TORBAY COUNCIL

Meeting: Overview & Scrutiny Board/Cabinet/Council **Date:** 7 Feb/13 Feb/22 Feb 2024

Wards affected: All Wards

Report Title: Budget Monitoring 2023/24 – April to December 2023 Revenue and Capital Outturn Forecast.

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

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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 2023/24, 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 2023).

1.2. The Council continues to face significant external pressures due to the wide-reaching implications of the current economic situation. The levels of cost inflation have reduced but are still impacting Council services in terms of direct cost pressures. We are also seeing an impact on the levels of income received, with many projections being below the levels budgeted. This pressure is resulting in a year end forecast for 2023/24 of **£0.8m overspend**, a £500k reduction on the forecast made at quarter 2.

1.3. The Capital Plan has now been reviewed, with an updated forward looking capital programme included within the 2024/25 budget papers, currently out for consultation. The Council is currently projecting spend of £55m on capital projects in 2023/24, compared with an original budget of £90m. The updated Capital Plan is now estimating a much reduced spend of £90m over the next 4-year capital programme (2023/24-2026/27). However, further projects will be moved from feasibility and development to fully approved projects throughout 2024/25 upon completion of robust Business Cases which will include drawing down various elements of circa £92m of external grant funding held.

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 revised Capital Investment Plan (as detailed in Appendix 2) 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 recommends that Council approves:

2.3.1. The revised Capital Investment Plan (as detailed in Appendix 2)

3. 2023/24 Budget Summary Position

3.1. Budget monitoring has identified a number of spending pressures and is now forecasting a total overspend at year end 2023/24 of £0.779m, broken down between Council Directorates as follows:

Service	Current Budget £m	Projected Outturn £m	Est. Outturn Variance Q3 £m	Est. Outturn Variance Q2 £m
Adult Services	51.559	52.589	1.030	1.055
Children's Services	50.338	51.329	0.991	1.382
Corporate and Executive Services	12.356	12.719	0.363	0.449
Finance	-12.444	-14.544	-2.100	-2.000
Investment Portfolio	-4.134	-4.134	0	0
Place	22.829	23.342	0.513	0.433
Public Health	10.446	10.446	0	0
TOTAL	**130.950**	**131.747**	**0.779**	**1.319**

3.2. Appendix 1 provides a summary of the agreed budget savings for 2023/24, showing whether these saving proposals have been achieved. Further details of the savings can be found within the published budget papers - proposals-for-efficiencies-income-generationand-service-change.pdf (torbay.gov.uk). Almost 70% of the total savings have already been achieved at this point in the year.

3.3. The projection has improved by £0.540m since the quarter 2 report, mainly resulting from plans to draw down £500k from central contingency in response to overspends on Childrens Services. Delivering a mitigated and reduced overspend by the end of the year will continue to require robust financial management and control from all services across the Council. Overspend recovery plans have been completed by each Director and will continue to be reviewed by the Senior Leadership Team.

3.4. The following areas will require particular focus over the rest of the financial year due to the level of overspends being forecast.

- Increasing costs associated with homelessness prevention activity and the provision of Temporary Accommodation.
- Cost pressures being experienced by Councils around Childrens Services Placements, including caring for Unaccompanied Asylum-Seeking Children (UASC).
- The Dedicated Schools Grant and in particular the Higher Needs Block, which 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 future write off of accumulated deficits of over £12m.

4. Service Budgets

4.1. The table below summarises the most material variances (over £100k) currently being forecast at the end of December 2023. Please note there are other smaller variances which are not highlighted within the table below.

Service	Current Budget £m	Projected Outturn £m	Q3 Outturn Variance £m	*Projected variance at Q2 £m*
Adults Service - Housing (Temporary Accommodation)	1.853	2.593	0.740	*1.020*
Adults Service – Homelessness prevention	0.145	0.400	0.255	*0*
Corporate and Exec Service - Legal services	1.336	1.752	0.416	*0.510*
Children's Services – Care placements incl. Unaccompanied Asylum Seeking Children (UASC)	21.431	22.979	1.548	*1.856*
Childrens – Net staffing underspend across various CS teams/services.	19.573	18.744	(0.829)	*(0.568)*
Childrens Services – Recruitment and Retention	0.170	0.030	(0.140)	*0*
Childrens – Home to School Transport	3.818	4.130	0.312	*0*
Finance – Investments and borrowing	(1.927)	(3.927)	(2.000)	*(2.000)*
Place - Income below target across services (*N.b figures relate to income only)*	(1.850)	1.456	0.394	*0.644*
Place – Income from Green Waste Service	(400)	0	0.400	*0*
Place - Waste disposal	4.453	3.983	-0.470	*(0.470)*

