

Meeting: Overview & Scrutiny Board/Cabinet/Council **Date:** 6th/12th November/5th December 2024

Wards affected: All Wards

Report Title: Budget Monitoring 2024/25 – April to September 2024 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 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 2 (up to 30 September 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 the levels budgeted, particularly in areas such as building control and planning. Budget pressures are resulting in an overall year end forecast for 2024/25 of **£0.292m overspend**.
- 1.3. The Capital Plan was reviewed and updated in 2023/24, with an updated forward looking capital programme included within the 2024/25 budget papers. An updated Capital Investment Plan is shown as Appendix 1 and highlights a revised budget for 2024/25 of £32.184m. Paragraph 6.11 provides a simple reconciliation of movement from the revised budget of £39.115m.

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 programme.
- 2.4. That Council approves the revisions to the capital programme, as per Appendix 1.
- 2.5. That Council approves delegated authority be given to the Director of Finance (Section 151 Officer) in consultation with the Cabinet Member for Housing and Finance to approve budget increases for projects in respect of the capital programme which are fully grant funded.

3. 2024/25 Budget Summary Position

- 3.1. Budget monitoring at quarter 2 has identified a number of spending pressures and a total overspend is forecast at year end 2024/25 of £0.292m, broken down between Council Directorates as follows:

Service	Current Budget £m	Projected Outturn £m	Outturn Variance Q2 £m
Adult Services	55.812	55.744	-0.068
Children's Services	54.234	54.443	0.209
Corporate and Executive Services	14.192	14.592	0.400
Finance (incl. Treasury Mngt)	-16.522	-17.722	-1.200
Investment Portfolio	-4.134	-4.134	0
Place	25.099	26.050	0.951
Public Health	10.714	10.714	0
TOTAL	139.395	139.687	0.292

- 3.2. The projections above include a drawdown of £171k from central contingency to rebase budgets for known spend commitments, which were unavoidable.
- 3.3. Mitigating spending pressures to reduce this forecast overspend by the end of the year will require robust financial management and control from all services across the Council. Financial Sustainability Plans have been completed by each Director in respect of the following key areas, which are being reviewed regularly.
- Integrated Adult Social Care contract – transformation programme

- Children's Services – social care placements
- Prevention and relief of Homelessness
- SWISCO contract fee
- Events
- Optimisation of Council Assets
- Legal Services – staffing and agency costs
- Home to School Transport

- 3.4. It is anticipated that action against these plans will mitigate pressures and reduce the overspends, where forecast. We are seeing this take effect in Children's Services placements and Home to School Transport, contributing to an improved overall position for the Directorate. Legal services continues to be challenging however and the projected outturn has increased since Q1.
- 3.5. 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. This has become more challenging throughout 2024/25 and an overspend of £1.271m is now being forecast compared with the budgeted overspend £0.481m.

4. Service Budgets

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

Service	Current Budget £m	Projected Outturn £m	Projected Q2 Outturn Variance £m	Projected Q1 Outturn Variance £m
Children's - Staffing/agency costs	20.846	21.220	0.374	0.468
Children's – Section 17	0.480	0.602	0.122	0.075
Children's - Home to School Transport	3.892	4.059	0.167	0.245
Children's - Social care placements (excl. UASC)	23.424	22.915	(0.509)	(0.387)
Corporate – Legal Services	1.693	2.043	0.350	0.279
Finance – Investments and borrowing	18.572	17.372	(1.200)	(0.800)
Place – Torre Abbey	0.381	0.481	0.100	0.000
Place – Waste disposal	4.832	5.052	0.220	0.250
Place – Development Control and Planning - income	0.269	0.649	0.380	0.330
Place – Building Control income	0.127	0.297	0.170	0.150

Place – Concessionary Fares	3.746	3.496	(0.250)	(0.250)
Place – Management of Estate	3.776	4.082	0.306	0.101
			0.232	0.386

(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 24/25 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.

Children’s Services

- 4.4. An overspend of **£374k** is being forecast due to agency numbers and costs increasing. The cost of agency in 23/24 was £2.304m, and for 24/25 the forecast is £3.193m. The number of agency FTE’s at end of September 2024 was 33.19, at the end of September 2023 it was 23.0. We are 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. The projected overspend has reduced since Q1, but this area will continue to receive focus moving forward.
- 4.5. There is also cost pressure 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 **£167k** is forecast, but this is a reduction on spend when compared to 23/24 and a reduction on the projection at Q1. The Financial Sustainability Plan for this area highlighted a number of actions to mitigate pressures and improvements to route planning and maximisation of shared transport (where possible) is already having an impact.
- 4.6. Offsetting some of these pressures is an underspend currently being forecast across our budgets for children social care placements of **(£509k)**. The placements budget received £2.1m of growth funding as part of the budget setting process and is currently showing an underspend against this new level of funding. The overall numbers of cared for children are also lower than previous years, but the significant shortage of suitable available placements is driving up costs within the market. The high cost of

weekly placements for Residential and Unregulated remain a concern and risk to the budget, and this area will continue to be monitored closely throughout the year.

