



Meeting: **Overview and Scrutiny Board** Date: **25 November 2015**

Council Date: **10 December 2015**

Wards Affected: **All Wards**

Report Title: **Revenue Budget Monitoring 2015/16 – Quarter Two**

Is the decision a key decision? **No**

When does the decision need to be implemented? **n/a**

Executive Lead Contact Details: **Mayor Oliver**, mayor@torbay.gov.uk

Supporting Officer Contact Details: **Martin Phillips, Chief Finance Officer (CFO)**,
Martin.phillips@torbay.gov.uk

1. Proposal and Introduction

- 1.1. The revenue monitoring report provides a summary of the Council's revenue income and expenditure for the financial year 2015/16.
- 1.2. As at Quarter Two the Council's revenue budget is predicting an overspend of £2.6m primarily as a result of expenditure pressures in both childrens' and adults social care.

2. Reason for Proposal

- 2.1 Report for review and information

3. Recommendation(s) / Proposed Decision

Overview & Scrutiny Board

- 3.1 That the forecast 2015/16 revenue budget position be noted.
- 3.2 That the Overview and Scrutiny Board be asked to report directly to Council on any recommendation it may have following its review of the current position.

Council

- 3.3 That the forecast 2015/16 revenue budget position be noted.

4 Supporting Information

4.1 Summary Position

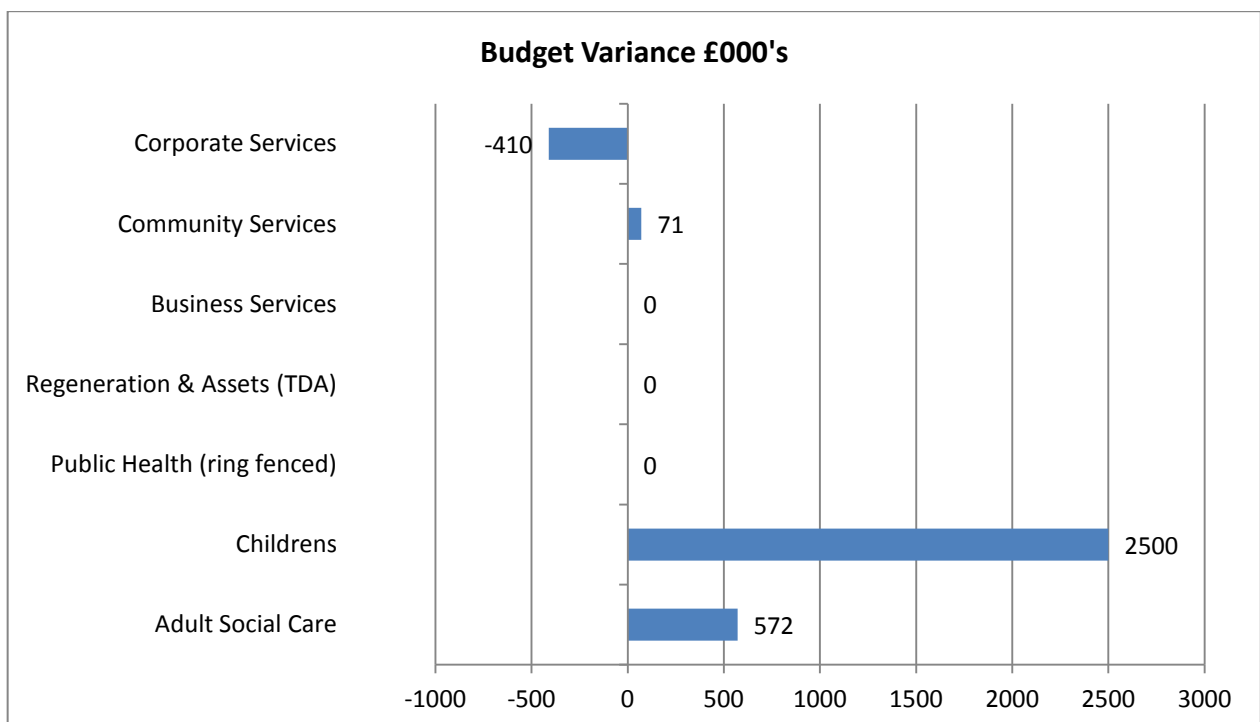
4.2 As at Quarter Two the Council's revenue budget is predicting an overspend of £2.6m primarily as a result of issues in both childrens' and adults social care.

4.3 The predicted overspend on adult social care of £0.6m is a combination of increased demand for services and the non achievement of all the planned savings during the first six month of 2015/16. From October 2015 with the start of the Integrated Care Organisation (ICO) the Council now has a 9% risk share of the total financial performance of the ICO (approx £400m). At the time of writing this report it is too soon for the Council to receive any monitoring information from the new organisation, however monthly updates will be provided by the ICO in the future.

