

Meeting: Overview & Scrutiny Board/Cabinet/Council **Date:** 12th/18th/27th February 2025

Wards affected: All Wards

Report Title: Budget Monitoring 2024/25 – April to December 2024 Revenue and Capital Outturn Forecast.

When does the decision need to be implemented? N/A

Cabinet Member Contact Details: Alan Tyerman, Cabinet Member for Finance
alan.tyerman@torbay.gov.uk

Supporting Officer Contact Details: Ian Rowswell, Deputy Director of Finance,
ian.rowswell@torbay.gov.uk,

1. Purpose and Introduction

- 1.1. This report provides a high-level budget summary of the Council's revenue and capital position for the financial year 2024/25, reviewing budgets and considering year-end forecasts. These forecasts are based on the levels of spend and financial information at the end of quarter 3 (up to 31 December 2024).
- 1.2. The Council continues to face external pressures due to the wide-reaching implications of the current economic situation. The levels of cost inflation have reduced significantly but continue to have an impact on Council services. We are also seeing an impact on the levels of income received, with many projections being below budget, particularly in areas such as building control and planning. However, through careful financial management we are now projecting a number of underspends that are offsetting such pressures, resulting in an overall year end forecast for 2024/25 of **£0.011m overspend**.
- 1.3. The Capital Programme was reviewed and updated in 2023/24, with an updated forward looking Capital Investment Plan included within the 2024/25 budget papers. An updated Capital Investment Plan is shown as Appendix 1 and highlights a total revised capital budget of **£89.624m** for the period up to 2027/28 with **£32.613m** in 2024/25. Paragraph 6.3 provides a simple reconciliation of movement from the revised budget as approved in Q2.

2. Recommendations

Recommendations for Overview and Scrutiny Board

- 2.1. That the Overview & Scrutiny Board notes the Council's forecasted revenue outturn position and mitigating action identified and make any comments and/or recommendations to the Cabinet.
- 2.2. That the Overview & Scrutiny Board notes the updates to the Capital Investment Plan and the revised budget for 2024/25 and make any comments and/or recommendations to the Cabinet.

Recommendations for Cabinet/Council

- 2.3. That the Cabinet notes the forecasted revenue outturn position and amendments made to the published 2024/25 Capital Investment Plan.
- 2.4. That Council approves the revisions to the Capital Investment Plan, as per Appendix 1.

3. 2024/25 Budget Summary Position

- 3.1. Budget monitoring at quarter 3 is projecting the following variances across Council Directorates, resulting in a total forecast overspend at year end 2024/25 of £0.011m. This position has improved since Q2, where an overspend of £0.292m was forecast.

| Service | Current Budget £m | Projected Outturn £m | Outturn Variance Q2 £m |
|----------------------------------|----------------------|-------------------------|---------------------------|
| Adult Services | 55.712 | 55.668 | -0.044 |
| Children's Services | 54.147 | 53.711 | -0.436 |
| Corporate and Executive Services | 14.191 | 14.919 | 0.728 |
| Finance (incl. Treasury Mngt) | -16.646 | -18.196 | -1.550 |
| Investment Portfolio | -4.134 | -4.134 | 0 |
| Place | 24.916 | 26.229 | 1.313 |
| Public Health | 11.018 | 11.018 | 0 |
| TOTAL | 139.204 | 139.215 | 0.011 |

- 3.2. The budgets and projections above include a drawdown of £171k from central contingency to rebase budgets for known spend commitments, which were unavoidable.

- 3.3. Robust financial management and control continues to be required from all services across the Council in order to mitigate current and emerging spending pressures and achieve a forecast breakeven position by the year end.
- 3.4. Financial Sustainability Plans have been completed by each Director in respect of the key risk areas and the following will continue to be reviewed.
- Integrated Adult Social Care contract – transformation programme
 - Children’s Services – social care placements
 - Prevention and relief of Homelessness
 - Legal Services – staffing and agency costs
 - Home to School Transport
- 3.5. It is anticipated that action against these plans will continue to mitigate pressures and reduce the overspends, where forecast. We are seeing this take effect in Children’s Services placements, contributing to an improved overall position for the Directorate since Q2. Legal services continues to be challenging however, with the projected overspend increasing since Q2 as demand for the service continues to increase whilst challenges remain around recruitment.
- 3.6. The Dedicated Schools Budget, and particularly the Higher Needs Block, is not currently shown within the table above. Spend continues to be monitored as part of the Safety Valve agreement in order to facilitate the write off of accumulated deficits of circa £12m (at end of 23/4). This has become more challenging throughout 2024/25 and an overspend of £1.409m is now being forecast, compared with the budgeted overspend of £0.481m. A summary of the position is shown in Appendix 4.

