

1	Meeting:	CABINET
2	Date:	5th December 2012
3	Title:	Revenue Budget Monitoring for the period ending 31st October 2012
4	Directorate:	Resources (for all)

5 Summary

This report provides details of progress on the delivery of the Revenue Budget for 2012/13 based on performance for the first 7 months of the financial year. It is currently forecast that the Council will overspend against its Budget by £4.165m (+1.9%); an improvement of £550k on the September report which showed a forecast outturn of £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 and
- 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

It is expected that this forecast overspend will reduce further over the remaining months following Cabinet's instruction that future spend should be on essential items only. This instruction has been further reinforced by written instruction from the Chief Executive that unless contractually committed, spend for the remainder of the year must only be in respect of ensuring that vulnerable children and adults are safeguarded and to comply with health and safety requirements.

Continued, concerted management action will be also be required over the remaining months 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.

Recommendations

Cabinet is asked to:

- **Note the progress made to date in delivering the significant financial challenges presented in the Council's 2012/13 Revenue Budget;**
- **Note the instruction given for spend on essential services only - to bring projected spend into line with Budget limits;**
- **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 7 months of the 2012/13 financial year – April to October – 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	37,849	+1,477	+4.1
Environment and Development Services	37,599	37,908	+309	+0.8
Neighbourhoods & Adult Services	76,934	76,804	-130	-0.2
Resources	37,441	37,729	+288	+0.8
Central Services	24,944	27,165	+2,221	+8.9
TOTAL	213,290	217,455	+4,165	+1.9
Housing Revenue Account (HRA)	73,352	72,374	-978	-1.3

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 (£1.477m forecast overspend)

The £1.477m 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. As at the end of October this number has risen to 398. 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 (£972k) and the provision of independent Foster Care placements (£447k) 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 £608k - this represents costs avoided through effective multi agency management actions and decision making.**

- Successful work undertaken by the Commissioning Team has resulted in the commissioning and re-commissioning service provider contracts with significant cost reductions/cost avoidance (£290k) to date.

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

Environment & Development Services (£309k forecast overspend)

The Directorate is currently forecasting an overspend of £309k largely due to pressures in Streetpride (£314k). The forecast overspend in Streetpride includes a potential pressure of £200k for Winter Maintenance based on spend for an 'average' winter. Details of the forecast overspend are included in Appendix 1.

Neighbourhoods and Adult Services (£130k forecast underspend)

Overall the Directorate is forecasting an underspend of £130k. Within this, Adult Services are forecasting a slight underspend (-£24k) and Neighbourhood services a £106k 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 - (£288k forecast overspend)

Overall the Directorate is currently forecasting an overspend of £288k. The main pressure (£100k) 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. The other key pressure is within Asset Management largely due to Office accommodation costs and the cost of selling properties.

Central Services – (£2.221m 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. Savings realised from recent Voluntary Severance and Voluntary Early Retirement approvals are now reflected within the Directorate's reported monitoring positions, consequently the **£2.209m** recurrent target is now showing as a central pressure.

The Commissioning Team have delivered £900k savings towards the recurrent savings target. Work to deliver further commissioning savings is ongoing. The Commissioning Team have also delivered savings in excess of £290k which have mitigated the level of cost pressures within Children's services. A further update on the delivery of the Commissioning savings target will be included in the next Budget Monitoring Report to Cabinet.

Forecast Land Bank pressures of **£758k** exist due to the need to keep secure properties which have been vacated until they are sold or demolished.

To partially mitigate these central pressures the Council has one-off grant funding (**-£495k**) in respect of adjustments to Housing Benefit claims from 2011/12 and it is now considered prudent to declare the Council's contingency budget (**-£251k**) as available to offset reported pressures.

7.3 Housing Revenue Account (HRA) (£978k forecast underspend)

At this stage of the financial year the Housing Revenue Account is forecasting a £978k underspend. Any underspend at the end of the year will transfer to HRA reserves (ringfenced funding).

7.4 Agency, Consultancy and Non-Contractual Overtime Costs

The forecast outturn position includes costs in respect of Agency staff, Consultancy and non-contractual overtime. Detailed below is the analysis by Directorate:

Agency

Directorate	Outturn 2011/12	Cumulative to Oct 2011	Cumulative to Oct 2012
	£'000	£'000	£'000
Children & Young People's Services	1,855	1,316	195
Neighbourhoods & Adult Services	379	216	161
Environment & Development Services	265	234	119
Resources	11	9	126
TOTAL	2,510	1,775	601

Agency spend in Children's Services has significantly reduced in 2012/13 due to the successful campaign to recruit Social Work staff and hence avoid the need to engage more costly Agency staff.

