



Public Agenda Item: **Yes**

Title: **Revenue Budget Monitoring 2012/13 – Quarter 2**

Wards Affected: **All Wards in Torbay**

To: **Council**

On: **6 December 2012**

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1. Key Points and Summary

- 1.1 At the end of Quarter 2, the Council is projecting an overspend of £1.155m at the end of the financial year. This is after the application of £1.106m from the Comprehensive Spending Review (CSR) Reserve and of £0.275m of the Budget Pressures Reserves to support pressures within Children's Services and £0.225m from the Budget Pressures Reserve to support pressures within Spatial Planning.
- 1.2 A number of emerging pressures that were highlighted in the Quarter one monitoring report have materialised and have been included within the figures. Some of these risks to the 2012/13 budget were advised to Council when the budget was approved in February 2012.
- 1.3 The key variations within services which are projecting an overspend at the end of the year are:
 - Children's Services: £1.319m (after the application of reserves) due to pressures within Safeguarding and Wellbeing service due to the number and costs for looking after Children and the costs for the continued use of agency social workers.
 - Adult Social Care: £0.563m due to the number of Ordinary Residency cases coming into the Bay.
 - Spatial Planning: £0.267m (after the application of reserves) due to a combination of unachieved 2012/13 savings, increased costs for Concessionary Fares and a shortfall in Planning income.

- Residents and Visitors: £0.227m due primarily to a shortfall in car parking income.
- 1.4 Members will recall the Budget Pressures Contingency was created as part of the 2012/13 budget setting to support and address specific pressures identified within the year i.e. Children's Services and Spatial Planning. Due to the ongoing pressures faced within Children's Services a further sum has been released from the CSR reserve to support increased costs within Residential Care.
- 1.5 Directors and Executive Heads continue to working closely with Executive Leads to consider all options for addressing the projected overspend and will be considering the current budget pressures when developing the 2013/14 budget. The Council continues to adopt strict measures of financial control including the continuation of a vacancy freeze and challenging all expenditure not yet committed. Executive Head's are assessing where they can will take measures to bring forward any proposed budget savings which will be required to address the budget gap for the next financial year (2013/14).
- 1.6 The Council must achieve a balanced budget at year end. This will be achieved by either:
- a) those services overspending producing in-year recovery plans which reduces or removes the projected overspend. For some services this will be extremely challenging due to the nature of the service and demand pressures;
 - b) all other services deliver in year savings resulting in an underspend at year end;
 - c) if insufficient savings can be made there is a risk that, as a last resort, uncommitted reserves or uncommitted budgets will be required to ensure a balanced budget can be achieved at the end of the year.
- 1.7 A summary of the projected overspend is shown in the table 1 below and how it must be managed:

Table 1

	£'m	£'m
Council Forecast Overspend		3.982
To be managed by:		
In Year savings identified to date by services	1.221	
Funding From Budget Pressures Reserve	0.500	
Funding From CSR Reserve	1.106	
		2.827
Balance remaining		1.155
Further options to balance budget:		
Further in year savings to be identified through recovery plans	to be confirmed	
Uncommitted budgets	to be confirmed	
Uncommitted reserves (if required)	to be confirmed	
Balance		0

Strategy For in Year Budget Management

- 1.8 As identified in the last monitoring report the majority of budget pressures identified are for services provided to the most vulnerable residents within the Bay and these are some of the Council's most volatile budgets. However, there are also pressures with respect to the achievement of income targets within services.
- 1.9 At this stage of the financial year it is recognised that some of the pressures within services will not reduce in this financial year and this has been recognised by allocating the budget pressures reserve to Spatial Planning and Children's Services and a further allocation to Children's from the CSR reserve at the end of quarter 2. It must be noted that the allocation of reserves to support these pressures is from one off resources, so action must be taken to address the underlying budget pressures.

