

<b>1</b>	<b>Meeting:</b>	<b>CABINET</b>
<b>2</b>	<b>Date:</b>	<b>16th October 2013</b>
<b>3</b>	<b>Title:</b>	<b>Revenue Budget Monitoring for the period ending 31st August 2013</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 2013/14 based on performance for the first 5 months of the financial year. It is currently forecast that the Council will overspend against its Budget by £5.475m (+2.5%). This represents a deterioration of the forecast outturn by £0.626m since the last (May) monitoring report. 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.

**As the current forecast revenue pressure is significant, and because the position has deteriorated since the last report, it is now recommended that Stage 3 of the Strategy agreed by Members from the May monitoring report (Paragraph 7.4 of this report) to address the forecast overspend is implemented with immediate effect. This action is required to mitigate the forecast pressure and prevent it from becoming serious.** 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 to implement Stage 3 of the Strategy to address the forecast overspend with immediate effect, 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 5 months of the 2013/14 financial year – April 2013 to August 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	46,108	47,274	+1,166	+2.5
Environment and Development Services	37,241	37,952	+711	+2.4
Neighbourhoods & Adult Services	75,270	77,059	+1,789	+1.9
Resources	26,135	27,021	+886	+3.4
Central Services	36,720	37,643	+923	+2.5
<b>TOTAL</b>	<b>221,474</b>	<b>226,949</b>	<b>+5,475</b>	<b>+2.5</b>
Housing Revenue Account (HRA)	78,904	78,415	-489	-0.7

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 (+£1,186k forecast overspend)**

The forecast overspend for Children's Services has deteriorated by £268k since the last report. (+£898k in the May monitoring report). The 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 August 2013 was 390, a reduction of 2 since the end of March 2013.

Pressures on budgets for provision of Out of Authority Residential care (+£1.104m) and the provision of independent Foster Care placements (+£194k) are the main service pressures.

The investment received in Fostering & Adoption is showing results. The service is projecting to have 34 new adopters by the end of March 2014 which is 13 above the Invest to Save target. This has been helped by the government's one year only, Adoption Reform Grant. The service is also projecting to be on target for the recruitment of new foster carers at a net gain of 21.

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 of service provider contracts with significant cost reductions/cost avoidance (£400k) to date in 2013/14.

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

### **Environment & Development Services (+£711k forecast overspend)**

The Directorate is currently forecasting an overspend of +£711k largely due to pressures in Streetpride (+£157k), Customer Services (+£355k) and Planning and Regeneration (+£199k). This is an improvement on the May monitoring report of -£237k. 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 £466k. Details of the forecast overspend are included in Appendix 1.

### **Neighbourhoods and Adult Services (+£1,789k forecast overspend) and Public Health (-£349k forecast underspend)**

Overall the Directorate (excluding ring-fenced Public Health funded services) is forecasting an overspend of +£1.789m. This shows a deterioration of +£257k since the May monitoring report. Within this, Adult Services are forecasting an overspend (+£1.819m) and Neighbourhood services a forecast underspend of -£30k. Key pressures include slippage on achieving budget savings targets mainly additional continuing health care income and the implementation of the review of in house residential care services. There are also recurrent budget pressures on 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.

Public Health Services are currently forecasting an underspend of -£349k. (Ring-fenced funding).

The forecast position for Neighbourhoods and Adult Services is made up of a number of under and overspends, detailed in Appendix 1.

### **Resources Directorate (+£886k forecast overspend)**

Overall the Directorate is forecasting an overspend of +£886k. This is a deterioration of +£296k since the May monitoring report (+£590k). The key 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 and income pressures in relation to the ICT service.

### **Central Services (+£923k 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.

There is also a forecast pressure of £42k in respect of Statutory Costs (eg Planning Notices). In 2011/12 it was agreed that the 'top-up' account would be closed and in the event of any future pressure above the level of budget (£75k), this would be met from general reserves.

### **7.3 Housing Revenue Account (HRA) (Forecast underspend -£489k)**

The Housing Revenue Account is forecasting a reduction in the transfer from reserves compared with the agreed budget. The HRA had budgeted to use £2.599m from reserves but current forecasts only require £2.110m, a reduction of £489k.