4. Service Budgets

- 4.1. The table below summarises the most material variances (over £100k) currently being forecast at the end of December 2024.

| Service | Current Budget £m | Projected Outturn £m | Projected Q3 Outturn Variance £m | Projected Q2 Outturn Variance £m |
|---------------------------------------------------|----------------------|----------------------------|----------------------------------------------|----------------------------------------------|
| Childrens - Staffing/agency costs | 20.846 | 20.754 | (0.092) | 0.374 |
| Childrens – Section 17 | 0.480 | 0.600 | 0.120 | 0.122 |
| Childrens - Home to School Transport | 3.892 | 4.119 | 0.227 | 0.167 |
| Childrens - Social care placements (excl. UASC) | 23.424 | 23.014 | (0.410) | (0.509) |
| Childrens - UASC | 0.921 | 0.632 | (0.289) | 0.092 |
| Childrens – Disabilities – overnight short breaks | 1.299 | 1.474 | 0.175 | 0 |

| | | | | |
|---------------------------------------------------|--------|--------|--------------|--------------|
| Corporate – Legal Services | 1.693 | 2.208 | 0.515 | 0.350 |
| Corporate – Staffing | 1.133 | 1.271 | 0.138 | 0 |
| Finance – Investments and borrowing | 18.572 | 17.172 | (1.400) | (1.200) |
| Finance – Pension payments | 1.244 | 1.094 | (0.150) | 0 |
| Place – Torre Abbey | 0.381 | 0.506 | 0.125 | 0.100 |
| Place – Waste disposal | 4.832 | 5.052 | 0.220 | 0.220 |
| Place – Development Control and Planning - income | 0.269 | 0.649 | 0.380 | 0.380 |
| Place – Building Control income | 0.127 | 0.262 | 0.135 | 0.170 |
| Place – Concessionary Fares | 3.746 | 3.471 | (0.275) | (0.250) |
| Place – Management of Estate | 3.776 | 4.094 | 0.306 | 0.306 |
| Place - SWISCO | 16.653 | 16.953 | 0.300 | 0 |
| | | | 0.025 | 0.232 |

(Note: there are other smaller variances which are not highlighted within this table hence totals will differ from overall variance mentioned above)

Adult Services (incl. Community and Customer Services)

- 4.2. Within Adult Social Care the majority of spend is against a fixed price financial arrangement (contract) for the delivery of services provided by the Integrated Care Organisation (ICO). This agreement was uplifted by £5m in 2023/24, with a further £1.1m agreed for 2024/25. There is currently no significant variance being forecast for Torbay Council within this area.
- 4.3. In previous years we have reported overspends within our Housing Options Service relating to increasing costs for homelessness prevention and the provision of Temporary Accommodation. Although there continues to be considerable demand in this service the total budget was increased by £900k in 2024/25 and £10m has been invested in purchasing our own properties to reduce dependency on spot purchase arrangements. No material variances to budget are currently being forecast for this year.

Children’s Services

- 4.4. An underspend of **£436k** is now being forecast across the service, a positive movement in the projection since Q2 of £645k. This is mainly due to the number of agency workers being much less than forecast and not increasing as expected, accounting for £466k of the movement. Despite increased salary expectations within the agency market and stiff competition from other Councils, the Service has had success with recruitment and managed to reduce the dependency on agency wherever possible.
- 4.5. An underspend (**£410k**) continues to be forecast across our budgets for children social care placements, which received £2.1m of growth funding as part of the 2024/25 budget setting process. Although this has reduced since Q2, an underspend of **£289k**

is now also being projected relating to Unaccompanied Asylum Seeking Children (UASC) as a result of funding levels being higher than expected.