- 1.10 However, in line with the Council's policy any service which is overspending its approved budget allocation will be expected to continue to address the key issues through the implementation of their recovery plans and where possible identify further savings during the remainder of the year.
- 1.11 The Strategy to address the current pressures is the implementation of continued strict financial management and control by the Senior Leadership Team and Executive Lead Members including a range of measures for all services:
- a moratorium on all non essential expenditure and a reduction in all other expenditure with an assessment of the services consequences.
 - a freeze on all non essential recruitment through robust control by the Establishment Control Panel.
 - a review of budgeted expenditure that could be ceased and an assessment of the services consequences.
 - bringing forward any savings proposals for 2013/14 and implementing these to derive in-year savings.
 - identification of any invest to save schemes that will have immediate cost savings in 2012/13 and beyond.
 - a review of savings achieved in 2011/12 to ascertain whether these can be repeated.

Paul Looby
Executive Head of Finance and Chief Finance Officer

Appendices

Appendix 1 Summary of Main Variations

Appendix 2 Pooled Budget with Torbay Care Trust

Appendix 3 Budget Monitoring of Council Subsidiaries and Associates

Documents available in Members' rooms

None.

Background Papers:

The following documents/files were used to compile this report:

None

Summary of Main Variations

A.1 Report Overview

- A1.1 The purpose of this report is to provide Members with a summary of the projections of income and expenditure for all Business Units within the Council and to set out how the Council will maintain expenditure within its approved budget of £123.7m.
- A1.2 The revenue monitoring statement shows the expenditure and projected outturn position based upon the latest information available to finance officers in consultation with service departments. Where possible, the implications or consequences arising from the variations are reflected in the key performance indicators for that service.
- A1.3. Ongoing performance and financial monitoring will be provided to Members through the quarterly performance reports.

A.2 Performance

- A2.1 Table 2 below provides a summary of the projected outturn position for Council services.

Projected Outturn Position – Quarter 2

Business Unit/Service	2012/13 Budget	Spend to Date	Projected Out-turn	Variation at Out-turn
	£'000	£'000	£'000	£'000
Adults & Resources				
- Adult Social Care	42,905	25,127	43,468	563
- Information Services	3,863	2,362	3,863	0
- Commercial Services	3,798	1,772	3,788	(10)
- Supporting People	5,913	3,290	5,913	0
	56,479	32,551	57,032	553
Children, Schools & Families	20,456	12,935	21,775	1,319
Community Safety	2,628	544	2,522	(106)
Place & Resources				
- Residents & Visitors	9,034	3,826	9,261	227
- Spatial Planning	5,311	2,244	5,578	267
- TDA - Clientside	2,639	1,606	2,639	0
- TDA - TEDC	1,720	1,279	1,720	0
- Torbay Harbour Authority	0	(512)	0	0
- Waste & Cleaning	11,142	9,055	10,947	(195)
- Finance	12,343	(6,119)	11,543	(800)
- Business Services	1,995	1,016	1,885	(110)
	44,184	12,395	43,573	(611)
Total	123,747	58,425	124,902	1,155

Main Variations

A2.2 A summary of the main variances and the principal reasons for any underspends or overspends and any emerging issues within each directorate are explained below.

Place and Resources

A2.3 There is a projected underspend of £0.611. A summary of the main variations are identified below:

Residents and Visitor Services is predicted to declare an overspend of £0.227m at year end.

One of the emerging pressures identified in the previous budget monitoring report was a fall in the amount of car parking income. The latest shortfall in car parking income has been confirmed as £0.410m which is thought to be primarily as a result of the poor weather during the summer season which has had an impact upon the number of visitors to the Bay. This relates primarily to off street parking. On-Street income is expected to meet its income target.

To mitigate against the shortfall in income, Residents and Visitors have implemented a full moratorium on all discretionary spending, allowing only Health & Safety works, committed and contracted expenditure to be taking place. It is as a result of these offsetting savings that the projected overspend has been contained at £0.227m.

