

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 £127m.
- 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 financial monitoring will be provided to Members quarterly and performance reporting will be provided to Members on a 6 monthly basis.

A.2 Financial Performance

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

Table 1

Projected Outturn Position – Quarter 3

Business Unit/Service	2013/14 Budget	Spend to Date	Projected Out-turn	Variation at Out-turn
	£'000	£'000	£'000	£'000
Adults				
- Adult Social Care	43,756	32,813	43,051	(705)
- Supporting People	4,418	3,167	4,268	(150)
	48,174	35,980	47,319	(855)
Children, Schools & Families	28,455	26,321	32,055	3,600
Public Health				
Community Safety	1,982	1,086	1,830	(152)
Public Health (ring fenced budget - £7.150m)	0	1,220	0	0
	1,982	2,306	1,830	(152)
Place				
- Residents & Visitors	7,807	4,839	7,907	100
- Spatial Planning	5,671	4,255	5,644	(27)
- TDA - Clientside	2,393	2,174	2,343	(50)
- TDA - TEDC	1,677	1,702	1,650	(27)
- Torbay Harbour Authority (ring fenced budget - £4.928m)	0	(85)	0	0
- Waste & Cleaning	11,826	10,551	11,826	0
	29,374	23,380	29,370	(4)
Operations and Finance				
- Commercial Services	3,539	2,227	3,309	(230)
- Information Services	3,516	2,545	3,466	(50)
- Business Services	1,655	1,094	1,561	(94)
- Finance	10,255	(2,150)	9,205	(1,050)
	18,965	3,716	17,541	(1,424)
Total	126,950	91,703	128,445	1,165

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

- A2.3 There is a projecting a small underspend of £0.004m. A summary of the main variations are identified below:

Residents and Visitor Services is projecting an overspend of £0.1m at year end. As reported previously the service is subject to a number of pressures, the main one being within parking services where the shortfall in car parking income against the approved budget is £0.5m. A Member of the Overview and Scrutiny Board has asked for a comparison of car parking income since the introduction of the £2 all day car parking promotion. This shows that income collected as at 19 January 2014 was £0.065m less in the previous year see appendix

Residents and Visitors are reporting other pressures and these were reported in the last monitoring report i.e. TOR2 timing and implementation of 2013/14 savings, operational costs at Torre Abbey, additional costs for Events e.g. the Halfords Cycling Tour. These have been partly offset by the Executive Head for Residents and Visitors continuing to implement a strict moratorium on all discretionary spend allowing only Health & Safety works, committed and contracted expenditure to be taking place to ensure the service delivers a balanced budget at year end.

Waste and Cleaning is still projecting to remain within its approved budget. Members will recall that underspends have been achieved within this budget over the last few years due to TOR2's introduction of various waste reduction and diversions initiatives and a fall in the tonnages of waste. As at the end of December tonnages are just above forecast levels and will be monitored closely over the next quarter to assess if a balanced budget position can be declared.

Spatial Planning – is projected to declare an underspend of £0.027m. The main reason for the projected position is due a lower number of passenger journeys than forecast at the start of the financial year leading to lower spend within the Concessionary Fares budget. As there are a number of volatile income budgets within this service i.e. planning, building control, these continue to be monitored closely in the last quarter.

Economic Development Company is projecting to declare an underspend of £0.077m primarily due to a reduction in staffing costs within the EDC and underspends on the central repairs and maintenance budget.

A2.4 **Public Health**

Public Health is a ring fenced account and is expected to spend within its overall allocation of £7.150m for 2013/14. If any underspends arise these will be carried forward as part of the ring fenced account for Public Health.

Community Safety is projected to underspend by £0.152m. The main reason is due to additional income within the Crematoria budget. Other savings include vacancy management and a moratorium on spend to help reduce the corporate overspend.

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

Children's are projecting an overspend of £3.6m after the use of a £1m from the budget pressures reserve and the application of savings proposals from their recovery plan and underspends reported primarily within Family Services

As previously reported the projected overspend is primarily due to budget pressures within Safeguarding and Wellbeing where, based upon current commitments the budget is overspending by £5.4m before the application of the £1m from the budget pressures reserve.

In overall terms the overspend is due to the costs for children in care and placements within the independent sector and continued use of agency social workers primarily as a result of cover for maternity leave and to provide additional capacity to support newly qualified social workers. The projected overspend is offset by savings within other services and primarily within Family Services including Children's Centres and Youth Services.

The overspend represents 13% of the net budget for Children's Services. The number of looked after children at the end of December 2013 is 311 a decrease of 6 since the end of March 2013. The number of children on Child Protection Plans at the end of December was 150 a decrease of 30 since the end of March 2013.

