

1	Meeting:	CABINET
2	Date:	17th October 2012
3	Title:	Revenue Budget Monitoring for the period ending 30th September 2012
4	Directorate:	Resources

5 Summary

From the outset of the 2011/12 Budget process (and into 2012/13) the Council has said that its focus must be on the customers it serves, the communities and businesses of Rotherham – and not our organisational structure. To achieve this end, the Council identified a clear set of principles for considering Budget proposals. This has, as a **first course of action**, been to streamline our management and administration and to reduce as far as possible our back office costs. In addition, we have continued to identify areas where better ways of working could result in even greater efficiency and effectiveness.

As a result of Coalition Government funding cuts the Council has had to deliver savings in excess of £40m up to March 2012 and is in 2012/13 having to manage further savings proposals of £20.4m which were put forward and approved in setting this year's Revenue Budget in February 2012.

This report provides details of progress on the delivery of the Revenue Budget for 2012/13 based on performance for the first 6 months of the 2012/13 financial year. It is currently forecast that the Council will overspend against its Budget by £4.715m (+2.2%). 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
- Full year effect staff savings not being delivered in 2012/13 where staff have left the Council on voluntary severance or early retirement during the course of the year.

Continued, concerted management action will be required over the remaining periods of this financial year to ensure that the Council is able to preserve its successful track record in managing both its in year financial performance and its overall financial resilience in the face of such significant and swift Government funding cuts.

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**
- **Support action to bring projected spend into line with Budget limits, including a freeze on all but essential spend**
- **Receive further progress reports during the remainder of the financial year.**

7.1 Proposals and Details

This report presents details of spending against budget by Directorate covering the first 6 months of the 2012/13 financial year – April to September – and forecast costs and income to 31st March 2013.

7.2 The Overall Position

Directorate/Service	Annual Budget 2012/13	Projected Outturn 2012/13	Variance after Actions (over(+)/under(-) spend)	
	£'000	£'000	£'000	%
Children & Young People Services	36,372	37,792	+1,420	+3.9
Environment and Development Services	37,599	38,234	+635	+1.7
Neighbourhoods & Adult Services	76,934	76,896	-38	-
Resources	37,441	37,694	+253	+0.7
Central Services	24,944	27,389	+2,445	+9.8
TOTAL	213,290	218,005	+4,715	+2.2
Housing Revenue Account (HRA)	73,352	73,175	-177	-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 (£1.420m forecast overspend)

The £1.420m forecast overspend position is largely due to pressures within Safeguarding and Corporate Parenting Service. The number of looked after children requiring placements reduced by 8 from 391 at the end of March 2011 to 383 at the end of March 2012. Currently this number has risen to 387. Within this the number of children in residential out of authority placements is 23 (an increase of 6 since 31 March 2012).

Pressures on budgets for provision of Out of Authority Residential care (£931k) and the provision of independent Foster Care placements (£327k) are the main service pressures.

Children's Social Care services remain under pressure despite the services' proactive approach to drive down costs including:

- The Multi-Agency Support Panel introduced by the Director of Safeguarding & Corporate Parenting in April 2011 has in the current year (2012/13) delivered **cost avoidance in the region of £467k - 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 (£290k)

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

Environment & Development Services (£635k forecast overspend)

The Directorate is currently forecasting an overspend of £635k largely due to pressures in Streetpride (£522k) and Planning and Development (£115k). The forecast overspend in Streetpride includes a potential pressure of £206k for Winter Maintenance based on spend for an 'average' winter. Details of the forecast overspend are included in Appendix 1.

Neighbourhoods and Adult Services (£38k forecast underspend)

Overall the Directorate is forecasting a £38k underspend. Within this, Adult Services are forecasting a balanced outturn and Neighbourhood services a £38k underspend. The forecast position for Neighbourhoods and Adult Services is made up of a number of under and overspends, detailed in Appendix 1.

