31st December is 130 (an increase of 23 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 December this number is 390, a reduction 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 £2.116m due to staffing costs (£1.761m), interpretation costs (£30k), Section 17 payments (£34k), Section 23 payments (£4k), premises costs (£126k), Transport (£59k), supplies & services (£102k)

Other Children & Families Services – Forecast overspend £338k as a result of non-achievement of vacancy factor target (£95k), Special Guardianship allowances (£115k), Action For Children contract due to there being 27 care leavers to support & the budget was for only 15 (£350k) and offset by projected under spends on Adoption Allowances (-£172k), Inter Agency Adoption Fees (-£21k), Adaptations (-£29k).

Support Services & Management Costs – Forecast Overspend of £692k is mainly due to Legal costs relating to Looked After Children.

Strategic Management – Forecast overspend of £371k mainly due to £223k costs on central supplies & services, £124k on RBT Charges & £24k for non-achievement of vacancy factor.

School Effectiveness Service – Forecast over spend of £10k mainly due to staff savings not fully realised in year.

Special Education Provision – Forecast overspend of £19k mainly due to under recovery of income in the Education Psychology Service.

Youth & Community – Forecast Overspend of £125k due to a projected under recovery of income with the outdoor education service (£44k), an overspend on the Youth Service (£90k) due to higher than anticipated top-slicing and premises costs. This is offset by staffing slippage within Adult Community Learning (-£9k).

Pension/Miscellaneous – Forecast Overspend of £25k due to additional pensions costs.

Delegated Services – Forecast Overspend of £79k. (£69k) 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 - £141k forecast over spend which includes forecast overspends on Residence Orders (£133k), additional boarding out (£22k) & staffing costs on Residential Homes (£208k). This is offset by forecast under spends on the Fostering Team due to staff slippage (-£26k), fostering allowances (-£178k), Families Together packages (-£18k)

The above over spends are being offset by under spends of £407k from redistribution of grant (-£246k), staff slippage on Access to Education (-£19k) & slippage on Invest to save implementation (-£142k).

Environment & Development Services (£522k 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 £247k, 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. Markets and Transportation are also forecasting a saving as a result of the moratorium on non-essential spend.

Business Unit – Forecast saving of £60k as a result of the moratorium on non-essential spend.

Neighbourhoods & Adult Services (£1.042m forecast underspend)

Adult Services are forecasting an underspend of £748k, 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 (+£437k) mainly due to increased demand for maintenance care within independent sector.

Physical and Sensory Disability Services – independent home care services forecast overspend (+£270k) due to a continued increase in demand. An additional increase of 97 new clients (+1277 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 (+£163k).

Direct Payments – forecast overspend of (+£307k) across all client groups due to increase in demand, a net increase of 26 clients since April.

Transport - recurrent budget pressure on transport (+£283k) 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 (-£388k).

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 (-£379k).

Physical and Sensory Disabilities - In year slippage on developing Supported Living Schemes (-£140k) plus slippage on developing specialist residential care placements (-£250k). These schemes will however be fully operational in 2012/13.

Rothercare Direct – forecasting an underspend (-£43k) due to slippage on vacant posts and a reduction in expenditure on equipment including leasing costs.

Supporting People – further efficiency savings on contracts (-£93k).

General Adult Services – forecasting an underspend on developing support to Carers (-£183k) plus impact of additional funding from Health for Carers Strategy (-£500k). One-off slippage on vacant posts across the Directorate as part of the restructure and corporate reviews (-£433k) plus additional savings on non pay as a result of council wide moratorium on non essential spend (-£34k).

Neighbourhood Services - £294k forecast underspend comprises:

Housing Access - There are small projected surplus balances within Adaptations Service (-£5k) and Housing Management & Admin (-£10k) as a result of vacant posts plus £2k savings on other Housing Access services. 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 (-£25k) as a result of a post being held vacant since the post holder's secondment to another service area within Housing Choices and savings achieved within supplies and services. Projected surplus on the Lighting of Staircases budget as a result of some refunds relating to previous year's payments (-£63k).

Safer Neighbourhoods - forecast underspend within Community Protection (-£139k) mainly due to vacant posts, slightly offset by pressures on ICT support costs. Additional underspends are projected within Community Safety (-£11k), Domestic Violence (-£6k) and Anti-Social Behaviour (-£18k) mainly due to vacant posts being held. These are slightly offset by a net pressure on Pest Control of (+£5k) leaving an overall projected surplus of (-£169k).

Business Regulation - forecast underspends in Health & Safety, Food & Drugs and Bereavement Services totalling (-£113k) as a result of vacant posts, tight controls on supplies and services expenditure due to council wide moratorium and increased fee income. These are reduced by projected overspends on Animal Health and Trading Standards (+£52k) 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 (+£36k). The overall projected surplus for Business Regulation is (-£25k).

Neighbourhood Partnerships - forecasting a slight underspend of £1k despite a small

pressure due to external audit costs on the Local Ambition programme.

Neighbourhoods Investment – forecasting a balanced budget. The review of external funding is now complete. The costs incurred are to be met 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 (£506k forecast overspend)

Asset Management – Overall forecast is a £73k underspend due to staff and ICT savings within Facilities Management.

Legal Services – Forecast is a £200k 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 £23k overspend due to shortfall on recruitment advertising income.

Commissioning, Policy and Performance services – £17k forecast underspend due to staff slippage.

Finance – The forecast overspend of £373k includes in-year slippage against delivery of the £1.141m RBT contract savings by £575k, partially offset by savings in Finance of £202k from staff slippage, additional income and the moratorium on non-essential spend.

Proposed use of Reserves to mitigate 2011/12 forecast overspend

	Cost Centre & Description	Balance at 31 March 2011	Recommended Transfer to General Fund to support Revenue	Notes / Comments
1	TH3048 Invest to save	£149,779	£149,779	Use and close the reserve
2	TH3044 Statutory costs	£117,000	£68,500	Pressure of circa £50k pa to be picked up from revenue account
3	LH4453 C&L Insurance Reserves	£439,000	£72,500	Issue of Accreditation, look to use this fund instead of Capital for moves to Bailey & Riverside.
4	TH3029 Energy Conservation	£13,260	£13,260	Use and close the reserve
5	LH4441 Museum Acquisitions	£20,535	£20,535	Future use via General Fund. Risk of losing museum accreditation. Close the reserve.
6	SH3043 Maintenance of Buildings	£384,036	£350,000	Future Use via General Reserve
7	SH3042 Winter Maintenance	£250,000	£250,000	Severe winters would need to use general reserve. Close the reserve.
8	SH3057 Schools Maintenance Programme	£73,261	£73, 261	Close the reserve
9	SH4429 Managed Workspace R&R Fund	£144,000	£69,000	Revert to traded account
10	NH3052 Housing improvement Programme	£30,000	£11,446	Would need to use general reserve
11	PH3059 Equity Loan Scheme Reserve	£21,456	£21,456	Would need to use general reserve. Close the reserve.
	Total		£1,099,737	