4.4 The predicted overspend on childrens' social care of £2.5m is primarily the non achievement of planned savings linked to the childrens' services cost recovery plan and the continued high use of agency staff.

4.5 This level of overspend is a cause for concern. The Council's senior leadership team have initiated action to limit uncommitted expenditure and to look to identify savings in other services with the aim of achieving a balanced budget position. In the absence of any compensating savings in other services Council will need to identify earmarked service reserves to fund the overspend.

4.6 A bar chart summarising the projected budget variance by service for 2015/16 is as follows.



4.7 Detailed Position

4.8 The budget position for each service is shown in the table below:

Service	2015/16 Budget – revised as at October 2015			As at Q2 2015	Direction of Travel (q1 to q2)
	Expenditure £000s	Income £000's	Net £000's	Forecast Variance £000's	
Adult Social Care	42,598	(802)	41,796	572	G
Childrens' Services	80,499	(51,754)	28,745	2,500	R
Public Health	10,040	(9,953)	87	0	R
Joint Commissioning	133,137	(62,509)	70,628	3,072	G
Community Services	31,417	(6,360)	25,057	53	G
Customer Services – IT, Libraries & Exchequer & Benefits	73,671	(69,325)	4,346	18	
AD Customer Services	105,088	(75,685)	29,403	71	G
Commercial & Business	6,225	(1,967)	4,258	131	G
Finance & Corporate	21,055	(16,099)	4,956	(601)	G
Spatial Planning	1,879	(1,520)	359	60	R
Corporate Services – sub total	29,159	(19,586)	9,573	(410)	G
Business Services - Harbours, resorts services & car parking	5,684	(9,829)	(4,145)	0	
Regeneration and Assets (TDA)	6,959	(2,342)	4,617	0	
AD Corporate Services	41,802	(31,757)	10,045	(410)	G
Total Expenditure	280,027	(169,951)	110,076	2,733	G
Sources of Funding	-	(110,076)	(110,076)	(133)	G
Net Expenditure	280,027	(280,027)	0	2,600	G

4.9 A narrative of the position in each service area is as follows:

Service	Variance to Budget £m	Main Variances in 2015/16
Adult Social Care	0.6	<p>-The Council risk share for the first six months of the financial year is £0.5m. This reflects a combination of the non achievement of all the planned savings in 2015/16 both in total and in terms of timing and some increased demand pressures primarily in ordinary residency clients (+£0.3m).</p> <p>- continuation of the prior year pressures on the Joint Equipment Store but at a lower level following management action (+£0.2m)</p>

		<p>- lower than budgeted costs due to changes in the profile of other adult social care contracts.(-£0.1m)</p> <p>From 1st October the Integrated Care Organisation started and the Council's share of risk from that date will change to a 9% risk share of the total position of the, then combined, Torbay and South Devon Healthcare Foundation Trust (SDH) – a share of a total budget of £400m. Financial performance of SDH is reported to its board – minutes are available on the link below:</p> <p>http://www.sdhct.nhs.uk/about-us/board-meetings</p>
Childrens Services	2.5	<p>- The overspend is primarily linked to the non achievement of the reductions identified in the Childrens' cost recovery plan. The number of children in residential care is not falling at the rate laid out in the five year plan. The Plan approved by Council in October 2014 projected that the service would require the use of £2.3m of reserves in 2015/16 to achieve a balanced position. The net overspend is currently in excess of that figure by a further £2.5m.</p> <p>The number of Children Looked After (CLA) is 297 as at 30/9/15 (309 30/6/15) which is similar to the level and costs in 2014/15. Due to the number of children (261 as at 30/9/15) in longer term placements ("legacy cases") the opportunity to reduce costs has been limited. The costs have increased as some clients have moved from fostering to residential care.</p> <p>The level of agency staff remains high with spend to end October in excess of £1.6m, although this is partly offset by reduced salary costs.</p> <p>In the light of the above issues the Chief Finance Officer and the Director of Childrens Services requested that the October 2014 Cost Recovery Plan be updated both in terms of its assumptions and timing and likelihood of savings. A timetable for the update to the Recovery Plan was presented to OSB in October. This is expected to be available in November 2015. The results of the revision will be reflected in the 2016/17 budget process.</p>
Public Health	0	Ring fenced budget – in year reductions from central government in 15/16 grant now confirmed at £0.550m.
Community Services	0.1	Projected overspends on CCTV, Licensing, Housing Options Torre Abbey, Theatres, Toilets & Sport partly offset by salary savings.
Corporate Services	(0.4)	Expected saving on "corporate" pension payments and savings and increased income in treasury management activities offset by the target of increasing income within Commercial Services is proving challenging. In addition use of agency staff to support workload in legal services has increased costs.
Total	2.6	