Place - Management fee to TCCT	0.320	0.490	0.170	*0.170*
			0.796	***1.319***

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 the following year. A new arrangement will need to be negotiated for 2025/26 onwards and activity is well underway with partners to identify actions that can reduce spend and enhance financial sustainability for the future.

4.3. The overspend currently forecast at Q3 for Adult services is mainly within our Housing Service and predominantly relates to increasing costs for both homelessness prevention (**£0.255m**) activity and the provision of Temporary Accommodation (**£0.740m**). There continues to be considerable demand in this service, fuelled by the cost of living, which is impacting significantly on clients both financially and emotionally. The main reasons for homelessness is the loss of private rented accommodation and breakdown in family relations.

4.4. Since 2020, there has been a 64% increase in people presenting to the local authority as homeless and a 66% increase in those being provided temporary accommodation. Compared to this point in time in 2022 there has been a 40% increase in presentations. Increasingly, families are approaching the service, and overall complexity is increasing.

4.5. This is combined with low availability of temporary options for individuals and family groups in need of temporary accommodation. As at 22 January 2024 there were 121 households living in Temporary Accommodation, of which 59 were families, with a significant amount of prevention activity underway to mitigate the risk of numbers significantly increasing.

4.6. Throughout 23/24 there has been a focus on directly purchasing and leasing property to reduce the costs associated with spot purchasing and increase the stability of accommodation options available to the Housing Options team. As at 22 January 2024, 31 properties have been purchased by Torbay Council, with 26 currently occupied by families. This will help to stabilise costs and allow more work to be done to prevent homelessness and support households to find more permanent housing. Work also continued on improving accommodation pathways and commissioning plans.

Corporate Services & Executive

4.7. An overspend of **£0.416m** is currently being forecast within Legal Services. This is a result of the difficulties the service continues to face in recruiting permanent staff to meet levels of demand. This has meant the service have had to use more expensive agency staff to continue delivering legal support to services across the Council.

4.8. The council have struggled to compete with the salaries paid by other organisations – both within the private and public sector. The service is now applying additional market factors in the hope this will make a difference to their ability to recruit and reduce their requirements of agency workers. However, it should be noted that recruitment of legal professionals in the public sector is a national issue.

4.9. Within Corporate and Executive Services, there are some underspends forecast across other teams and service areas, which are partially offsetting the overspend within Legal Services.

Children's Services

4.10. Overall Children's Services is experiencing significant financial pressures due to extreme external forces outside of the control of the Council. An overspend of **£1.548m i**s currently being forecast across care placements, despite the overall numbers of cared for children being lower than previous years. Significant shortages of suitable available placements are driving up costs within the market, with price increases since 21/22 of over 30% in residential and unregulated/unregistered placements. The legislation on unregulated placements changed in September 2022 and is resulting in further pressure on this budget into 2023/24.

4.11. This is exacerbated by the demand arising from the cases allocated to Torbay through the National and Regional allocation of Unaccompanied Asylum Seeking Children (UASC). Costs of placement and support are in excess of the Home Office Funding, with current financial pressures arising from UASCs estimated at £0.643m and significantly contributing to the overspend.

4.12. All of this means that despite the continued oversight, challenge and support from colleagues, external factors are now significantly influencing spend.

4.13. There is also cost pressure within the Home to School Transport budget as a result of increasing costs. This now totals **£0.312m** and relates to the existing routes. A thorough review of provision is planned for 2024/25, including a review of single occupancy taxis and the promotion of independent travel.