A corporate approach will be taken when reviewing the moratorium such that if the income situation improves then a loosening of the moratorium can be put in place. However, as the majority of income is received in the summer season it is unlikely that there will be a significant improvement in the projected outturn position for income in the last 6 months of the financial year.

The largest reductions are likely to be made in repairs and maintenance budgets across the services and therefore only essential works will be completed as a result. This will have service implications and will be kept under review.

As with all services, strict controls will be put in place to ensure that expenditure is controlled at the point of ordering, so all expenditure can be thoroughly challenged before approval is given.

Waste and Cleaning is projecting an underspend of £0.195m. As previously reported this is due to a continuation TOR2's introduction of various waste reduction and diversions initiatives which has generated savings in landfill tax and transportation costs. This has been partly offset by lower than expected income due to the non implementation of disposal charges at the Council's civic amenity site at Paignton.

Spatial Planning – is projected to overspend by £0.267m, which has fallen by £0.073m since quarter 1. This is after the application £0.225m from the Council's budget pressures reserve to fund the shortfall in the final negotiated payment to bus operators, and the use of £0.1m of the earmarked reserve for future Planning Inquiry's.

The projected overspend has arisen due to increased passenger numbers and therefore costs for Concessionary Fares and budget pressures within Planning. However there has been an improvement in income levels from planning and building control helped further by the 15% increase in fee income anticipated from December due to the government approved increase in statutory planning application fees.

Economic Development Company (Client side) – is projecting to spend within budget as at the end of quarter 2. Officers are considering the impact of the moratorium on expenditure and it is expected that savings of at least £0.050m can be identified over the next quarter.

Finance – is projected to underspend by £0.8m which is due to savings within treasury management as a result of higher than budgeted cash balances (linked to the profile of spend within the capital programme) combined with higher investment rates leading to better investment returns. Further savings have been identified due to lower audit fees resulting from new arrangements for external audit of local authorities, housing benefit administration grant and lower costs for discretionary rate relief.

Business Services is projected to underspend by £0.110m due to savings within the recruitment and retention budget due to the freeze on recruitment and the receipt of additional income for services to schools.

A2.4 **Community Safety.**

Community Safety is projecting an underspend of £0.106m due to additional contract income derived from the Cemeteries and Crematorium Service and vacancy management savings.

A2.5 **Children, Schools & Families**

Children's are projecting an overspend of £1.319m - this is after the application of £0.275m from the budget pressures reserve to fund the costs of the recruitment and retention initiative to reduce social care agency costs and a further £1.106m from the CSR reserve to fund the increased costs within Residential Care.

This remaining overspend reflects the ongoing budget pressures and volatility faced by this service, primarily within Safeguarding and Wellbeing due to the numbers and costs for children in care and placements within the independent sector. Whilst there has been some success with the recruitment and retention policy of social workers there is still continued use of agency social workers which has a significant impact upon the projected overspend for the year. Unless the recruitment process can be fully embedded over the next few weeks further budget pressures will occur.

The overspend has been partly offset by savings within Children's, Schools and Communities and Commissioning and Performance budgets.

The number of looked after children at the end of August was 258 and the number of children on Child Protection Plans was 252.

Children's Services Response to the projected overspend

As reported in the last monitoring report, Children's Services is currently going through a process of remodelling that aims to reduce the dependency on statutory

provision by creating a targeted Early Help Service and Child in Need Service. This will systematically reduce the number of Looked After Children and the amount of time they spend in care. It will also reduce the number of children subject to a Child Protection Plan, thus reducing budget pressures in relation to statutory activity and placement costs.

Children's Services are also in the process of developing a more robust and assertive Fostering Strategy, which is designed to increase the number of in-house foster carers via a focused recruitment campaign which has been re-launched. As a consequence this will reduce the growing dependency on external independent fostering placements and residential care and associated costs.