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

As part of the May Budget Monitoring Report Members approved a 3 Stage strategy to address any forecast overspend in 2013/14. The 3 stages are below:

**Stage 1** – 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

**Stage 1 of the Strategy was implemented in July. Due to the deterioration in the forecast overspend since that time Cabinet is asked to agree, with immediate effect, implementation of Stage 3 of the above Strategy.**

Cabinet is reminded that a Budget Update was issued to staff on 20<sup>th</sup> September. This communication made staff aware that the opportunity to apply for voluntary redundancy or voluntary early retirement was to be made available. Depending on the numbers volunteering, and subsequent numbers approved, this will determine the extent to which the 2013/14 forecast overspend will decrease and may also impact on the savings to contribute to closing the current 2014/15 funding gap.

## 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 Aug 2012	Cumulative to Aug 2013
	£'000	£'000	£'000
Children & Young People's Services	546	138	306
Neighbourhoods & Adult Services	519	100	217
Environment & Development Services	266	81	306
Resources	194	114	41
<b>TOTAL</b>	<b>1,525</b>	<b>433</b>	<b>870</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 have already, or will imminently commence work within the service; this will significantly reduce reliance on agency staff going forward. Additionally, two extra-establishment peripatetic posts have been recruited to with the intention of providing cover for emergent vacancies, rather than using agency. Extra agency costs have been incurred due to the departure of 3 team managers within a 6 week period, and all replacement officers (two of which have been recruited from another authority) have had 3 month notice periods to serve. The most significant reason for the increase over 2012 levels relates to agency costs for the interim Director of Safeguarding to cover the vacant post. This has been agreed by the Strategic Director of CYPS and the Chief Executive with a view to provide much needed stability for the next 12 months, as the service continues its responsive work to child sexual exploitation in the borough and also prepares for systemic changes to the OfSTED inspection framework.

The use of agency staff in Adult Services has increased compared to August 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 compared with the cumulative spend to August last year 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 where Agency staff are covering a key role (Senior Network Specialist) which the service has been unable to recruit to.

## Consultancy

Directorate	Outturn 2012/13	Cumulative to Aug 2012	Cumulative to Aug 2013
	£'000	£'000	£'000
Children & Young People's Services	428	276	73
Neighbourhoods & Adult Services	0	0	0
Environment & Development Services	83	7	67
Resources	26	10	3
<b>TOTAL</b>	<b>537</b>	<b>293</b>	<b>143</b>

The consultancy spend within Children's Services for the first five months of 2013/14 has reduced considerably when compared with the same period last year. The consultancy expenditure predominantly relates to the School Effectiveness Service. This is funded from a combination of revenue budget, 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 Aug 2012	Cumulative to Aug 2013
	£'000	£'000	£'000
Children & Young People's Services	84	29	47
Neighbourhoods & Adult Services	456	139	166
Environment & Development Services	397	191	220
Resources	188	84	79
<b>TOTAL</b>	<b>1,125</b>	<b>443</b>	<b>512</b>

Children's Services overtime is largely in respect of safeguarding in residential care homes. Recruitment to permanent posts at the homes has been delayed and OfSTED requirements are that agency staff are not used to cover vacancies, hence the increased reliance on overtime in the short term.

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 (£165k) where work is often undertaken at times to avoid inconvenience and danger to the public. Planning and Regeneration Services (£15k) and Waste Management Services (£40k) for sickness and holiday cover.

The Resources Directorate's overtime is predominantly in respect of Revenues and Benefits associated with the service carrying a number of vacancies and significant workload pressures primarily brought about by welfare reform changes that are resulting in additional customer contact and income collection and recovery activity (£36k), maintaining ICT Support Services (£17k), HR and Payroll Services (£6k), Town Hall attendants (£6k) and provision of cover within Facilities Services (£13k).

## **7.6 Collection Fund**

**Council Tax:** Based on the first 6 months of 2013/14 collection rates indicate that the Council is on target to achieve the budgeted level of Council Tax - £78.3m. (97% Collection Rate).

**Business Rates:** The Council is currently on target to collect the budgeted level of Business Rates - £34.3m (the Council's 49% share). It should however be noted that Appeals regarding Business Rates are made direct to the Valuation Office Agency (VOA) and like other Authorities, we have been having difficulty obtaining appeals information from the VOA. The number and value of appeals can have a significant impact on the Business Rates collected as they may date back several years. Following recent meetings with VOA staff it is now hoped that there will be greater clarity on appeals as the VOA has agreed to supply information on a timely basis.

## **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.

## **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.

Although both Council Tax and Business Rates collection levels are currently on target there remains a risk that this could change during the final six months of the year.

The current forecast assumes that costs associated with the Winter Pressures will be contained within budget. In 2012/13 these costs exceeded budget by £466k.