4.14. Offsetting some of these pressures are underspends in staffing budgets totalling **£0.829m** and underspends in recruitment and retention budgets **£0.140m**. Agency costs have been a significant financial pressure in recent years, but following successful recruitment and retention within the service, the total agency costs are forecast to be £2.3m this year compared with spend in 2021/22 of £4.9m. This demonstrates that Torbay Council has achieved significant improvements to influence spend where it can. We are now seeing significantly increased salary expectations within the agency market and stiff competition from other Councils that are offering increased hourly rates to stabilise their own workforces.

4.15. 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.

4.16. 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.

4.17. Torbay Council has already received £6.193m from the ESFA in response to its recovery plan, without which the DSG cumulative deficit was forecast to be £12.963m by the end of the financial year. For 2023/24 the DSG is forecasting an overspend of £1.262m at quarter 3, in line with the forecast deficit within the agreed safety valve plan of £1.263m. It is of importance to the Council's future budget position that the Council delivers its recovery plan.

Finance

4.18. A **£2.0m** positive variance is being forecast, mainly as a result of increased interest rates, being applied on council investments. This means the Council is forecast to earn higher levels of interest on its current cash balances than was budgeted. Given the current low levels of spend on Capital projects, there is also a saving on interest payable by the Council as lower levels of spend activity means lower amounts borrowed, therefore reduced interest paid by the Council.

4.19. As part of setting the 2023/24 budget a few centrally held contingencies, mainly linked to pay and inflation risks, were held under finance and will be released to contribute towards known cost pressures.

4.20. A total of £0.920m has been transferred to service budgets to offset the additional costs arising from the 23/24 pay award, which was in excess of the 4% budgeted. Further contingency will be released before the year end to address specific budget pressures identified within 2023/24, mainly in relation the Childrens Services.

Investment Portfolio

4.21. The Council's Investment Portfolio is forecast to contribute £4.134m towards Council activity – in line with budget. The investment property reserve is in place to cover lost rent and holding costs arising from empty units.

Place

4.22. Within the Place directorate an overspend of **£0.513m** is currently forecast, mainly due to levels of income being lower than budgeted.

4.23. Planning have highlighted that projected application fee income is £0.150m below target and building regulation applications are similarly projecting a £0.050m shortfall. In addition, a shortfall of £0.060m is forecast on income from local land searches. All three of these elements reflect the challenging economic position of the country and the region.

4.24. An overspend of £0.100m is forecast for Torre Abbey despite admission numbers being higher than this time last year. The Paddington Exhibition and planned events/activities had some positive impact on admissions, but income from the Café continues to be below budget.

4.25. Income from the Garden Waste service is projected to be short of the amount budgeted, with numbers of subscribers being lower than the levels anticipated. The shortfall is forecast to be £400k, after a contribution from reserves of £150k – as part of supporting the scheme's first year of operation.

4.26. The reduced Directorate levels of income are expected to be offset by an underspend within the waste budget. This is currently forecast at £470k due to disposal levels and associated costs being lower than forecast.

4.27. An overspend of £170k is being forecast in respect of the management fee paid to the Torbay Coast and Countryside Trust for management of land leased to the Trust by Torbay Council. This provides protection and enhancement of Torbay's natural heritage for the benefit of the community and visitors. The additional fee is to provide short term support, whilst the Trust implements a number of measures to improve its financial sustainability.

4.28. Currently Parking Services is overall forecast to break even, with forecast losses in parking income offset by increases in enforcement income.

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, because of inflation.

5. Collection Fund

5.1. Collection rates for 2023/24 are currently slightly below forecast levels, with the rising cost of living appearing to be having an impact. We continue to explore opportunities to increase our overall collection rates, whilst supporting residents and businesses. This will not have any impact on the 2023/24 financial year and the collection fund equalisation reserve is maintained to manage any impact in the following year.

6. Wholly owned companies

6.1. SWISCo. has been managing the financial pressures associated with rising costs, particularly fuel and materials. However, due to movements in the international markets, the value of recycled material resale has dropped considerably and a shortfall of £175k is now being forecast for year end. SWISCo will continue to manage these pressures with the aim of returning to a breakeven position for 2023/24.

6.2. The pay award for 2023/24 resulted in a fixed £1,925 per full time employee, which has a disproportionate percentage impact on SWISCo given the average salary. As a result, the Council has agreed an additional £0.391m of funding to meet the shortfall in the pay award.

