

<b>1</b>	<b>Meeting:</b>	<b>Self-Regulation Select Commission</b>
<b>2</b>	<b>Date:</b>	<b>21st February 2013</b>
<b>3</b>	<b>Title:</b>	<b>Revenue Budget Monitoring for the period ending 31st December 2012</b>
<b>4</b>	<b>Directorate:</b>	<b>Resources (for all)</b>

## **5 Summary**

This report provides details of progress on the delivery of the Revenue Budget for 2012/13 based on performance for the first 9 months of the financial year. It is currently forecast that the Council will overspend against its Budget by £1.946m (+0.9%); an improvement of £2.219m on the October report which showed a forecast outturn of £4.165m (+1.9%). 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, endorsed by Scrutiny, that future spend should be on essential items only. For the remainder of the financial year spend must only be in respect of ensuring that vulnerable children and adults are safeguarded, be contractually committed, where to not spend would be a false economy, or to ensure compliance 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 deliver a balanced outturn and preserve its successful track record in managing both its in year financial performance and its overall financial resilience.

### **Recommendations**

(1) Self Regulation Select Commission is asked to note the following recommendations to Cabinet .

#### **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;**
- **Receive further progress reports during the remainder of the financial year.**

(2) Self Regulation considers the report and forwards its comments to Cabinet for its deliberation.

## 7.1 Proposals and Details

This report presents details of spending against budget by Directorate covering the first 9 months of the 2012/13 financial year – April to December – and forecast costs and income to 31<sup>st</sup> 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	34,434	35,689	+1,255	+3.6
Environment and Development Services	36,121	36,389	+268	+0.7
Neighbourhoods & Adult Services	74,234	73,884	-350	-0.5
Resources	26,049	26,251	+202	+0.8
Central Services	42,452	43,023	+571	+1.3
<b>TOTAL</b>	<b>213,290</b>	<b>215,236</b>	<b>+1,946</b>	<b>+0.9</b>
Housing Revenue Account (HRA)	73,327	71,695	-1,632	-2.2

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 (£1.255m forecast overspend)**

The £1.255m 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 December this number has risen to 397. 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 (+£1.143m) and the provision of independent Foster Care placements (+£417k) 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 (£410k) to date.

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

### **Environment & Development Services (£268k forecast overspend)**

The Directorate is currently forecasting an overspend of £268k largely due to pressures in Streetpride (£242k). 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 (£350k forecast underspend)**

Overall the Directorate is forecasting an underspend of £350k. Within this, Adult Services are forecasting an underspend (-£182k) and Neighbourhood services a £168k 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 - (£202k forecast overspend)**

Overall the Directorate is currently forecasting an overspend of £202k. 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 (£98k), largely due to Office accommodation costs and the cost of selling properties.

### **Central Services – (+£571k 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 (VS/VER) approvals are now reflected within the Directorate's reported monitoring positions. The balance of the budget earmarked for for VS/VER which remains due to lower take-up than forecast leaves a net pressure of **+£1.209m** against the 2012/13 staff saving target.

The Commissioning Team have delivered £1.16m savings towards the recurrent savings target. Work to deliver further commissioning savings is ongoing. The current shortfall against this target is **+£1.240m**. Accounting Opportunities have been identified to mitigate this pressure in 2012/13. The Commissioning Team have also delivered savings in of excess of £410k which have mitigated the level of cost pressures within Children's services.

Forecast Land Bank pressures of **+£702k** exist due to the need to keep secure properties which have been vacated until they are sold or demolished.

Customer Services has a forecast overspend of **+£266k**. +£208k due to delay in delivering the 2012/13 Customer Services savings target (£250k), +£40k increased costs of collection – largely due an increase in the public making payments at the Post Office and through Paypoint outlets and a forecast overspend of +£18k for the Registrars Service.

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, the Council's contingency budget (-£251k), and -£2.1m Accounting Opportunities from the review, re-profiling and refinancing of the Council's Debt portfolio.