At the start of this financial year, Children's Services were dependent upon the use of Agency staff for social workers. This is being addressed by the previously approved Recruitment and Retention Strategy that has been designed to reduce Agency spend by at least 60% in this current financial year and a further 40% in the 2013/14 financial year. To date 4 social workers, 2 practice managers and 2 Service managers have been appointed with a further round of interviews scheduled to take place w/e 16th November 2012.

As an invest to save model, by September 2013, the investment to the Recruitment and Retention Strategy will achieve an overall saving of approximately £0.664m. This will result in a permanent staff team without any ongoing dependency on agency staff.

As a result of the continual appointment of permanent staff this will have a significant effect on the child's journey through social care which will enable more effective long term planning and care arrangements for vulnerable young people.

As part of the Service Review Process, other savings have been identified and are in the process of being formalised as part of the overarching budget strategy. These will result in a remodelling of the non safeguarding element of Children's Services.

There is a recognition that for any changes to be effective, a longer term plan is required which focuses on how the service will look in 2 years time. As part of this a business plan will be developed over the next 3 months which will review current processes and structures together with any management information requirements which are needed to inform decision making around service delivery and performance management.

Adults and Operations

A2.6 This portfolio covers a range of services with budget pressures of £0.553m projected to year end.

Adult Social Care – net overspend of £0.563m. This is due mainly to the number of ordinary residency cases within the Council i.e. movement of 22 adult social care clients from other local authorities. This is a volatile area resulting in increased cost pressures for the Council. The issue of Adult Social care clients changing their residence has been recognised nationally but is currently having a detrimental impact upon Torbay as a net importer of clients. This area will be monitored closely throughout the year but it is recognised that it is difficult to actively manage this cost pressure.

The Torbay and Southern Devon Health and Care NHS Trust have a Cost Improvement Programme (CIP) which is used to monitor and deliver the savings as required when the 2012/13 budget was approved. The main risks to not achieving the cost reduction package include the achievement of a number of reviews within domiciliary care, and any changes to care home fees settlement.

At the end of the second quarter the Trust continues to made progress in delivering these savings. However, the full year effect of some of these savings will not be achieved due to the timing of the CIP.

The Trust has advised the Council that it will manage any shortfall in the delivery of its CIP in year savings target by utilising section 256 monies.

Appendix 2 shows the pooled budget for the partnership as managed by the [Torbay and Southern Devon Health and Care NHS Trust](#).

Commercial Services – is projecting a small underspend of £0.010m due to savings within the Members Allowances budget.

All other services within this portfolio are projected to spend within their budget allocation as at the end of quarter 2

A3. Reserves

A3.1 The Comprehensive Spending Review reserve is the Council's uncommitted reserve which was set up to meet the financial challenges it faces over the next few years. These challenges include:

- any unforeseen events or pressures that emerge during the year;
- invest to save initiatives where demonstrable savings can be delivered in future years;
- making provision for any costs of restructuring Council services.

Where possible reserves should only be used to support one off initiatives as it is not sustainable to use reserves to support ongoing budgets.

A3.2 As part of the ongoing review of reserves unallocated performance reward grant has been consolidated within the CSR Reserve.

A3.3 The Mayor has agreed to release the following monies from reserves during 2012/13:

- £1.106m to Children's Services to fund the increased costs within Residential Care.
- £0.1m to fund an initiative for Housing Enforcement with respect to landlords.
- £0.050m for Arboriculture Services for the maintenance of trees due to the unseasonal wet summer.
- £0.020m to undertake a land review at Hollicombe.

In addition, to date £0.6m has already been incurred to fund the costs arising from council reorganisations and restructuring and will be funded from the CSR reserve.

A3.4 A summary of the Council's uncommitted reserve is shown below in table 3.

