

<b>1</b>	<b>Meeting:</b>	<b>CABINET</b>
<b>2</b>	<b>Date:</b>	<b>24th July 2013</b>
<b>3</b>	<b>Title:</b>	<b>Revenue Budget Monitoring for the period ending 31st May 2013</b>
<b>4</b>	<b>Directorate:</b>	<b>Resources (for all)</b>

## **5 Summary**

Since 2011 the funding cuts implemented by the Coalition Government have required the Council to make savings of over £70m; including £20.2m savings which the Council must deliver during 2013/14 to deliver a balanced outturn.

This report provides details of progress on the delivery of the Revenue Budget for 2013/14 based on performance for the first 2 months of the financial year. It is currently forecast that the Council will overspend against its Budget by £4.849m (+2.2%). The main reasons for the forecast overspend are:

- The continuing service demand and cost pressures for safeguarding vulnerable children across the Borough;
- Income pressures within Environment and Development Services;
- Demand pressures for Direct Payments, Older People’s domiciliary care services and day care for clients with Learning Disabilities;
- 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
- Some savings targets are currently pending delivery in full in 2013/14.

**Although the current forecast revenue pressure is significant, through the implementation of appropriate management actions it should be possible to mitigate the forecast pressure and prevent it from becoming serious.** A strategy for addressing the forecast pressure is proposed within this report. This will 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**

**Cabinet is asked to:**

- **Note the current forecast outturn and significant financial challenge presented for the Council to deliver a balanced revenue budget for 2013/14 and;**
- **Agree, with immediate effect, the proposed strategy to bring spend in line with budget by 31<sup>st</sup> March 2014.**

## 7.1 Proposals and Details

This report presents details of spending against budget by Directorate covering the first 2 months of the 2013/14 financial year – April 2013 to May 2013 – and forecast costs and income to 31<sup>st</sup> March 2014.

## 7.2 The Overall Position

Directorate/Service	Annual Budget 2013/14	Projected Outturn 2013/14	Variance after Actions (over(+)/under(-) spend)	
	£'000	£'000	£'000	%
Children & Young People Services	47,242	48,140	+898	+1.9
Environment and Development Services	37,031	37,979	+948	+2.6
Neighbourhoods & Adult Services	72,558	74,090	+1,532	+2.1
Resources	26,615	27,205	+590	+2.2
Central Services	38,028	38,909	+881	+2.3
<b>TOTAL</b>	<b>221,474</b>	<b>226,323</b>	<b>+4,849</b>	<b>+2.2</b>
Housing Revenue Account (HRA)	73,090	73,090	-	-

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 (+£898k forecast overspend)**

The +£898k forecast overspend position is largely due to pressures within Safeguarding and Corporate Parenting Service. The number of looked after children requiring placements at the end of May 2013 was 390, a reduction of 2 since the end of March 2013.

Pressures on budgets for provision of Out of Authority Residential care (+£1.170m) and the provision of independent Foster Care placements (+£558k) are the main service pressures.

Forecast savings across other parts of the Directorate are helping to mitigate these key pressures. Details are shown in Appendix 1.

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

- Continued operation and challenge by the Multi-Agency Support Panel
- Successful work undertaken by the Commissioning Team which has resulted in the commissioning and re-commissioning service provider contracts with significant cost reductions/cost avoidance (£329k) to date in 2013/14.

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

## **Environment & Development Services (+£948k forecast overspend)**

The Directorate is currently forecasting an overspend of +£948k largely due to pressures in Streetpride (+£562k) and Customer Services (+£200k). The forecast overspend assumes that the Winter Pressures budget is sufficient to contain costs incurred over the Winter months (2013/14). It should however be noted that in 2012/13 this budget overspent by £468k. Details of the forecast overspend are included in Appendix 1.

## **Neighbourhoods and Adult Services (+£1,532k forecast overspend)**

Overall the Directorate is forecasting an overspend of +£1.532m. Within this, Adult Services are forecasting an overspend (+£1.485m) and Neighbourhood services a forecast overspend of +£47k. Public Health Services are currently forecasting a balanced outturn. Key pressures include increased demand for Direct Payments (Older People, Physical & Sensory Disability and Mental Health clients), Older People's domiciliary care, and day care provision for clients with Learning Disabilities. The forecast position for Neighbourhoods and Adult Services is made up of a number of under and overspends, detailed in Appendix 1.