Resources Directorate - (£253k forecast overspend)

Overall the Directorate is forecasting a £253k overspend. The main pressure (£200k) is within the Commissioning, Policy and Performance service where staff have left the service during the year and consequently full-year savings have not been delivered. This is a non-recurrent pressure for 2012/13 only. Further details of pressures are included in Appendix 1.

Central Services – (£2.445m forecast overspend)

In setting the 2012/13 Budget, the Council put forward council-wide savings targets in respect of Commissioning and Staff savings. Delivery of the recurrent £2.2m staff savings target is ongoing. A 'window of opportunity' (to 30th September 2012) existed for staff to apply for Voluntary Severance. Once the outcome of this has been determined forecasts against targets will be revised and included in future budget monitoring reports to Cabinet. This report includes a forecast shortfall against target of £2m.

Work to deliver commissioning savings is progressing well and is ongoing. An update will be included in the next Budget Monitoring Report to Cabinet.

Forecast Land Bank pressures of £445k exist due to the need to keep secure properties which have been vacated until they are sold or demolished.

7.3 Housing Revenue Account (HRA) (£177k forecast underspend)

At this stage of the financial year the Housing Revenue Account is forecasting a £177k 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.

Management actions to bring projected spend in line with Budget limits have already been put in place, including a freeze on all but essential spend. Work is being

undertaken to identify further actions, and these will be put to elected Members for consideration as and when appropriate. As these take effect they will be monitored to enable the impact of the actions to be assessed.

9 Risks and Uncertainties

At a time of economic difficulty and tight financial constraints, managing spend in line with the Council's Budget is essential. Careful scrutiny of expenditure and income across all services and close budget monitoring therefore remain a top priority.

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 2012/13 Report to Council 7th March 2012.
- Strategic Directors and Service Directors of the Council

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Key reasons for forecast over / underspends**Children & Young People's Services (£1.420m forecast overspend)**

The key factors contributing to the forecast overspend are:

Social Work Teams – Forecast overspend of £22K. This consists mainly of agency costs (£216K) being predominantly offset by staffing savings from vacant posts (-£194K).

Children Looked After – Forecast overspend of £1.129m. The forecast overspend on Residential out of authority placements is £931k. The number of children in residential out of authority placements is 23 (an increase of 6 since 31 March 2012).

The forecast overspend on Independent Fostering placements is £327K. The number of children in Independent foster care is 121 (a reduction of 12 since the end of March 2012).

The number of looked after children requiring placements reduced by 8 from 391 at the end of March 2011 to 383 at the end of March 2012. Currently this number is 387.

These forecast overspends are partially offset by forecast underspends on in house Fostering services (-£63K) & in house Residential (-£66K).

Other Children & Families Services – Forecast overspend of £115k as a result of Special Guardianship allowances (£64K) & Inter Agency Adoption Fees (£57K), Adoption Allowances (£9K) offset by staffing savings from vacant posts (-£15K).

School Effectiveness Service – Forecast over spend of £2k mainly due to unachievable vacancy factors.

Special Education Provision – Forecast overspend of £147k due to an increase in Complex Needs placements (£175K) partially offset by additional income in the Education Psychology Service (-£28K).

Youth & Community – Forecast Overspend of £78k due to a projected under recovery of income within the outdoor education service (£60K) & unachievable vacancy factors within the Youth Service (£18k).

Pension/Miscellaneous – Forecast Overspend of £10k due to additional pension costs.

Delegated Services – Forecast Overspend of £26k due to a projected under recovery of income at Rockingham Professional Development Centre.

The above forecast overspends are being partially offset by forecast under spends of £109k; from staffing savings from vacant posts (-£49k), additional income generation (-£20K) & reduced spend on supplies & services (-£40K).

The Directorate has developed and is maintaining a Budget Savings Action Plan to track progress on delivery of the savings. Progress against the Action Plan is considered at fortnightly Directorate Leadership Team (DLT) meetings. The Chief Executive and Strategic Director of Resources also attend these meetings on a monthly basis

Delivery of the savings will require change in the way services are configured, and work is already well in hand to effect that change, led by staff in CYPS Directorate. Furthermore, significant Council-wide resource is being marshalled to support CYPS staff in the implementation of change.