The use of agency staff in both Neighbourhoods and Adult Services and Environment and Development Services has reduced compared to 2011/12 levels of expenditure.

All of the Agency spend in the Resources Directorate relates to former RBT services which transferred back to the Council. In 2011/12 RBT incurred Agency costs of £621k.

Consultancy

Directorate	Outturn 2011/12	Cumulative to Oct 2011	Cumulative to Oct 2012
	£'000	£'000	£'000
Children & Young People's Services	304	38	173
Neighbourhoods & Adult Services	0	0	0
Environment & Development Services	78	62	22
Resources	24	24	18
TOTAL	406	124	213

The majority of Consultancy spend within Children's Services relates to the School Improvement Service. This is funded from a combination of revenue budget (25%) and Dedicated Schools Grant (DSG) and earned income from Schools.

Non-Contractual Overtime

Directorate	Outturn 2011/12	Cumulative to Oct 2011	Cumulative to Oct 2012
	£'000	£'000	£'000
Children & Young People's Services	107	40	73
Neighbourhoods & Adult Services	314	190	219
Environment & Development Services	471	299	260
Resources	79	43	110
TOTAL	971	572	662

Children's Services overtime is largely in respect of safeguarding in residential care homes.

Overtime spend within Adult Services is mainly due to the need to maintain statutory staffing levels in residential, home care, day care services and social work posts and represents cover for sickness and slippage in recruiting to vacant posts.

Environment and Development Services overtime spend is predominantly in respect of Streetpride Services - Highways (£81k), Network Maintenance (£14k), Street Lighting (£22k), Street Cleansing and Grounds Maintenance (£53k) where work is often undertaken at times to avoid inconvenience and danger to the public and in Waste Management Services (£53k) for sickness and holiday cover.

The Resources Directorate's overtime spend to October 2012 includes £67k which relates to former RBT services which transferred back to the Council. The equivalent overtime spend for these services for the period April to October 2011 was £58k. The overtime spend is predominantly in respect of maintaining ICT and Customer Support Services.

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 as instructed by Cabinet when the September Budget Monitoring Report was considered. Additionally the Chief Executive has given written instruction that unless contractually committed, spend for the remainder of the year must only be for ensuring the safeguarding of vulnerable children and adults, to meet health and safety requirements, avoid false economy and/or be highly sensitive to local members or local communities. 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.

The forecast outturn currently provides for an 'average winter' with a pressure of £200k. If the weather is better or worse than this 'average' it is likely to result in lower or higher expenditure than is currently forecast.

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 (£1.477m forecast overspend)**

The key factors contributing to the forecast overspend are:

Social Work Teams – Forecast overspend of **£23K**. This consists mainly of agency costs (£287K) being offset by staffing slippage (-£264K).

Children Looked After – Forecast overspend of **£1.225m**. The forecast overspend on Residential out of authority placements is £972k. The number of children in residential out of authority placements as at 31st October is 23 (an increase of 6 since 31 March 2012).

The forecast overspend on Independent Fostering placements is £447K. The number of children in Independent foster care as at 31st October is 127 (a reduction of 6 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. As at the end of October this number is 398.

These overspends are offset by underspends on in house Fostering services (-£74K), in house Residential (-£95K) & LAC transport (-£25K).

Other Children & Families Services – Forecast overspend of **£125k** as a result of Special Guardianship allowances (£58K) & Inter Agency Adoption Fees (£80K), Adoption Allowances (£3K) offset by staffing slippage (-£12K) & an underspend on premises costs (-£4K).

Special Education Provision – Forecast overspend of **£180k** due to an increase in Complex Needs placements (£245K) offset by additional income generation (-£65K).

Youth & Community – Forecast Overspend of **£45k** due to a projected under recovery of income within the outdoor education service (£44K) & unachievable vacancy factors within the Youth Service (£1k).

Pension/Miscellaneous – Forecast Overspend of **£9k** due to additional pension costs.

Delegated Services – Forecast Overspend of **£30k** due to a projected under recovery of income at Rockingham Professional Development Centre.