## **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

- May Revenue Budget Report – Cabinet 24<sup>th</sup> July 2013
- Revenue Budget and Council Tax for 2013/14 Report to Council 6th March 2013.
- Strategic Directors and Service Directors of the Council

**Contact Name:** Stuart Booth, Director of Financial Services, ext. 22034  
[Stuart.Booth@Rotherham.gov.uk](mailto:Stuart.Booth@Rotherham.gov.uk)

## Appendix 1

### Key reasons for forecast over / underspends

#### **Children & Young People's Services (£1.166m forecast overspend)**

The key factors contributing to the forecast overspend are:

##### **School Effectiveness (+£29k)**

This forecast overspend is due to projected under recovery of income at Rockingham PDC.

##### **Special Education Provision (-£69k)**

Forecast overspends on Education Welfare (+£46k) due to loss of academy income caused by a change in legislation, SEN Assessment/Admissions Team (+£50k) due to additional hours & printing costs & the Get Real Team (+£9k) on supplies & services is offset by staff slippage in both Early Years ASD Support (-£5k) and Education Psychology Service (-£33k). A further forecast underspend on Complex Needs placements (-£136k) is due to the projected achievement of commissioning savings.

##### **Safeguarding, Children and Families Service Wide (+£73k)**

The forecast over spend on legal fees (+£113k) and Agency costs (+£14k) is partially offset by staff cost savings (-£54k) in Business Support.

##### **Child Protection Teams (+£17k)**

This forecast overspend is on Agency staff within the Safeguarding Unit.

##### **Children in Need Social Work Teams (+£76k)**

This forecast overspend is on Agency staff costs & additional staff appointments within the Children in Need North team & the Borough Wide team.

##### **Looked After Children (+£1,119k)**

The service is now forecasting an over spend mainly due to out of authority residential placements (+£855k), remand placements (+£249k) and independent fostering placements (+£194k). Further details of placements are below:

- The number of children in residential out of authority placements as at 31<sup>st</sup> August is 23 (an increase of 2 since July but a reduction of 2 since 31 March 2013).
- From 1 April 2013 children's remand placements are fully funded by the Local Authority & RMBC was provided with a grant of £78k to cover these additional costs. There are currently 2 remand placements.
- The number of children in Independent foster care as at 31<sup>st</sup> August is 111 (an increase of 5 since July but a reduction of 7 since the end of March 2013).
- The number of children in in-house fostering placements as at 31<sup>st</sup> August is 170 (an increase of 2 since 31 March 13).
- The number of looked after children was 390 at 31<sup>st</sup> August, a reduction of 2 since 31<sup>st</sup> March 2013

Additional overspends in this area are (+£4k) in the LAC service due to a court ordered care package, (+£15k) Consultancy costs to review Complex placements, (+£11k) Residence Orders and (+£18k) Agency costs on Contact workers. These pressures are partially offset by projected underspends in Children's Homes (-£60k) mainly due to not

staffing the Silverwood annexe, Fostering Services (-£91k) due to a forecast underspend on fostering allowances & Families together placements, and (-£76k) due to the re-profiling of placements and the impact of this on inter-agency adoption costs.

### **Remaining CYPS Services (-£79k)**

The overall CYPS overspend is then offset by projected under spends on Pension costs (-£8k) due to a reduction in numbers receiving pension payments and staff cost savings in the Integrated Youth Support Service (-£38k) and the Disability Team (-£33k).

### **Environment & Development Services (+£711k 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 £466k.

### **Streetpride ( +£157k forecast overspend)**

Network Management is projecting a shortfall on income recovery (+£137k) where income targets were increased on Parking Services budgets by 2.5%. Other service pressures (+£16k) are mitigated by increased income from Adoptions and Searches and reduced Street Lighting energy costs (-£67k).

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 +£402k, but negotiations with waste disposal contractors are ongoing and savings on the waste PFI are helping to mitigate this pressure by £248k.

The Corporate Transport Unit is showing a forecast saving of -£86k mainly due to expected reduced costs on Home to School Transport. Across the rest of Streetpride services there are some small pressures within Leisure and Green Spaces and Community Services and Corporate Accounts (+£28k) which are being offset by savings within Transportation (-£25k).

### **Regeneration, Planning, Customer and Cultural Services (+£554k forecast overspend)**

The key pressures within Regeneration and Planning total **£199k** are £316k from Planning mainly due to reduced income from planning applications, and £40k from Building Control and Markets. These are being partially offset by identified savings -£84k from higher than expected occupancy levels at the Business Centres, and further savings of -£73k from other areas

Within Customer and Cultural Services there is a forecast overspend of **£355k**. Heritage Services are projecting a +£55k pressure due to the change in venue for wedding services to Clifton Park Museum as the venue will need to increase its planned opening hours and provide appropriate staffing. Within 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, and a further £26k. There are further pressures within the Customer Contact Centre a net pressure of +£74k.