## **Resources Directorate (+£590k forecast overspend)**

Overall the Directorate is forecasting an overspend of +£590k. The pressures are in respect of the Council's Land Bank within Asset Management services due to the need to keep secure properties which have been vacated until they are sold or demolished.

## **Central Services (+£881k forecast overspend)**

In setting the 2013/14 Budget, the Council proposed a savings target of £300k in respect of renegotiating Staff Terms and Conditions. Options for progressing this saving have been considered and rejected by the Unions. This target currently remains undelivered.

The Council also set a savings target of £341k to be delivered from the 'Critical Friend Review of Front-line Services'. To date £147k of this has been delivered, the balance (£194k) is still to be identified.

When the 2012/13 budget was agreed it included a £2m savings target for Commissioning Savings. Currently £387k of that target remains to be delivered. Progress against delivery of this balance will be reported in future Cabinet budget monitoring reports.

## **7.3 Housing Revenue Account (HRA) (Forecast balanced outturn)**

At this stage of the financial year the Housing Revenue Account is forecasting a balanced outturn.

## **7.4 Proposed Strategy to address the forecast overspend**

Cabinet is asked to support a strategy to address the 2013/14 forecast pressure of £4.849m. This proposed strategy consists of 3 stages and incorporates key principles of increasing income, controlling costs and managing demand. Escalation to the subsequent stages of the strategy would be dependant on the degree of success in reducing the forecast overspend towards a balanced outturn position.

**Stage 1** – With immediate effect Directorates should consider appropriate actions which could be implemented to address the forecast overspend. This should include exploring all opportunities to generate additional income and where it may be possible to downsize staffing complements, where it is possible and appropriate to do so. It is proposed that this is undertaken before the end of the Council’s summer recess when the impact on the forecast outturn position will be reassessed.

**Stage 2** – In the event that Stage 1 does not effectively address the forecast overspend, Directorates should consider what non-essential planned expenditure could be ‘slipped’ into the next financial year.

**Stage 3** – If Stage 2 does not fully address any residual forecast pressure, a moratorium on all non-essential spend should be implemented. The criteria for essential spend being consistent with that applied in 2012/13:

- Is contractually committed
- Essential for the safeguarding of vulnerable children and adults;
- Required to meet health and safety requirements;
- Spend is required to avoid a false economy;
- Spend which is highly sensitive to local Members or local communities

## 7.5 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, including comparisons with 2012/13 financial year:

### Agency

Directorate	Outturn 2012/13	Cumulative to May 2012	Cumulative to May 2013
	£'000	£'000	£'000
Children & Young People’s Services	546	61	111
Neighbourhoods & Adult Services	519	52	107
Environment & Development Services	266	34	62
Resources	194	62	29
<b>TOTAL</b>	<b>1,525</b>	<b>209</b>	<b>309</b>

Agency spend in Children’s Services is largely due to the need to cover vacant social work posts. Seven newly recruited Social Work staff are imminently due to commence work within the service; this will significantly reduce reliance on agency staff going forward.

The use of agency staff in Adult Services has increased compared to May 2012 levels due to social work vacancies and the need to maintain essential cover in some services areas, and provision of cover arrangements pending the implementation of the new staffing structure in Residential Care.

Environment and Development Services agency costs are greater in the first two months of this year compared with last due to cover arrangements within Waste services pending the implementation of a new structure and resourcing additional Highway Maintenance capital works. Also, seasonal Grounds Maintenance work is now undertaken by a combination of seasonally employed staff and agency workers to minimise the cost of cover arrangements.

Agency spend within the Resources Directorate has reduced compared with May 2012 levels. The main area of Agency spend is ICT support.

### Consultancy

Directorate	Outturn 2012/13	Cumulative to May 2012	Cumulative to May 2013
	£'000	£'000	£'000
Children & Young People's Services	428	190	15
Neighbourhoods & Adult Services	0	0	0
Environment & Development Services	83	2	62
Resources	26	1	0
<b>TOTAL</b>	<b>537</b>	<b>193</b>	<b>77</b>

The consultancy spend within Children's Services for the first two months of 2013/14 has reduced considerably when compared with the same period last year. The consultancy expenditure 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.

Consultancy costs within EDS predominantly relate to review of potential development sites and transportation links within the Local Development Plan.

### Non-Contractual Overtime

Directorate	Outturn 2012/13	Cumulative to May 2012	Cumulative to May 2013
	£'000	£'000	£'000
Children & Young People's Services	84	15	20
Neighbourhoods & Adult Services	456	74	60
Environment & Development Services	397	79	81
Resources	188	24	33
<b>TOTAL</b>	<b>1,125</b>	<b>192</b>	<b>194</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 (£55k) where work is often undertaken at times to avoid inconvenience and danger to the public. Planning and Regeneration Services (£6k) and Waste Management Services (£12k) for sickness and holiday cover.