The above over spends are being offset by under spends of **£160k** from staffing slippage (-£111k) & additional income generation (-£49K).

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's 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 (+£309k forecast overspend)

Streetpride (+£314k)

Community and Leisure Services are forecasting overall pressures of **+£47k** largely due to a pressure on allotments due to an income shortfall of £46k. Pressures in Grounds Maintenance (£31k) are being mitigated by savings in other service areas.

Network Management Services are forecasting an overspend of **+£233k**. Material reason for this are forecast income shortfalls within Parking (+£71k), whereas the winter maintenance budget is forecasting a potential pressure (+£200k) assuming spend for an 'average' winter. Forecast savings within Streetlighting and Streetworks enforcement (-£25k) are helping to mitigate the forecast overspend.

Waste Services are forecasting an overall pressure of **+£38k** primarily due to:- income loss because of the decline for commercial waste services, often as a result of failing businesses (£160k), and income loss in respect of replacement bins (+£102k). This has been partially offset by waste disposal contract savings (-£120k), savings across the service (-£48k) and savings within Waste Collection services (-£64k).

Miscellaneous savings of **-£4k** are also helping to mitigate the overall Streetpride services pressures.

Regeneration and Planning (+£1k)

Markets budgets are forecasting a pressure (+£33k) due to:- fewer traders renting stalls(+15k) , an estimated requirement for repairs (+£25k), with both pressures mitigated by savings on overheads (-£7k). **The Local Development Framework** is also forecasting a pressure in respect of consultancy spend (+£58k).

Development Control estimate a pressure of +£25k due to under recovery of income.

Service-wide pressures of £34k across Planning and Regeneration services also exist

Savings of -£149k in respect of the Business Centres and Cultural Services have been Identified which mitigate the pressures previously identified.

Business Unit (-£6k)

The Business Unit is forecasting a small saving of -£6k

Neighbourhoods & Adult Services (-£130k forecast underspend)

Adult Services are forecasting a slight underspend of -£24k, however, a number of pressures are being offset by a number of areas of forecast underspend and management actions.

The key underlying budget pressures include:

Learning Disabilities Independent Residential Care – loss of continuing health income plus transfer of former health funded clients (+£336k).

Older People in-house residential care - additional agency costs to cover vacancies

and long term sickness (+£168k) plus income shortfall in respect of client charges (+£92k).

Direct Payments – forecast overspend of (+£1.689m) across all client groups due to increase in demand, a net increase of 143 clients since April.

Transport - recurrent budget pressure on transport (+£280k) 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 45 clients less than forecast, an increase in the average client contribution and income from property charges (-£561k).

Older Peoples Domiciliary Care – overall forecast underspend (-£224k) 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 (-£395k).

Learning Disabilities – forecasting an underspend within supported living due to additional income from health plus one-off grant funding (-£241k).

Physical and Sensory Disabilities – planned slippage on developing alternatives to residential provision (-£459k) to offset pressures on Direct Payments budgets. Forecast underspend on independent sector day care due to value for money review of current contracts (-£45k).

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

Assistive Technology – forecast slippage in the further development of schemes against budget (-£150k).

Intermediate Care – slight forecast underspend within pooled budget (-£91k).

Carers – underspend due to vacant posts and slippage in take up of carers breaks (-£82k).

Safeguarding – underspend (-£51k) due to slippage on recruitment to vacant post plus additional income from court of protection fees.

Other forecast underspends include general premises and supplies and services costs (-£47k), voluntary sector provider contracts (-£18k) and savings in respect of Occupational Therapy (-£43k).

Neighbourhood Services: - £106k forecast underspend comprises:

Public Health – restructure of service resulted in delays to filling vacant posts earlier in the year (-£63k).

Housing and Communities – savings on vacant posts (-£13k) and forecast underspend on Community Leadership Fund (-£20k).

Strategic Housing & Investment Service - forecast underspend on Lighting of

Staircases budgets based on expenditure to date (-£16k).

Environmental Health – efficiency savings on transport and premises costs (-£9k).

Housing Options – slight overspend due to unmet vacancy factor (+£3k)

Central – ending of Asylum Seeker funding and vacancy factor pressure is resulting in a forecast overspend of £12k.

Resources Directorate (+£288k forecast overspend)

Asset Management – Overall forecast is currently a **+£188k** overspend largely due to Office accommodation costs and the cost of selling properties.

Commissioning, Policy and Performance services – **+£100k** 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.