- 4.6. The overall number of cared for children are lower than previous years, but the significant shortage of suitable available placements has driven up costs within the market and the high cost of weekly placements for Residential and Unregulated remain a concern and risk to the budget. This area will continue to be monitored closely throughout the year.
- 4.7. We continue to project an overspend within the Home to School Transport budget as a result of increasing fuel costs for transport providers as well as children and young people needing more bespoke arrangements to get to and from school. An overspend of **£227k** is now forecast, but this is a reduction on spend when compared to 23/24. The Financial Sustainability Plan for this area highlighted actions to mitigate pressures, including improvements to route planning and maximisation of shared transport (where possible).
- 4.8. An overspend of **£175k** is now being forecast in relation to our budgets for Disabilities - Overnight Shorts Breaks, due to an increase in demand for day services and placements that have occurred since Q2.
- 4.9. Expenditure relating to support for children in need under Section 17 of the Children Act 1989 is forecast to be over budget by **£120k**. This spend also covers areas such as housing support and ensures the Council meets its duty to safeguard children and promote their welfare.
- 4.10. Outside of Local Authority funded activities, the schools' higher needs block in the Dedicated Schools Grant (DSG) remains under financial pressure from continual referrals for assessment for higher needs support for children.
- 4.11. The Council is part of the Education and Skills Funding Agency (ESFA) and Department for Education (DfE) Safety Valve programme, which supports councils in achieving future financial sustainability in this area. If the council can deliver on its recovery plan and achieve a balanced higher needs budget, all of the historic DSG deficit will be written off, through additional funding by ESFA.
- 4.12. Torbay Council has already received £8.260m from the ESFA in response to its recovery plan, without which the DSG cumulative deficit would have been £12.756m at the end of 2023/24. For 2024/25 the DSG is forecasting an overspend of £1.409m at quarter 3, against the forecast deficit within the agreed safety valve plan of £481k. The service continues to work with Schools on the delivery of its recovery plan with robust monitoring arrangements in place. Appendix 4 provides more detail on the forecast year end position.

Corporate Services

- 4.13. An overspend of **£0.515m** is currently being forecast within Legal Services, despite an additional £300k being added to the base budget for 2024/25. This is a national issue across the public sector, resulting from increasing demand for the service and difficulties in recruiting permanent staff. This has meant the service have had to use

more expensive agency staff to continue delivering legal advice and support across the Council. The council have struggled to compete with the salaries paid by other organisations – both within the private and public sector. A financial sustainability plan continues to be considered for this area and the application of increased additional market factors is starting to have an impact and improve the success in recruitment. However, high demand levels mean vacancies and absence need to be covered and has resulted in spend levels remaining high.

- 4.14. An overspend of **£138k** is projected on other Corporate Services staffing costs, mainly as a result of agency cover for long term sickness absence at Director level and additional project management support.

Finance

- 4.15. The Finance budget area includes a wide variety of budgets including finance operations/teams, contingencies, treasury management and central grants such as Public Health and Social Care Grant. We will be reviewing how best to present these areas for 2025/26.
- 4.16. A **£1.4m** positive variance is being forecast across our Treasury Management budgets, an improved position from Q2. This is mainly as a result of increased interest rates being secured meaning the Council is forecast to earn higher levels of interest on its cash investments than budgeted. We also have a saving on interest payable by the Council on the amounts borrowed.
- 4.17. We are now projecting a **£150k** underspend in relation to our budget for previously agreed pension payments as a result of the number of payments reducing during the year.
- 4.18. As part of setting the 2024/25 budget a few central contingencies have been held, as in previous years. These are mainly linked to pay/inflation and other risk areas, to be released to fund identified cost pressures within services. These budget virements between services total £171k – but have a net nil impact across the Council.

Investment Portfolio

- 4.19. The Council's Investment Portfolio is forecast to contribute £4.1m towards Council activity – in line with budget. The investment property reserve is in place and maintained to cover lost rent and holding costs arising from empty units.

Place

- 4.20. Within the Place Directorate an overspend of **£1.313m** is currently forecast, mainly due to a number of service areas where the levels of income are projected to be lower than budgeted.
- 4.21. An overspend of **£125k** is being forecast in relation to Torre Abbey, a slight increase in the figure reported at Q2. This is due to increased expenditure pressures and income

levels projected to be below budget for a number of areas including the café and weddings.