The Resources Directorate's overtime is predominantly in respect of Revenues and Benefits associated with significant workload pressures primarily brought about by welfare reform changes that are resulting in additional customer contact and income collection and recovery activity (£16k), maintaining ICT Support Services (£7k), and provision of cover within Facilities Services (£5k).

## **8. Finance**

The financial issues are discussed in section 7 above.

Management actions need to be identified and implemented across all Directorates to bring projected spend in line with Budget limits by the end of March 2014.

The Budget Principles and 2013/14 Budget Monitoring Arrangements report to Cabinet on 3<sup>rd</sup> July referred to inclusion of information in budget monitoring reports around income collection rates. It is too early in the financial year to provide this information. This will be included in the first budget monitoring report to Cabinet after the summer recess.

## **9 Risks and Uncertainties**

At a time of economic difficulty and tight financial constraints, managing spend in line with the Council's Budget is paramount. Careful scrutiny of expenditure and income across all services and close budget monitoring therefore remain a top priority if the Council is to deliver both its annual and medium term financial plans while sustaining its overall financial resilience.

The current forecast assumes that costs associated with the Winter Pressures will be contained within budget. In 2012/13 these costs exceeded budget by £468k.

## **10. Policy and Performance Agenda Implications**

The delivery of the Council's Revenue Budget and Medium Term Financial Plan 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 2013/14 Report to Council 6th March 2013.
- Strategic Directors and Service Directors of the Council

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## Appendix 1

### Key reasons for forecast over / underspends

#### **Children & Young People's Services (£898k forecast overspend)**

The key factors contributing to the forecast overspend are:

##### **Strategic Management (+£34k)**

A forecast overspend of £20K is due to the agency costs for the temporary Director of Safeguarding, Children & Families and £14k is due to staff cost pressures.

##### **School Effectiveness (+£49k)**

An forecast overspend of £12K is due to match funding required to secure European Social Fund (ESF) grant and £37K is due to projected under recovery of income at Rockingham Professional Development Centre.

##### **Children looked after (+£1.713m)**

The service is now forecasting an overspend which is mainly due to out of authority residential placements (+£1,170k), remand placements (+£89K) and independent fostering placements (+£558K). Further details of placements are below:

- The number of children in residential out of authority placements as at 31<sup>st</sup> May is 22 (a reduction of 3 since 31 March 2013).
- From 1 April 2013 children's remand placements are fully funded by the Local Authority. There are currently 2 remand placements.
- The number of children in Independent foster care as at 31<sup>st</sup> May is 106 (a reduction of 12 since the end of March 2013).
- The number of children in in-house fostering placements as at 31<sup>st</sup> May is 189.
- The number of looked after children was 390 at 31<sup>st</sup> May, a reduction of 2 since 31<sup>st</sup> March 2013

These forecast overspends are partially offset by projected underspends on in house Residential services (-£25k), transport for looked after children (-£35k), staffing savings from vacant posts (-£17k) & placement allowances (-£27k).

##### **Other Children and Families Services (+£60k)**

This is mainly as a result of forecast overspends on Special Guardianship allowances (£28k) due to higher than anticipated backdated settlements & projected overspend on legal costs (£32k)

##### **Remaining CYPS Services (-£958k)**

The above forecast overspends are being partially offset by projected underspends from pension costs being less than budget (-£43k), directorate-wide staff slippage (-£168k), planned reduction in Complex needs placement costs via new commissioning procedures (-£224k) & planned in-year service redesign and delivery (-£523k).

#### **Environment & Development Services (+£948k forecast overspend)**

The above forecast overspend assumes that the Winter Pressures budget is sufficient to contain costs incurred over the Winter period - In 2012/13 these costs exceeded budget by £468k.

### **Streetpride ( +£562k forecast overspend)**

Network Management is projecting a shortfall on income recovery (+£173k) where income targets were inflated on Parking Services budgets by 2.5%. This pressure is partially offset by (-£60k) reduction in TUPE payments to South Yorkshire Police. Other service pressures are mitigated by increased income from Adoptions and Searches and reduced Street Lighting energy costs.

