

ROTHERHAM BOROUGH COUNCIL – REPORT TO CABINET

1	Meeting:	CABINET
2	Date:	4th February 2015
3	Title:	Revenue Budget Monitoring for the period ending 31st December 2014
4	Directorate:	Resources on behalf of all Directorates

5 Summary

This report provides details of progress on the delivery of the Revenue Budget for 2014/15 based on performance for the first 9 months of this financial year. It is currently forecast that the Council will overspend its Budget by £2.103m (+1.0%); an improvement of £873k since the last report to Cabinet in December (October monitoring report).

The current forecast outturn includes the costs of implementing recommendations from the Jay report and the Ofsted Inspection to the extent that they are known. This is an evolving picture – the proposed restructure of Children’s Services is currently out to consultation. If recruitment to the final structure commences during February or March there are likely to be additional costs incurred which are not currently reflected within this report. Costs which will be borne by the Council in respect of the Corporate Governance Inspection are still unknown. The Chief Executive has written to Government asking for an estimation of the Inspection costs – a response is awaited.

The main reasons for the forecast overspend are:

- The continuing service demand and cost pressures for safeguarding vulnerable children across the Borough;
- Cost pressures arising from some schools converting to academies;
- Continuing Health Care income pressures and demand pressures for Direct Payments within Older People and Physical and Sensory Disability clients.
- Additional costs of responding to the Jay report and Ofsted recommendations (See Appendix 2)

The forecast outturn figure included in this report reflects staff cost savings for the 46 staff who have left the Council during 2014/15 through Voluntary Early Retirement or Voluntary Severance (VER/VS) and the savings accrued through the moratorium on non-essential spend implemented on 2nd September 2014 which will continue until the end of March.

Continued close management of spend remains essential if the Council is to deliver a balanced outturn and preserve its successful track record in managing both its in year financial performance and its overall financial resilience.

Recommendation

- **Cabinet is asked to note the current forecast outturn and the continuing financial challenge for the Council to deliver a balanced revenue budget for 2014/15.**

7.1 Proposals and Details

This report presents details of spending against budget by Directorate covering the first 9 months of the 2014/15 financial year – April 2014 to December 2014 – and forecast costs and income to 31st March 2015.

7.2 The Overall Position

Directorate/Service	Annual Budget 2014/15	Projected Outturn 2014/15	Forecast Variance after Actions (over(+)/under(-) spend) £'000	%
	£'000	£'000	£'000	%
Children & Young People Services	43,799	48,143	+4,344	+9.9
Academy Conversions (Deficit)	0	310	+310	+100.0
Neighbourhoods & Adult Services	74,730	73,850	-880	-1.2
Environment and Development Services	46,309	45,854	-455	-1.0
Resources	14,859	14,533	-326	-2.2
Central Services	29,188	28,298	-890	-3.0
TOTAL	208,885	210,988	+2,103	+1.0
Housing Revenue Account (HRA)	82,509	80,376	-2,133	-2.6

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 (+£4.654m forecast overspend)

The forecast overspend for Children's Services is largely due to pressures within the Children & Families Safeguarding Service. A further pressure (+£310k) relates to schools whose finances are in deficit when they convert to be a sponsored academy leaving the Council responsible for funding their accrued deficit. (Rawmarsh School: A Sports College and Swinton Brookfield Primary School).

A review of Abbey Special School is currently taking place. This school is currently forecasting a deficit outturn for this financial year (2014/15) which may be up to £361k. Depending on the outcome of this review there may be financial implications for the Council. This deficit is not included in the services forecast outturn.

The number of looked after children requiring placements at the end of December 2014 was 411, an increase of 16 since the start of the financial year.

Pressures on budgets for provision of Out of Authority Residential placements (+£3.184m) and the provision of independent Foster Care placements (+£342k) are the main service pressures. The cost of placements has increased as children are presenting with more complex needs. The service is looking at how they can find

suitable, alternative, increased value for money placements to meet the needs of these young people.