- 4.22. An overspend of **£220k** is forecast within the Waste Disposal budget. The budget was reduced in 24/25 in line with 23/24 levels, but recent disposal volumes and associated costs have been significantly higher than last year.
- 4.23. An overspend of **£380k** is forecast in relation to shortfalls of income in Development Control - planning applications (£300k) and planning land charges (£80k), where the fees are forecast to be below budgeted levels. In addition, an overspend of **£135k** is forecast within the Building Control service, mainly resulting from reduced levels of fee income. Although the projection for Building control has improved slightly, income is still expected to be lower than budgeted for this year. All three of these elements reflect the challenging economic position of the country and the region.
- 4.24. An underspend of **£275k** is forecast against the Concessionary fares budget. The base budget was increased by £200k in 2024/25, but costs linked to the number of users are forecast to be lower than estimated.
- 4.25. An overspend of **£306k** is currently being forecast in relation to management of our Council estate. We have voids in a number of commercial properties, which are resulting in lost income and additional costs are being incurred that would have been met by tenants. We are forecasting underspends across various utility and NNDR budgets, however other budgets are projected to overspend including Paignton Library Hub (non-staffing budget), and a shortfall in income from Town Hall bookings.
- 4.26. Parking Services is forecast to break even, with any shortfall in parking income expected to be offset by enforcement income projected to be in excess of budget.
- 4.27. SWISCo. have been facing challenges in managing within current 2024/25 budgets, in light of increased prices and the reduced value of recycled material resales. They have also incurred some significant one-off costs during the year and an overspend of £300k is now being projected. The pay award for 2024/25 once again had a disproportionately high percentage increase on SWISCo, given lower average salary costs, however as in previous years, the Council has funded the shortfall in the pay award, using a contingency budget held for this purpose.
- 4.28. Although services and staff transferred from Torbay Development Agency, (TDA), to Torbay Council at the start of year, contracts and assets continue to be transferred throughout the year, meaning that some trading activity will remain within TDA for 2024/25. A full review of both TDA and Torbay Council accounts/transactions will take place over the coming months in preparation for year end and transitional costs associated with managing the transfer will be met from a specific reserve, established as part of the 2024/25 budget.

Public Health

- 4.29. Overall Public Health is reporting a balanced position within its ring-fenced grant. A significant amount of spend relates to the provision of 0-19 services, which is expected to see increased spending pressures in future years linked to inflation.

5. Collection Fund

- 5.1. Collection rates levels in 2024/25 do not have any impact on the 2024/25 financial year and the collection fund equalisation reserve is maintained to manage any impact in the following year. Collection rates at Q3 suggest we are on target to achieve forecast levels with a projected end of year surplus in the Fund. We continue to explore opportunities to increase our overall collection rates, whilst supporting residents and businesses.

6. Capital

- 6.1. The Council set an original annual budget for 2024/25 of **£18.984m**, which was revised to **£39.115m** as per the quarter 1 budget monitoring report. The capital budget is updated each quarter to reflect the latest position within capital projects and recommendations made through the Capital Growth Board (CGB).
- 6.2. Further revisions were made to the budget as per the quarter 2 budget monitoring report. The revised budget was **£66.001m** with **£32.637m** being reprofiled to future years resulting in a revised approved budget of **£33.365m**
- 6.3. The table below highlights a revised budget for 2024/25 of **£32.613m**, with a further **£5.089m** being profiled into future financial years. The table also provides a simple reconciliation of the movement from the revised budget at Quarter 2.

| Project Name | Amount | Comments |
|-------------------------------------------|--------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Revised Budget 2024/25 | £33,365,000 | As approved in November 2024 by Cabinet and reported at Q2 |
| Pavilion, Torquay – Town Deal | £500,000 | As per PID at Sep 24 CGB to take the project to Full Business Case for the opening up / scoping element of works – Contingency budget |
| Oldway Mansion - Levelling up Partnership | £1,198,000 | As per Full Business Case at November CGB for delivery of Phase 1 of the restoration scheme, budget profiling adjustment from future years to reflect revised spend projection in 2024/25 |
| Hotels to Home – Scheme 1 | £400,000 | Budget reprofile from future years to reflect revised spend projection in 2024/25 |
| Paignton Library Heat Decarbonisation | £534,000 | As per Full Business Case at December CGB to replace the current four gas boilers with Air Source Heat Pumps (£469k). Additional £65k requested as per Jan 25 CGB to fund projected total cost of scheme. Funding from PSDF fund and Climate Initiatives Fund |
| Flood Alleviation - Torquay | £107,200 | As per Strategic Outline Case at January 25 CGB, to proceed as a Tier 2 project and develop the scheme up to Full Business Case. Budget request to enable the detailed design of the project to be undertaken and develop the scheme up to FBC |
| Brixham Flood Alleviation | £61,500 | As per Strategic Outline Case at January 25 CGB, to proceed as a Tier 2 project and develop the scheme up to Full Business Case. |