Waste Management services have pressures primarily on income from sale of recyclables as a result of a general reduction in waste volumes, and from commercial waste contracts which are still less than budgeted following the downturn in economic activity. Current projections show a pressure of +£449k, but negotiations with waste disposal contractors are ongoing and should any savings be negotiated, these will help to mitigate this pressure.

### **Regeneration, Planning, Customer and Cultural Services (+£386k forecast overspend)**

Economic Development services are expecting an under-recovery of income (+£85k). Heritage Services are projecting a +£50k pressure due to the change in venue for wedding services to Clifton Park Museum as the venue will need to be increase its planned opening hours and provide appropriate staffing . With Customer Services there is an unachievable saving from 2012/13 of +£80k and a further +£120k from the 2013/14 savings proposals which currently remain outstanding. There is a staff cost pressure within the Customer Contact Centre of +£51k; work is ongoing to try to mitigate these.

### **Neighbourhoods & Adult Services (+£1.532m forecast overspend)**

**Adult Services** are currently forecasting an overspend of **+£1.485m**.The key underlying budget pressures include:

#### **Older People (+£691k)**

Forecast over spend on In-House Residential Care due to slippage on implementation of 2013/14 budget savings target (+£400k), increase in Direct Payments over budget (+£589k) and overall forecast over spend on Domiciliary Care services (+£454k) due to an increase in demand particularly over the last three months for independent sector care.

These forecast overspends are partially mitigated by a forecast underspend on independent sector residential and nursing care (-£105k) due to 32 less clients in placement than budgeted and an increase in self funders receiving care resulting in a reduction in the average cost per client plus additional income from property charges is being received. Currently there is also a forecast underspend in respect of developing dementia services (-£81k) and carers breaks (-£75k). Slippage on recruitment to vacant posts within Assessment & Care Management and community support plus additional income from Health (-£444k) and additional income from the provision of transport services (-£47k).

#### **Learning Disabilities (+£491k)**

There is a forecast overspend on Day Care (+£388k) due to slippage on implementation of day care review including an increase in fees and charges, plus a recurrent budget pressure on transport. There is a forecast overspend in independent sector home care (+£87k) due to slippage in meeting an agreed budget saving. High cost placements within independent day care and community support is resulting in a forecast overspend of



+£214k. These forecast overspends are partially mitigated by slippage on developing Supported Living schemes plus additional funding from health (-£174k) and efficiency savings on Service Level Agreements (SLA's) for advice and information (-£24k).

### **Mental Health (-£146k)**

There is a projected overspend on the residential care budget due to slippage on budget savings plan to move clients into community support services and a continued budget pressure on direct payments (+£219k). These are more than offset by forecast underspends in the community support budget (-£365k).

### **Physical & Sensory Disabilities (+£518k)**

Further increase in demand for Direct Payments (+ 5 clients) together with recurrent budget pressure (+£518k).

### **Supporting People (-£46k)**

Efficiency savings on subsidy contracts have already been identified against budget (-£46k).

### **Adults General (-£23k)**

This includes the cross cutting budgets (Workforce planning and training, and corporate charges) which are forecasting an overall slight underspend based on the level of charges incurred last year.

### **Neighbourhoods General Fund (+£47k)**

The projected year end outturn position for Neighbourhoods shows a forecast overspend of (+£47k).

The main budget pressure of £47k is within Environmental Services as a result of staff cost pressures within Community Protection plus essential health and safety work on closed Landfill Sites.

### **Public Health (Nil)**

Public Health services were transferred from Health to Local Authorities on 1 April 2013. The service is funded by a ring fenced specific grant from the Department of Health. For Rotherham this is £13.790m for 2013/14 and the service is currently forecasting to spend within approved budget. The majority of grant funding (£11.8m) is used to procure public health related contracts with a range of providers including RFT, RDASH, GP's, pharmacies and services within the voluntary sector. Services provided include sexual health, health checks, obesity, substance misuse and public health advice and information.

### **Housing Revenue Account (HRA)**

The overall forecast as at end May 2013 is that the HRA will outturn on budget with a planned (budgeted) use of its working balance (reserves) of £2.604m.

Currently a forecast under-recovery of income from charges for services and facilities is being mitigated by forecast savings within supervision and management.

### **Resources Directorate (+590k forecast overspend)**

**Asset Management** – There is currently a forecast pressure of +£590k on the Land Bank within Asset Management services due to the need to keep vacant council owned properties secure until they are sold or demolished.

Other Services with the Resources Directorate (HR&P, Financial Services, Legal Services and Commissioning, Procurement, Policy and Performance) are currently forecasting a balanced outturn.