Table 3 - Uncommitted Reserves

Reserve	Working Balance £'m
Comprehensive Spending Review Reserve	
Uncommitted Balance as at 1 October 2012	2.650
Possible calls upon reserves	
Redundancy Costs arising from 2013/14 budget	1.000m (estimated)
Projected overspend – 2012/13	1.115m (latest position)

A3.5 The Council is faced with a number of other cost pressures which will further reduce the level of reserves it holds. These include redundancy costs which will arise from the 2013/14 budget proposals and will be a liability in 2012/13. In addition, if the Council is unable to declare a balanced budget at year end any overspend will have to be funded from the CSR reserve.

A3.6 Based on the latest projected position the CSR reserve could be significantly reduced by the end of this financial year and ideally the council needs to consider how this reserve can be replenished to ensure it has sufficient one off resources to support the council in addressing the financial challenges it faces in the next few years. If appropriate action is not taken the Council's uncommitted reserves may be insufficient to support it managing further reductions in government grant in 2013/14 and 2014/15.

A3.7 The Council also has its General Fund balance which is £4.0m and represents 3.2% of the Council's net budget which I consider to be a prudent level. It should be noted that the General Fund reserve should only be called upon in emergencies.

A.4 Dedicated Schools Grant (DSG)

A.4.1 The final confirmed Dedicated Schools Grant in 2012/13 is £84.3 and is used to fund all Schools Related Expenditure. The DSG is currently reporting an overspend of £0.027m. The DSG is a ring fenced grant and can only be used to fund schools related activities.

A.5 Debtors Monitoring

A5.1 This section of the report provides Members with an update for the second quarter in 2012/13 in respect of council tax and business rate collection.

Council Tax

A5.2 The targets for the collection of Council Tax in 2012/13 are:

- (i) collect 96.5% of the Council Tax due within the 12 months of the financial year (i.e. April to March); and
- (ii) collect 50% of the arrears brought forward from previous years.

A5.3 The Council is due to collect £60.1m after the granting of statutory exemptions and reductions and Council Tax Benefit in the period April 2012 to March 2013. To date the Council has collected £32.5m which is about 54.15% of the Council Tax due in year. The collection level is in line with last year's performance.

A5.4 The total arrears outstanding at 31 March 2012 were £3.9m and this has been reduced by £1.2m which is about 30% of the total arrears due.

A5.5 There are no Council Tax write-offs over £5,000 to report.

Non-Domestic Rates

A5.6 The targets for the collection of NNDR (business rates) re:

- (i) collect 96.5% of the business rates due within the 12 months of the financial year (i.e. April to March); and
- (iii) collect 50% of the arrears brought forward from previous years.

A5.7 The Council is due to collect £36.9m after the granting of mandatory relief in the period April 2012 to March 2013. To date the Council has collected £21.6m which is about 58.6% of the business rates due in year. The collection rate is slightly up compared to this point last year.

- A5.8 The total arrears outstanding were £1.490m and this has been reduced by £0.545m which is about 36.5% of the total arrears due.
- A5.9 There are five write offs above £5,000 which have been circulated to Members of the Overview and Scrutiny Board and are available to all Members upon request.

A.6 Financial Performance of External Companies

- A6.1 For completeness a summary of the financial performance of the companies that Torbay Council has an interest in is included. Attached as appendix 3 is a list of those companies which summarises their projected outturn position.

Appendix 2

Torbay and Southern Devon Health and Care NHS Trust - Financial Position

Table 1- Month 6 Financial Summary.

	<u>Year to Date - September 2012</u>			<u>Forecast End Year Outturn</u>		
	Budget	Actual	Variance (Under)/ Over	Budget	Actual	Variance (Under)/ Over
	£'000	£'000	£'000	£'000	£'000	£'000
Total Contract Income	60,058	60,367	309	120,126	120,677	551
Community Based Teams/ Clinical Services	28,813	28,786	(27)	57,635	57,630	(6)
Commissioned Social Care (Net of Client Charges)	22,738	23,047	309	45,478	46,029	551
Support Services (Management / Capital/Infrastructure/Unalloc'd CIP)	8,458	8,485	27	16,913	16,919	6
TOTAL PROVIDER SERVICES	60,008	60,318	309	120,026	120,577	551
(Surplus)/Deficit	(50)	(50)	(0)	(100)	(100)	0