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 of £800k to date in 2014/15.

Appendix 2 contains details of additional known costs for 2014/15 in respect of responding to recommendations arising from the Jay and recent Ofsted reports.

Environment & Development Services including Internal Audit, Asset Management, Communications & Marketing and Policy & Planning (-£455k forecast underspend)

The Directorate is currently forecasting an underspend of -£455k comprising pressures in Streetpride (+£29k), and Communications (+£55k), with Asset Management showing an improved position (-£228k). The Business Unit is now reporting a forecast underspend position (-£75k) as is Regeneration, Planning and Culture (-£236k). All budgets are continually being reviewed to ensure spend is of an essential nature.

The forecast underspend assumes that the Winter Pressures budget is sufficient to contain costs incurred over the Winter months (2014/15). It should however be noted this budget overspent by +£139k in the mild Winter of 2013/14.

Neighbourhoods and Adult Services including Public Health, Commissioning, Procurement, Performance & Quality and Cohesion (-£0.880m forecast underspend)

Overall the Directorate (including ring-fenced Public Health funded services) is forecasting an underspend of -£880k. Within this, Adult Services are forecasting a balanced outturn and Neighbourhood Services a forecast underspend of -£761k. Commissioning, Procurement and Performance & Quality services are forecasting a collective underspend of (-£119k). Key Directorate pressures include budget savings from previous years not being fully achieved in respect of additional continuing health care (CHC) funding, delays on achieving budgeted savings within Learning Disability services, plus recurrent pressures on demand for Direct Payments within Older People and Physical and Sensory Disability clients. These pressures are being offset by additional non-recurrent income and tight financial management including the impact of the moratorium on non-essential spend.

Public Health Services (ring-fenced funding) are currently forecasting a balanced Outturn.

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

Resources Directorate including ICT (-£0.326m forecast underspend)

Overall the Directorate is forecasting an underspend of -£326k. This is predominantly in respect of reduced costs and additional income generation with HR and Payroll services, additional Housing Benefits income and a contribution from Public Health grant towards the costs of the Policy team.

The forecast position for the Resources Directorate is made up of the forecast under and overspends, detailed in Appendix 1.

Corporate & Central Services (-£0.890m forecast underspend)

There are currently two key pressures within Central Services. Rotherham's share of the pension deficit in respect of winding down Local Government Yorkshire & Humber (LGYH) (£80k) and Rotherham's share of the costs for the Economic Regeneration Team within the Sheffield City Region Combined Authority (£188k).

Additionally the Council has two key corporate pressures.

- The 2014/15 costs directly associated with the Professor Jay investigation into Child Sexual Exploitation (CSE) amount to £102k. (Costs in 2013/14 were £37k).
- Costs which are being incurred to respond to recommendations included in the Jay Report and the Ofsted Report. These are detailed in Appendix 2 to this report. It should be noted that further costs beyond those included in Appendix 2 will be incurred. The nature of these additional costs is included at the base of Appendix 2. These costs are not currently quantifiable.

There are a number of forecast savings within Central Services which offset the above pressures and contribute to the wider directorate pressures:

- £480k tax saving through efficient tax management;
- £443k representing the reduced provision required to settle the South Yorkshire Trading Standards liability;
- £575k accrued volume rebates & discounts received from suppliers;
- £152k budget underspends: (Camera Partnership (£26k), External Audit Fee (£37k), Integrated Transport Authority underspend (£70k) and Audit Commission rebate (£19k)); and
- £43k additional New Homes Bonus top-slice funding. (Rotherham's share of a national underspend reallocated by Central Government)

7.3 Housing Revenue Account (HRA) (Forecast underspend -£2.133m)

The Housing Revenue Account is forecasting a £2.133m reduction in the transfer from reserves compared with the agreed budget. The HRA had budgeted to use £1.440m from reserves but current forecasts a contribution to reserves of £693k.