Environment & Development Services (£635k forecast overspend)

Streetpride (+£522k)

Community and Leisure Services are forecasting overall pressures of **£156k** within Green Spaces largely due to:- Country Park income shortfalls through adverse weather in the summer months and vacancy targets not being achieved due to low staff turnover.(£82k) Grounds Maintenance services are forecasting a pressure (£31k) for maintaining grass cutting frequencies, Landscape Design are forecasting income shortfalls (£20k). Forecast savings within Sports Development (-£26k) from vacancy management and Pest Control (-£36k) following a review of service provision, are helping to mitigate the service pressures.

Network Management Services are forecasting an overspend of **£277k** due to:- forecast income shortfalls within Adoptions and Searches (£20k) and Parking (£75k). Forecast savings within Streetlighting and Streetworks (-£23k) are helping to mitigate the forecast overspend. The Winter Maintenance budget is forecasting a potential pressure (£206k) assuming spend for an 'average' winter.

Waste Services are forecasting an overall pressure of **£99k** due to:- income loss due to the decline for commercial waste services, often as a result of failing businesses (£248k) partially offset by waste contract savings (-£89k) and savings within Waste Collection services (-£60k).

Service-wide savings of **-£10k** are also helping to mitigate the overall Streetpride services pressures.

Regeneration and Planning (+£115k)

Markets budgets are forecasting a pressure (+£37k) due to:- fewer traders renting stalls, +£12k and +£25k pressure estimated on repairs.

The Local Development Framework is also forecasting a pressure in respect of consultancy spend (+£62k).

Service-wide pressures of £16k across Planning and Regeneration services also exist.

Business Unit (-£2k)

The Business Unit is forecasting a small saving of -£2k

Neighbourhoods & Adult Services (£0.038m forecast underspend)

Adult Services are forecasting a balanced outturn, however, a number of pressures are being offset by a number of areas of forecast underspend.

The key underlying budget pressures include:

Learning Disabilities Independent Residential Care – loss of continuing health income

plus transfer of former health funded clients (+£238k).

Older People in-house residential care - additional agency costs to cover vacancies and long term sickness (+£106k) plus income shortfall in respect of client charges (+£109k).

Direct Payments – forecast overspend of (+£1.559m) across all client groups due to increase in demand, a net increase of 144 clients since April.

Transport - recurrent budget pressure on transport (+£285k) 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 36 clients less than forecast, an increase in the average client contribution and income from property charges (-£643k).

Older Peoples Domiciliary Care – overall forecast underspend (-£440k) due to an increase in client take up of Direct Payments.

Older People Assessment & Care Management – slippage on recruitment to vacant posts plus additional income from health (-£288k).

Learning Disabilities – forecasting an underspend within supported living due to additional income from health plus one-off grant funding (-£224k).

Physical and Sensory Disabilities – planned slippage on developing alternatives to residential provision (-£394k) to offset pressures on Direct Payments budgets.

Mental Health Community Support – delayed start up of supported living scheme to offset pressures in Direct Payments (-£158k).

Safeguarding – underspend (-£44k) due to slippage on recruitment to vacant post plus additional income from court of protection fees.

Other forecast underspends include general premises costs (-£50k), voluntary sector provider contracts (-£16k) and savings in respect of Occupational Therapy (-£40k).

Neighbourhood Services - £38k forecast underspend comprises:

Public Health – restructure of service resulted in delays to filling vacant posts earlier in the year (-£39k).

Housing Options - slight overspend due to unmet vacancy factor on medical mobility and community care (+£1k).

Resources Directorate (£253k forecast overspend)

Asset Management – Overall forecast is a £71k overspend largely due to Office accommodation costs and the cost of selling properties.

Human Resources - Forecast is a net £18k underspend from additional one-off income generated through shared services in 2012/13.

Commissioning, Policy and Performance services – £200k forecast overspend due to staff leaving the service through severance or early retirement during the course of the year, consequently delivering only part year savings in 2012/13. This is a non-recurrent pressure.