- 4.7. 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.
- 4.8. 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.
- 4.9. Torbay Council has already received £7.93m 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 £1.271m at quarter 1, 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.

Corporate Services

- 4.10. An overspend of **£0.350m** is currently being forecast within Legal Services, despite an additional £300k being added to the base budget for 2024/25. This is a result of increasing demand for the service and the difficulties in recruiting permanent staff. This has meant the service have had to use more expensive agency staff to continue delivering legal support across the Council. The council have struggled to compete with the salaries paid by other organisations – both within the private and public sector. The application of increased additional market factors is starting to have an impact and improve the success in recruitment, but demand levels has meant that resource are needed and spend levels remain high. It should be noted that recruitment of legal professionals in the public sector is a national issue.

Finance

- 4.11. 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 throughout the year, prior to 2025/26 budget setting.
- 4.12. A **£1.2m** positive variance is being forecast, an improved position from Q1. 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. Given the current lower levels of spend on Capital projects, there is also a saving on interest payable by the Council on the amounts borrowed.
- 4.13. 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

- 4.14. 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 and maintained to cover lost rent and holding costs arising from empty units.

Place

- 4.15. Within the Place Directorate an overspend of £0.951m is currently forecast, mainly due to levels of income being lower than budgeted.
- 4.16. An overspend of £0.100m is being forecast in relation to Torre Abbey. 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.
- 4.17. 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.
- 4.18. 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 £170k is forecast within the Building Control service, mainly resulting from reduced levels of fee income. All three of these elements reflect the challenging economic position of the country and the region.
- 4.19. An underspend of (£250k) 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.
- 4.20. 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 a number of 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.
- 4.21. Parking Services is forecast to break even, with any shortfall in parking income expected to be offset by enforcement income estimated to be in excess of budget.
- 4.22. SWISCo. are facing increasing pressures for 2024/25 and challenges in managing within current budgets, in light of increased prices and the reduced value of recycled material resales. This will continue to be monitored but may present a forecast overspend within the next report. The pay award for 2024/25 is likely to be structured in a similar way to previous years with a fixed amount per full time employee. This has a disproportionately high percentage increase on SWISCo given the lower average salary costs, that is likely to exceed budgeted levels. As in previous years, the Council

has agreed to fund the shortfall in the pay award and has held a contingency budget for this.

- 4.23. Although services and staff transferred from TDA to Torbay Council at the start of year, contracts and assets will be transferring throughout the year, meaning that some trading activity will remain within the 24/25. Any projected variances will be reported within Torbay Council's revenue forecast and a specific budget code has been established to capture transitional costs associated with managing the transfer of TDA to Torbay Council.

Public Health

- 4.24. 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 Q2 suggest we are on target to achieve forecast levels. We continue to explore opportunities to increase our overall collection rates, whilst supporting residents and businesses.

6. Capital

- 6.1. In April 2024, the Council Leadership Group approved the "Capital Projects – decision-making framework and reporting mechanism" which detailed the need to control projects and their financial budgets through set gateway reviews and the Capital and Growth Board (CGB).
- 6.2. To date this has been a successful practice which has seen a majority of projects go through the process providing far more clarity and assurance in their delivery, funding requirements and spend.
- 6.3. Due to the delegations of authority set for CGB, a change in budget requires an amendment to the Capital Investment Plan, which requires formal Council approval either via bespoke reports or the Quarterly Budget Monitoring Reports (QMR).
- 6.4. This has resulted in delays and constraints for some projects which require their budget to be uplifted from one stage to another or for projects which wish to bring forward costs to accelerate delivery.
- 6.5. To further improve the process, it is proposed that the authority to approve budget increases which are in respect of the drawdown of specific grant, is delegated to the Director of Finance (S151 Officer) in consultation with the Cabinet Member for Housing and Finance.
- 6.6. This delegation applies to a request where there is no direct financial impact or future liability to the council. Budget increases which do not fall within the criteria will continue to be approved via normal reporting mechanisms.