7.4 Agency, Consultancy and Non-Contractual Overtime Costs

Details of spend on Agency, Consultancy and Non-Contractual overtime costs are shown below. These costs are included within each Directorate's forecast outturn position.

Agency

Directorate	Outturn 2013/14	Cumulative to Dec. 2013	Cumulative to Dec. 2014
	£'000	£'000	£'000
Children & Young People's Services (CYPS)	830	603	735
Neighbourhoods & Adult Services (NAS)	345	286	210
Environment & Development Services (EDS)	558	493	549
Resources	134	102	99
TOTAL	1,867	1,484	1,593

Main reasons for spend:

CYPS: Cover for post of Interim Director of Safeguarding post; cover for vacant and long term sick Social Work posts, additional Social Worker and Manager posts implemented since the Ofsted report and employment of an interim Service Manager to oversee improvement in the LAC service.

NAS: Residential Care and Assessment & Care Management Social work Teams to maintain statutory levels of service, including cover for vacancies and sickness.

EDS: Cover for holidays and sickness absence mainly within Streetpride services.

Resources: Staff cover in Legal Services and ICT

Consultancy

Directorate	Outturn 2013/14	Cumulative to Dec. 2013	Cumulative to Dec. 2014
	£'000	£'000	£'000
Children & Young People's Services	274	161	206
Neighbourhoods & Adult Services	71	47	0
Environment & Development Services	173	125	61
Resources	23	23	23
TOTAL	541	356	290

Main reasons for spend:

CYPS: School Effectiveness Service which is predominantly grant funded and Special Education Needs & Disabilities (SEND) reform which is specific grant funded. The figure includes £66k Social Care consultancy costs.

EDS: Local Development Plan, Waste PFI, Transportation and Countryside Operations.

Resources: Legal services, Specialist ICT Support and support for Alexis Jay on the publication of the Jay Report.

Non-Contractual Overtime

Directorate	Outturn 2013/14	Cumulative to Dec. 2013	Cumulative to Dec. 2014
	£'000	£'000	£'000
Children & Young People's Services	121	96	81
Neighbourhoods & Adult Services	377	306	167
Environment & Development Services	501	399	327
Resources	149	109	125
TOTAL	1,148	910	700

Main reasons for spend:

CYPS: Provision of staff cover, mainly within residential units.

NAS: Maintaining statutory staffing levels in residential, home care, day care services and social work posts and represents cover for sickness and delays in recruiting to vacant posts.

EDS: Maintaining Streetpride services, facilities services, caretaking and cleaning.

Resources: ICT – Business Continuity (£21k), Revenues and Benefits – Income collection (£91k), Town Hall – Member services/support (£10k), Legal Services (£2k) and HR services (£1k).

7.5 Collection Fund

At this stage of the financial year it is forecast that the budgeted level of Council Tax and Business Rates will both be achieved.

8. Finance

The financial issues are discussed in section 7 above.

Children and Young People's Directorate is currently reconfiguring its service delivery and resources to ensure that it is best placed to respond effectively to the outcomes from the Professor Jay and Ofsted reports and meet the needs of its customers. In reconfiguring services, the Directorate is committed to identifying opportunities for reducing the cost and improving the efficiency of the services provided that could facilitate a future realignment of resources into the Service.

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 2015.

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.

As more detail about the costs associated with implementing recommendations from the Jay Report, the recent Ofsted Inspection and the ongoing Corporate Governance Inspection becomes available, this will be added to currently available information and included in future budget monitoring reports to Cabinet.

The overall number and likely cost of CSE claims is a further, likely significant, unquantified risk at present.

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

The current forecast assumes that costs associated with the Winter Pressures will be contained within budget. In 2013/14 these costs exceeded budget by £139k.

Should there be any financial consequence from the review of Abbey Special School, this is currently not included within the forecast outturn position. The forecast deficit to 31st March 2015 is currently £361k.

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 2014/15 Report to Council 5th March 2014.
- Strategic Directors and Service Directors of the Council

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