### 7.3 Housing Revenue Account (HRA) (£1.632m forecast underspend)

At this stage of the financial year the Housing Revenue Account is forecasting a £1.632m 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 Dec 2011	Cumulative to Dec 2012
	£'000	£'000	£'000
Children & Young People's Services	1,855	1,524	321
Neighbourhoods & Adult Services	379	256	255
Environment & Development Services	265	252	149
Resources	11	9	160
<b>TOTAL</b>	<b>2,510</b>	<b>2,041</b>	<b>885</b>

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 Dec 2011	Cumulative to Dec 2012
	£'000	£'000	£'000
Children & Young People's Services	304	217	220
Neighbourhoods & Adult Services	0	0	0
Environment & Development Services	78	67	40
Resources	24	24	19
<b>TOTAL</b>	<b>406</b>	<b>308</b>	<b>279</b>

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 Dec 2011	Cumulative to Dec 2012
	£'000	£'000	£'000
Children & Young People's Services	107	96	68
Neighbourhoods & Adult Services	314	244	290
Environment & Development Services	471	339	326
Resources	79	60	146
<b>TOTAL</b>	<b>971</b>	<b>739</b>	<b>830</b>

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, Network Maintenance, Street Lighting, Street Cleansing and Grounds Maintenance (£228k) where work is often undertaken at times to avoid inconvenience and danger to the public. Planning and Regeneration Services (£34k) and Waste Management Services (£64k) for sickness and holiday cover.

The Resources Directorate's overtime spend to December 2012 includes £88k which relates to former RBT services which transferred back to the Council. The equivalent overtime spend for these former RBT services for the period April to December 2011 was £70k. This overtime spend is predominantly in respect of maintaining ICT and Customer Support Services. Facilities Services have also incurred overtime costs of £35k for the 9 months ending 31<sup>st</sup> December 2012.

## 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. This action was also endorsed by Scrutiny. 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 to bring spend in line with budget by the end of March 2013.

## **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 (£1.255m forecast overspend)**

The key factors contributing to the forecast overspend are:

**Children Looked After** – Forecast overspend of +£1.303m. The forecast overspend on Residential out of authority placements is **+£1,143k**. The number of children in residential out of authority placements as at 31<sup>st</sup> December is 23 (an increase of 6 since 31 March 2012).

The forecast overspend on Independent Fostering placements is **+£417K**. The number of children in Independent foster care as at 31<sup>st</sup> December is 122 (a reduction of 11 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 December this number is 397.

These overspends are offset by underspends on in house Fostering services (**-£41K**), in house Residential (**-£122K**), redistribution of grant (**-£62K**) & transport for looked after children (**-£32K**).

**Other Children & Families Services** – Forecast overspend of **+£54k** as a result of Special Guardianship allowances (+£55K) & Inter Agency Adoption Fees (+£80K) & Adoption Allowances (+£7K) offset by staffing slippage (-£7K) & an underspend on leaving care services (-£81K).

**Special Education Provision** – Forecast overspend of **+£201k** due to an increase in Complex Needs placements (+£236K) offset by additional income generation (-£26K) & staff slippage (-£9K).

**Pension/Miscellaneous** – Forecast Overspend of **+£5k** 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 over spends are being offset by under spends of **-£334k** from staffing slippage (-£149k), redistribution of grant (-£151) & additional income generation (-£34K).

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 Director of Finance 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 (+£268k forecast overspend)**

### **Streetpride (+£242k)**

**Network Management** – reporting a **+£236k** over spend.

In the main is due to a potential **+£206k** pressure on Winter Maintenance based on an average winter (this is the underfunded amount). There are some pressures across the Service which are due to unachievable income targets set for Parking **+£68k**. Some savings (predominantly staff savings) have been identified in Street lighting and Streetworks enforcement of **-£25k**, which help reduce other identified pressures. Further savings include over recovery of income on Section 38 income **-£13k**.

**Waste Management** – reporting **+£35k** over spend, which in the main is due to income pressures, which are being partially mitigated by some savings from renegotiations of contracts and from changes to collection arrangements for Green Waste over the winter period.