6.3. TDA divisional Commercial P&L account to the end of November 2023 reported a year to date surplus of £0.399m (net of transition costs) against a budget of £0.203m. Within the TDA Group, TorVista reported a loss at the end of Sept 2023 of £0.290m against a budgeted loss of £0.222m. A specific budget code has been established to capture the transitional costs associated with managing the transfer of TDA to Torbay Council.

7. Statement of Accounts – 2020/21 and 2021/22

7.1. The Council's Statement of Accounts for 2020/21 were only signed off by Grant Thornton in April 2023, despite their findings being presented to Audit Committee in December 2021.

7.2. Delay in auditing Council's Statement of Accounts by the Government's Statutory deadline has been highlighted previously and is a national issue, partly due to lack of capacity in the market. In the light of continuing problems nationally, the Government's statutory deadlines have been revised. Torbay Council's current position is that the audit of 21/22 accounts will be complete in the next few weeks, whilst the 22/23 and 23/24 accounts will both be audited by 30/09/24.

7.3. The protracted statement of accounts process has continued to put significant pressure on the finance team, who continue to work concurrently on multiple financial years.

8. Capital

8.1. The Council is seeing extreme cost inflation in respect of its Capital projects. As a result, several schemes that are in progress are facing rising costs, which are at variance to initial business cases and forecasts. The viability of schemes supported by prudential borrowing are further impacted from the recent rises in borrowing rates.

8.2. The revenue outturn position for 2022/23 enabled £0.4m surplus to be transferred to a specific earmarked Capital Reserve, which will assist the Council in the re-prioritisation, and ultimate delivery, of the Capital Investment Programme. Revenue costs will be required to continue with design and feasibility work for specific schemes alongside bolstering capacity, and skills, in project delivery.

8.3. The Capital Investment Plan has now been reviewed and an updated forward looking capital programme included within the 2024/25 budget papers.

8.4. The Council is projecting spend of £55m on capital projects in 2023/24, compared with an original budget of £90m. This spend is part of a wider capital programme now estimated to totalling £90m over a 4-year period. The update Capital investment Programme providing further details of estimated costs is shown in Appendix 2 to this report.

8.5. The Capital Investment Plan is funded from capital receipts, capital grants and contributions, reserves and revenue budget contributions, and long-term borrowing to ensure a balanced budget over the life of the Plan.

8.6. The following new grant allocations have been announced since figures reported at Q2.

8.6.1. Additional allocation of £230,000 from DfT for 2023/24 from the Road Surfacing Fund for local highways maintenance. The same level of additional funding has also been announced for 2024/25.

8.6.2. Grant allocation of £950,000 from DLUHC, Brownfield Land Release Fund, following a successful bid for Crossways project.

9. Risks & Sensitivity

9.1. 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.
Adult Social Care funding is not sufficient to meet forecast costs.	High	The Director of Adult Social Care is developing a range of intervention activity and savings plans, in collaboration with Health Trust colleagues
High inflation rates have a major impact on both revenue and capital costs.	High	The 23/24 budget includes a higher than usual allowance for inflationary pressures, with contingencies also held for revenue and capital. A strategic review of the capital programme has commenced.
The "cost of living" economic impact on the Council's residents from higher mortgage, rent, fuel and utility costs is likely to impact on both demand for council services and may result in reduced income from council tax.	High	The Council will continue to mitigate where possible the impact on council services and support/signpost residents to appropriate support.
Collection Fund shortfall	High	Additional resources allocated to support the Revenues & Benefits team and a review of debt recovery will be undertaken. End to end processes are being reviewed.

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.
Delivery of Children's Services cost reduction plan	High	Meetings continue to monitor the current rate of delivery against the identified actions from the Sufficiency Strategy.
Investment Property Income changes	High	The Investment Board will continue to review future leases and mange 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	Work is underway on directly procuring and leasing property to increase the stability of accommodation options available to the Housing Options team. The Council has also increased its focus and resources on preventive work.

10. Appendices

10.1. Appendix 1 – Monitoring of published savings identified for 2023/24
10.2. Appendix 2 – Capital Plan Summary – Quarter 3 2023/24