Children's Services Response to the projected overspend

The Children's Services Management team are fully aware of the financial challenges faced by the Council and importance of strict financial management and control, coupled with both improved and new practice models. The management team have already started to implement a

number of changes which will retain the projected overspend and improve outcomes for children and young people. These measures include:

- undertaking a restructure of the Children's Services Management team;
- a comprehensive review of all budgets across the service to deliver savings and efficiencies;
- implementation of a residential migration project as a cost effective alternative to residential care;
- development and implementation of a new strategic approach for Foster carers by increasing the number of in-house foster carers and reduce the reliance upon the costly independent sector;
- review and analysis of services and costs with disabilities service;
- initiate a new brokerage system to reduce the costs of residential care.
- embed the successful recruitment and retention strategy.

Additional proposals are now under development to provide 'in house' specialist carers, community based parent and child assessments, intensive youth support (including the social impact bond proposal) and a new targeted early childhood service. Where possible each of these proposals will be developed from within existing resources, however there may be elements of 'invest to save' to secure the long term benefits to both the budgetary situation and outcomes for children and families. Children's Services are developing these proposals with Social Finance and a series of briefings will be arranged to ensure Members are fully up to date with developments.

As previously reported Members will have been advised of the Children's Services dependence upon Agency staff for social workers. This dependence was reduced by the successful Make an Impression Campaign and the approved Recruitment and Retention Strategy. On the 7th February there are currently no vacancies for front line social workers. However, due to a number of social workers taking maternity leave it has been necessary to increase expenditure on agency staff to maintain caseloads at acceptable levels.

These changes are part of an ongoing plan to manage the budget to ensure expenditure is contained and runs alongside existing business plans which will be continually developed and reviewed. They are an integral part of a two year budget reduction plan for Children's Services effective from January 2013.

Adults

A2.6 This portfolio covers Adult Social Care and Supporting People and is projecting an underspend of £0.855m.

Adult Social Care

Adult Social Care provides services to some of the most vulnerable adults within the Bay. As at the end of December Adult Social Care is projecting an underspend of £0.705m.

The Adult Social Care (Independent Sector) budget has a year to date under spend against expenditure of £0.626m and over recovery of income year to date of £0.052m giving rise to a total year date underspend of £0.678m. This is forecast to increase slightly to £0.703m by year end. There are three material reasons behind the under spend;

- 1) Costs/commitments anticipated early in 2013 did not fully materialise.
- 2) There has been an over achievement of Cost Improvement Programme savings (target was £1.155m for independent sector services) from all zone teams and the Learning Disability team.
- 3) Ordinary Residency costs have been below budgeted levels for the three quarters of the financial year.

In addition to the above, the In House Learning Disability service has a year to date & forecast out turn under spend of £19K. This is a result of employee cost savings throughout the financial year.

Any underspend on the Adult Social Care budget (independent sector & In House Learning disability services) will be returned to the Council under the Annual Strategic Agreement risk sharing agreement.

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

Supporting People is currently projected to underspend by £0.150m due to vacancy management and savings derived from contractual changes since April 2013.

A2.7 Operations and Finance – are projected to underspend by £1.424m.

Finance – is projected to underspend by £1.050m due to:

- savings within treasury management primarily due to savings on interest payments due to the repayment of loans at the end of 2012/13 and as a result of a further £10m loan repayment in August 2013. The annual saving on all treasury management budgets is £0.458m.
- staff savings arising from implementing a restructure in advance of 2014/15, vacancy management and administrative savings within the department.
- additional receipt of housing benefit administration grant.

- lower than budgeted for external audit fees.
- reduction in discretionary pension costs.

Commercial Services – is projected to underspend by £0.230m due:

- to savings within the Members Allowances budget.
- a reduced contribution to the insurance reserve.
- vacancy management savings across the service and the early implementation of 2014/15 savings.

Business Services – is projected to underspend by £0.094m. Savings have been achieved due to vacancy management, implementation of a restructure and addition income from bought back services. These savings have been partly offset by additional costs with respect to the implementation of the Council's new payroll system.

Information Services is projected to underspend by £0.050m due to vacancy management savings and IT infrastructure savings.

A3. Reserves

A3.1 The Comprehensive Spending Review (CSR) 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.

The Chief Finance Officer has advised that where possible reserves should only be used to support one off initiatives as it is not sustainable to use reserves to support ongoing commitments. As identified within the 2012/13 outturn report the balance for the CSR reserve was £3.1m.

A3.2 The Council is faced with a number of other cost pressures which will further reduce the level of reserves it holds. The main one is redundancy costs which arise from the 2014/15 budget round and will be a cost in 2013/14. In addition, if the Council is unable to declare a balanced budget at year end after the application of other uncommitted budgets and savings any overspend will have to be funded from reserves. This is why it is imperative that the Council, declares a balanced budget at year end. If this cannot be achieved the overspend will reduce the Council's uncommitted reserves and

impact upon how the Council manages further reductions in government grant in 2014/15 and 2015/16. Members will be aware that the Review of Reserves report that was presented as part of the budget papers recommended making a contribution to the CSR reserve.