There are other small pressures reported across the Service, the Stores Account **+£26k** and a further unfunded pressure **+£26k** relating to the Eastwood initiative. These are being partially mitigated by a **-£45k** under spend on Transportation due to some revised income projections and from Corporate Transport Unit **-£35k**. Overall Leisure and Community Services has a small underspend **-£1k** where saving some mitigating some significant pressures on Allotments and Grounds Maintenance.

### **Regeneration and Planning (+£30k)**

**Markets** budgets are forecasting a pressure (**+£28k**) due to:- fewer traders renting stalls (+£10k) , an estimated requirement for repairs (+£25k), with both pressures partially mitigated by savings on overheads (-£7k). **The Local Development Framework** is also forecasting a pressure in respect of consultancy spend (**+£59k**).

**Development Control** estimate a pressure of **+£38k** due to revised income projections.

**Service-wide pressures** of **+£26k** across Planning and Regeneration services also exist

**Savings** of **-£44k** in respect of the Business Centres and **-£77k** within Cultural Services have been Identified which partially mitigate the pressures previously identified.

### **Business Unit (-£4k)**

**The Business Unit** is forecasting a small saving of **-£4k**

## **Neighbourhoods & Adult Services (-£350k forecast underspend)**

Adult Services are forecasting a underspend of -£182k, 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 (+£388k).

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



and long term sickness (+£94k) plus income shortfall in respect of client charges (+£92k).

**Direct Payments** – forecast overspend of (+£1.754m) across all client groups due to increase in demand, a net increase of 143 clients since April.

**Transport** - recurrent budget pressure on transport (+£257k) including income from charges.

**Physical & Sensory Disabilities** – loss of health funding within supported living scheme (+£52k)

General pressure on ICT budgets across the service including PC support costs (£72k).

These forecast 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 40 clients less than forecast, an increase in the average client contribution and income from property charges (-£639k).

**Older People's Domiciliary Care** – overall forecast underspend (-£85k) 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 (-£416k).

**Older People Day Care** – savings from the review of the service (-£140k)

**Learning Disabilities** – forecasting an underspend within supported living due to additional income from health plus one-off grant funding (-£258k).

**Physical and Sensory Disabilities** – planned slippage on developing alternatives to residential provision (-£512k) to offset pressures on Direct Payments budgets plus income from property charges. Forecast underspend on independent sector day care due to value for money review of current contracts (-£25k).

**Mental Health Community Support** – delayed start up of supported living scheme to offset pressures in Direct Payments (-£156k).

**Community Elderly Mental Health** – slippage in developing dementia services (-£225k).

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

**Carers** – underspend due to vacant posts and slippage in take up of carers breaks (-£181k).

**Safeguarding** – underspend (-£53k) 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 (-£51k).

**Note: Supporting People** - Efficiency savings of £234k on subsidy contracts are being offset against the corporate commissioning savings target and are therefore not included in the Adult Services forecast.

**Neighbourhood Services: - £168k** forecast underspend comprises:

**Public Health** – restructure of service resulted in delays to filling vacant posts earlier in the year (-£77k).

**Housing and Communities** – savings on vacant posts (-£24k) and forecast underspend on Community Leadership Fund (-£20k). As in previous years, this £20k balance will be requested for roll-forward into 2013/14.

**Strategic Housing & Investment Service** - forecast underspend on Lighting of Staircases budgets based on expenditure to date (-£17k).

**Environmental Health** – efficiency savings on transport and premises costs plus reduction in spend on supplies and services as a result of the moratorium on non essential spend (-£36k).

**Housing Options** – slight overspend due to unmet vacancy factor (+£1k)

**Central** – ending of Asylum Seeker funding and vacancy factor pressure, partially reduced by savings on supplies and services is resulting in a forecast overspend of +£5k.

**Resources Directorate (+£202k forecast overspend)**

**Asset Management** – Overall forecast is currently a **+£98k** 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.

**Human Resources & Payroll** – Small pressure across the whole service (**+£4k**)