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|-----------------------------------------------------|--------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | Budget request to enable the detailed design of the project to be undertaken and develop the scheme up to FBC |
| Other project increases | £43,480 | Includes projects with budget slippage from 2023/24 or projects which have no additional financial impact to the Council due to funding being approved previously. See Appendix 2 |
| 2024/25 Quarter 3 Revised Budget | £36,209,180 | |
| Record of Decision Approvals – 17 December 2024 | £1,492,650 | See 6.5 below for details |
| Quarter 3 Revised Budget Reprofiled to future years | (£5,089,000) | Summary below, details included in Appendix 1 Schools Capital Programme - £0.081m Projects under Feasibility & Development - £2.538m Environment/Climate Capital Investment - £1.422m Transport Capital Investment - £0.679m Coastal Defence / Flood Alleviation - £0.249m Sports, Leisure & Culture – 0.119m |
| 2024/25 Revised Approved Budget | £32,612,830 | |

6.4. An updated Capital Investment Plan is shown as **Appendix 1**, which details spend to date and forecast spend for 2024/25.

6.5. It should be noted that a record of decision was taken on 17 December 2024 to drawdown grant funding to progress three schemes for a total of £1.493m, (see table below), as detailed in **Appendix 3**.

| Project Name | Amount | Comments |
|------------------------------------|-------------------|----------------------------------------------------------------------------|
| Crossways Extra Care Scheme | £1,300,000 | Scheme to be progressed to the next stage of design, inclusive of planning |
| Collaton St Mary Flood Alleviation | £117,650 | Scheme to be progressed through to the next stage of design |
| Brixham Public Realm | £75,000 | progressed through to the next stage of design and consultation |
| Total Approved | £1,492,650 | |

7. Risks & Sensitivity

7.1. There are a number of financial risks facing the Council as shown below:

| Risk | Impact | Mitigation |
|-----------------------------------------------------------|--------|------------------------------------------------------------------------------------------------------|
| Financial sustainability and write off of the DSG Deficit | High | The Council has a recovery plan approved with the Department for Education's Safety Valve programme. |

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| Adult Social Care funding is not sufficient to meet forecast costs | High | A new five-year contract has been agreed from April 2025 and the Director of Adult Social Care is developing a range of intervention activity and savings plans, in collaboration with Health Trust colleagues. |
| Price increases from high inflation rates continue to have an impact on both revenue and capital costs. | Medium | The 24/25 base budget included a higher than usual allowance for inflationary pressures and contingencies are held for revenue and capital. |
| The “cost of living” economic impact on the Council’s residents from higher fuel and utility costs is likely to impact on both demand for council services and may result in reduced income from Council Tax. | Medium | The Council will continue to mitigate where possible the impact on council services and support/signpost residents to support. The council will continue to administer payments under both the Household Support Fund and Council Tax Rebates. |
| Unable to recruit staff and need to use agency staff. | High | Work continues to identify solutions to these challenges which seem to be on a national scale. Recruitment & retention of Social Work staff and Legal services staff continues to be challenging. |
| Delivery of financial sustainability plans | High | Plans will be monitored at Directors meetings to assess progress and estimates of future saving levels. |
| Investment Property Income changes | High | The Investment Board will continue to review future leases and manage any potential break clause implications – maintaining appropriate balances within the Investment Reserve |
| Temporary Accommodation – increasing demand and cost pressures within the local housing market. | High | Robust monitoring will continue, including assessing the impact from directly procuring and properties to increase the stability of accommodation options available to the Housing Options team |

8. Appendices

Appendix 1 – Updated Capital Investment Plan at Q3

Appendix 2 – Updated Capital Investment Plan – Other Budget Revisions

Appendix 3 – Record of Officer Decision – December 2024

Appendix 4 – Forecast year end position 2024/25 – Dedicated Schools Grant (DSG)

Appendix 5 - Write offs over £5,000 - EXEMPT