- A3.3 A summary of the Council's uncommitted reserve and monies approved by the Mayor to be released from the CSR reserve in 2013/14 are shown below in table 3. This is before a final decision is made with respect to the Review of Reserves report which Members will consider as part of the budget proposals.

Table 2 - Uncommitted Reserves

Comprehensive Spending Review Reserve	Working Balance £'m
Balance as at 30 December 2013	2.9
Potential Calls on CSR Reserve	
Redundancy Costs arising from 2014/15 budget	1.5m (estimated)
Budget Pressures in 2013/14 (current projected overspend of £1.4)	To be confirmed

A3.4 The Council also has its General Fund balance. Since Torbay became a Unitary authority in 1998 there has not been a call on the general fund balances. The current balance is £4.4m and represents 3.5% of the Council's net budget. This percentage will increase to 3.8% if the proposed 2014/15 budget is approved.

A3.5 There has been significant media attention as to the level of reserves held by Council's. In the last monitoring report Members were alerted to the Audit Commission publication in December 2012 "Striking a Balance" which set out local authorities approach to using reserves.

A3.6 Members will also be aware of the communications from the Department for Communities and Local Government including the following from the Minister.

"Mr Pickles called on local authorities to consider whether such substantial reserves are necessary at a time when they should be focusing on protecting frontline services for residents and making sensible investments for the longer term. There are no rules that specify minimum or maximum levels of reserves and people will be surprised that while councils are hoarding billions in their piggy banks some are pleading poverty and raising Council Tax. While it is sensible for local authorities to maintain a healthy cushion, such substantial reserves are completely unnecessary and should be tapped into to ensure councils can protect frontline services and keep Council Tax down for hardworking people. Councils should also be making creative use of reserves to address short-term costs, such as restructuring or investing now to realise savings in the longer-term".

Members will be aware from the Review of reserves report the level of all Torbay's reserves are falling.

A3.7 As set out in the Review of Reserves report the Chief Finance Officer believes that a cash balance of £4.4m is a prudent and sustainable level to protect the Council from the increased risks it faces with respect to the ongoing grant reductions from Government and increased demand for some services. In addition the Council's external auditors will have a view as to the level of the Council's General Fund Balance.

A.4 Dedicated Schools Grant (DSG)

A.4.1 DSG funded activities is currently reporting an underspend of £0.062m. The DSG is a ring fenced grant and can only be used to fund schools related activities.

A.5 Debtors

A5.1 This section of the report provides Members with an update for the third quarter in 2013/14 in respect of council tax and business rate collection.

Council Tax

A5.2 The targets for the collection of Council Tax in 2013/14 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 £64.5m after the granting of statutory exemptions and reductions and Council Tax Support in the period April 2013 to March 2014. To date the Council has collected £52.8m which is 81.9% of the Council Tax due in year. The collection level is lower than last year when 83.3% was collected.

Following the introduction of the Local Council Tax Support Scheme the Council is monitoring closely the impact of the changes upon collection rates. The collection rate for accounts where last year there was no Council Tax liability in 2012/13 is 49.1%. The collection rate where the account was not entitled to maximum Council Tax Benefit is 58.68% compared to 59.35% for last year.

A5.4 The total arrears outstanding at 31 March 2013 were £3.67m and this has been reduced by £1.2m which is about 32.8% of the total arrears due. At the equivalent time last year the Council had collected £1.5m off arrears of £3.97m, which equates to around 37.8%.

A5.5 There are no Council Tax write-offs over £5,000 to report. 195 council tax accounts with a value of £0.054m have been written off in the third quarter.

Non-Domestic Rates

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

- (i) collect 97% of the business rates 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.

- A5.7 The Council is due to collect £36.1m after the granting of mandatory relief in the period April 2013 to March 2014. To date the Council has collected £36.2m which is 88.6% of the business rates due in year. In the equivalent period last year the Council had collected £31.4m which equates to 86.1%.
- A5.8 The total arrears outstanding were £1.55m and this has been reduced by £0.6m which is about 38.6% of the total arrears due. Last year the Council had collected £0.547m off arrears of £1.49m which equates to around 36.7%
- A5.9 There are four 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. 25 NNDR accounts with a value of £0.072m have been written off in the third quarter.
- A5.12 Latest projections is there is a reduction in the council's net yield for business rates as a result of increased reliefs for Supplementary Business Rates, mandatory and empty property exemptions. Implications of these changes are reflected in 2014/15 budget projections.

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.