## **Neighbourhoods & Adult Services (+£1.789m forecast overspend) and Public Health Services (-£349k forecast underspend)**

**Adult Services** are currently forecasting an overspend of **+£1.819m**. The key underlying budget pressures include:

### **Older People (+£969k)**

Forecast over spend on In-House Residential Care due to slippage on implementing the 2013/14 budget savings target (+£364k), increase in Direct Payments over budget (+£579k) and overall forecast over spend on Domiciliary Care services (+£554k) due to an increase in demand for independent sector care.

There is also a forecast overspend on independent sector residential and nursing care (+£345k) due to an increase in admissions (11 additional clients in placement than budgeted), this is after additional income from property charges is being received. These pressures are being reduced by a number of forecast underspends including planned slippage in developing dementia services (-£90k), carers breaks (-£75k) and enhancements in Rothercare (-£84k). Slippage on recruitment to vacant posts within Assessment & Care Management and community support plus additional income from Health (-£605k), and under spends on non-pay budgets due to the moratorium on non essential spend (-£19k).

### **Learning Disabilities (+£510k)**

There is a forecast overspend on Day Care (+£343k) due to slippage on implementation of the 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 (+£98k) due to slippage in meeting an agreed budget saving. Additional admissions into residential care are resulting in a forecast overspend of +£169k. High cost placements within independent day care and community support are resulting in a forecast overspend of +£164k. These forecast overspends are partially mitigated by slippage on developing Supported Living schemes plus additional funding from health (-£132k), efficiency savings on Service Level Agreements (SLA's) for advice and information (-£60k), slippage on investment in direct payments (-£50k) and planned delays in recruitment to vacant posts (-£22k).

### **Mental Health (-£244k)**

There is a projected overspend on the residential care budget due to slippage on the budget savings plan to move clients into community support services and a continued pressure on the direct payments budget (+£125k). These are more than offset by forecast underspends in the community support budget (-£369k).

### **Physical & Sensory Disabilities (+£640k)**

Further increase in demand for Direct Payments (+10 clients) together with recurrent cost pressure (+£624k) and a continued increase in demand for domiciliary care +£270k. These pressures are being partially offset by forecast underspends within residential and nursing care, day care, provision of equipment and savings on contracts (-£254k).

### **Adults Safeguarding (+£37k)**

Forecast overspend due to lower than expected staff turnover and use of agency support.

### **Supporting People (-£85k)**

Efficiency savings on subsidy contracts have already been identified against budget (-£85k).

### **Adults General (-£8k)**

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 (-£30k)**

The projected year end outturn position for Neighbourhoods shows a forecast under spend of (-£30k).

The main reason for the forecast underspend is higher than expected staff turnover within Trading Standards and Licensing, savings on non pay budgets due to the moratorium on non essential spend plus additional income from the Dignity contract.

### **Public Health (-£349k)**

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 an overall underspend of -£349k. The main reason is a variation in the sexual health contracts from the original budget. The grant conditions however allow for any underspend at the year end to be carried forward in a Public Health Grant Reserve.

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

The overall forecast as at end August 2013 is that the HRA will outturn on budget with a planned (budgeted) use of its working balance (reserves) of £2.110m a reduction of £489k from the original budget.

Currently forecasts show an over-recovery of income from charges for services and facilities together with minor under spends on housing repairs and supervision and management.

### **Resources Directorate (+886k 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. There are also pressures across the wider Asset Management service: Commercial Properties (+£25k), Community Buildings (+£28k), Council Accommodation (+£89k), Other (+£2k).

**ICT** – The service is currently forecasting a pressure of +£400k. This relates to a forecast under-recovery of income due to reduced spend across the Council.

**Legal Services** – A forecast overspend of +£43k due to staff cost pressures.

**Internal Audit** – A forecast overspend of +£44k due to staff cost pressures.

**Communications & Marketing** are forecasting an overspend of +£19k due to staff cost pressures.

**Human Resources & Payroll** are forecasting an underspend of -£154k largely in respect of staff cost savings.

**Commissioning, Policy & Performance** services are forecasting an underspend of -£115k mainly in respect of staff cost savings.

**Management savings** are also forecast across the service amounting to -£85k.