- 6.7. Additionally, where such grant drawdown exceeds £100k, further detail will be provided through monitoring reports or a published record of decision.
- 6.8. This change will enable projects to progress whilst ensuring that oversight and project scrutiny and financial control continues.
- 6.9. The impact of the proposed change is a significant increase in budget and forecast spend in the Capital Investment Plan as detailed in Appendix 1.
- 6.10. 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).
- 6.11. The table below highlights a revised budget for 2024/25 of £32.184m and provides a simple reconciliation of the movement from the revised budget at Quarter 1 of £39.115m.

Project Name	Amount	Comments
Revised Budget 2024/25	£39,115,000	As approved in August 2024 by Cabinet and reported at Q1
Union Square Ph.1 - Torquay Town Deal	£2,072,000	As per SoC in Jul 24 CGB. Includes cost to date on acquisitions and budget to take the project though to OBC.
Debenhams Redevelopment	£666,000	To fund spend to date in respect of acquisition costs
Harbour Public Realm - Torquay Town Deal	£2,342,000	Funding in respect of project to improve the public realm around Torquay Harbour, funded from Towns Deal allocations.
Station Square - Paignton Future High Streets Fund	£2,856,000	As per FBC at Sep 24 CGB for delivery of the scheme.
Victoria Centre - Paignton Future High Streets Fund -	£2,958,000	To fund spend to date including acquisition costs, demolition works and works in respect of creation of temporary car parks
Picture House- Paignton Future High Streets Fund	£1,500,000	Fully funded from Future High Street Funds
Pavilion - Torquay Town Deal	£344,000	As per PID at Sep 24 CGB to take the project to FBC for the opening up / scoping element of works
Oldway Mansion – Levelling up Partnership	£80,000	Based on PID at May CGB, to take project up to FBC, with an inclusion a budget for Urgent repairs works
Hotels to Homes (Accommodation Re-Purposing)	£3,000,000	As per FBC at Aug 24 CGB for delivery of the scheme.
Other project increases	£3,463,000	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 2 Revised Budget	£58,396,000	

Quarter 3 Revised Budget Reprofiled to future years	£26,213,000	Summary below, details included in Appendix 1 Projects under Feasibility & Development - £21.283m Economic Development /Regeneration - £0.600m Housing Development / Investment - £3.767m Transport Capital Investment - £0.563m
2024/25 Revised Approved Budget	£32,184,000	

- 6.12. An updated Capital Investment Plan is shown as **Appendix 1**, which details spend to date and forecast spend for 2024/25.
- 6.13. It should be noted that the Hotels to Homes (Accommodation Re-Purposing) budget of **£3,000,000** was approved at the meeting of Council on 12 September 2024 and therefore does not need approval, the details are included in the table above for budget reconciliation purposes only.
- 6.14. The table below highlights new projects which have been reviewed by CGB with recommendations to be added to the Capital Plan.

Project	Initial Allocation	Project Overview
Sherwell Primary Salix	£44,000 from Children Service Repair and Maintenance	Replacement of the Sherwell Valley School boiler system with new air source heat pumps and solar panels. A bid for match funding from Salix (circa £260k) to be secured which will require an overall Torbay Council contribution of £102k from the Children Services repairs and maintenance funds. The recommendation from CGB is to proceed with the Salix bid and subject to achieving the required grant funding, the design and contingency funds of £44k to take the project to FBC be allocated.
YMCA Capital Improvements	£180,000 from the Childrens Service Higher Needs Capital Funds	The YMCA centre in Paignton is a key delivery partner providing a wide range of specialist services for the local community and specifically, for vulnerable young people, however, this service is at risk due to its degrading building infrastructure. The project seeks £180k from the ring-fenced Higher Needs Capital funds to scope and design renovations / improvements to the site to enable it to continue its service provision and potentially increase its capacity and services. The recommendation from CGB is that the project should be progressed and added to the Capital Investment Plan with an overall allocation of £180k to take the scheme up to FBC.

6.15. In addition to the budget revisions for 2024/25 as per 6.11. There have been a number of budget allocations added to future years. The budget revisions proposed are detailed below, the allocations are an annual allocation and are grant funded

Schools Capital Programme

- **£200,000** added to 2027/28 in respect of Capital Repairs and Maintenance
- **£660,000** added to 2027/28 in respect of Education Review Project
- **£750,000** added to 2026/27 and 2027/28 in respect of the High Needs Capital Provision
- **£82,000** added to 2027/28 in respect of Foster Homes adaptations

Housing Development and Investment

- **£1,000,000** added to 2027/28 in respect of Disabled Facilities Grants

Transport Capital Investment

- **£2,050,000** added in 2027/28 in respect of Transport Highways Structural Maintenance
- **£1,070,000** added in 2027/28 in respect of Transport Integrated Transport Schemes

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.
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 Q2

Appendix 2 – Updated Capital Investment Plan – Other Budget Revisions