Table 2- Month 6 Operating Budget Performance - Detail

		<u>Year to Date - September 2012</u>			<u>Forecast End Year Outturn</u>		
		Budget	Actual	Variance (Under)/ Over	Budget	Actual	Variance (Under)/ Over
		£'000	£'000	£'000	£'000	£'000	£'000
Contract Income		£'000	£'000	£'000	£'000	£'000	£'000
Social Care - Torbay Council		20,599	20,908	309	41,207	41,758	551
NHS Torbay Care Trust		22,323	22,323	0	44,646	44,646	0
NHS Devon		17,137	17,137	0	34,273	34,273	0
Total Contract Income		60,058	60,367	309	120,126	120,677	551
	<u>YTD Var.</u>						
Torquay South Zone	} (49.4)	1,233	1,219	(14)	2,466	2,444	(22)
Torquay North Zone		860	861	2	1,717	1,716	(1)
Brixham Zone		824	808	(16)	1,648	1,632	(16)
Paignton North Zone		521	516	(5)	1,042	1,042	0
Paignton South Zone		1,155	1,148	(7)	2,310	2,305	(5)
Torquay Baywide Services		1,395	1,386	(9)	2,790	2,784	(6)
Baywide Enabling Services Team (BEST)		317	320	3	634	639	5
Other Adult Social care & Other Social care		622	619	(3)	1,243	1,240	(3)
Professional Practice & Public Health		4,739	4,739	1	9,483	9,471	(12)
Medical Directorate		505	503	(2)	1,011	1,009	(2)
South - Dartmouth & Totnes	} (66.0)	578	576	(2)	1,158	1,153	(5)
South - Ivybridge & Kingsbridge		1,066	1,067	1	2,132	2,140	8
South- Tavistock		682	671	(11)	1,364	1,362	(2)
South - Coastal		468	460	(8)	935	928	(8)
South - Moorland		275	277	2	550	552	2
South - Newton Abbot		599	601	3	1,197	1,195	(2)
South - Other Clinical Services		1,495	1,444	(51)	2,989	2,930	(59)
Community Hospitals	11,482	11,571	89	22,966	23,088	122	
Community Based Teams/ Clinical Services	➔ 89.1	28,813	28,786	(27)	57,635	57,630	(6)
Social Care		14,792	15,084	293	29,585	30,148	563
LD (In-House)		1,344	1,369	25	2,688	2,688	0
Other Baywide Social Care		334	325	(9)	668	656	0
Ind Sector (Health Commissioned)		6,269	6,269	1	12,537	12,537	0
Social Care (Net of Client Charges)		22,738	23,047	309	45,478	46,029	563
Support Services (Management / Capital/Infrastructure/Unalloc'd CIP)		8,458	8,485	27	16,913	16,919	6
		8,458	8,485	27	16,913	16,919	6
TOTAL PROVIDER SERVICES		60,008	60,318	309	120,026	120,577	551
(Surplus)/Deficit		(50)	(50)	(0)	(100)	(100)	0

Budget Monitoring of Council Subsidiaries & Associates

Budget Monitoring of Council Subsidiaries & Associates 2011/12 - Quarter Three	Council Ownership	Gross Income to Date £m	Gross Spend to Date £m	Surplus or (Deficit) to date £m	Projected Outturn £m
Subsidiaries					
Torbay Economic Development Company	100%	2.9	2.4	0.5	0
English Riviera Tourism Company	100%	0.8	0.4	0.4	0
Associates					
TOR2	19.99%	9.1	9.0	0.1	0.6
South West Careers	25%	6.1	6.0	0.1	0.1
PLUS	25%	14.1	14.0	0.1	0.1