4.10 2015/16 Savings

- 4.11 The 2015/16 budget relied on the achievement of £11m of approved savings. The Council's senior leadership team have been monitoring the achievement of these savings as part of the current year budget monitoring. The majority of savings are being achieved. The main areas of variance are, as identified above, within social care and the achievement of additional income targets over a number of services is proving a challenge. Services have been asked to identify other savings within their services to cover any shortfall.
- 4.12 The Department of Health have announced the value of the in year reduction to the (ring fenced) public health grant. This is an in year reduction of £0.550m. This will be funded by a combination of the use of the existing ring fenced public health reserve and a reduction in public health initiatives.

4.13 Risk & Sensitivity

- 4.14 The predictions for the full year outturn in this report are based on six months of financial information and will be subject to changes in both assumptions and demand.
- 4.15 There are a number of financial risks facing the Council. Key risks were identified in the Revenue Outturn report to Council in July and some of these are now having an impact on the current financial year.

Risk	Impact	Mitigation
Achievement of £11m of approved savings for 2015/16	High	15/16 Budget monitoring and "saving tracker" monitored by senior staff.
Potential cost impact of the Council's 9% risk share of total ICO performance	Low, but new risk	Monthly information will be provided by ICO to Council supported by "contract" meetings
Potential impact and costs of judicial review for care home fees	High	Balance of CSR reserve and 2015/16 social care contingency to fund if required.
Achievement of Childrens' Services cost reduction plan	High	Regular monitoring of performance and recovery plan
Identification, and achievement, of £33m of savings for 2016/17 to 2018/19	High	Issue identified in Medium Term Resource Plan. 2016/17 budget proposals issued 6 th November 2015.
Additional demand for services particularly in both adults and childrens' social care	High	15/16 Budget monitoring, use of service performance data and recovery plan.

4.16 Implications on future years & reserves

- 4.17 The implications of the current forecast of an overspend of £2.6m on future year budgets and reserves are as follows:
- Where the overspend is linked to increased demand, additional resources may need to be allocated to these services in future years which will have to be funded from additional savings elsewhere.
 - Where the overspend is linked to delays in achieving the childrens' services recovery plan, this has two consequences: firstly any increased funding needed

for this service will have to be funded from additional savings in other Council services or by the use of earmarked reserves currently allocated to other Council services. Secondly the childrens' service recovery plan estimated a future financial position which enabled the service not only to reduce its costs, but also repay £4.6m of reserves to other services. Non repayment of these reserves will cause a financial issue for the other services.

- Any overspend in-year will have to be funded from reserves. Options could include using:
 - o Comprehensive Spending Review Reserve – current balance £2.9m. This reserve has been earmarked for the estimated costs of the Judicial Review on care home fees if the Council's appeal is refused - expected to be determined in autumn 2016.
 - o General Fund Reserve – current balance £4.4m. This reserve is the Council's core unallocated reserve and the target balance for this reserve is 4.2% of net revenue budget (currently 4%).
 - o Use of reserves earmarked for other services – current balance £24.9m (excluding schools). Potential to use these reserves is limited as £4.6m has already been allocated for childrens' services due to be repaid in future years.

In the absence of any compensating savings in other services Council will need to action the third option above and seek to identify earmarked service reserves to fund the overspend. The 2016/17 Review of Reserves is due to be updated in November 2015 which will include proposals to fund the projected overspend.

4.18 2016/17 Budget Process

- 4.19 The Mayor presented his budget proposals for 2016/17 in November 2015 for consultation.
- 4.20 The results of the HM Treasury 2015 Spending Review will be announced on 25th November 2015. This will identify spending totals for local government; therefore the local government finance settlement that sets out individual allocations to councils will be announced a few weeks after that, probably by mid December.

4.21 Balance Sheet issues

- 4.22 In the first two quarters no long term borrowing was taken or repaid so the Council's long term borrowing remained at £138m which was within the Council's approved Operational Boundary and Authorised Limit (for debt and long term liabilities as set by Council In February 2015).
- 4.23 The Council has interests in a number of companies. The financial performance for 2014/15 of these companies is included in the Council's statement of accounts (link below).

4.23 Write offs above £5,000 have been circulated to Members of the Overview and Scrutiny Board as an exempt annex to this report and are available to all other Members upon request on a confidential basis.

Appendices

Appendix 1 – exempt annex Write Offs Quarter Two 2015/16

Background Documents

2015/16 Budget Digest & supporting reports including 2015/16 Review of Reserves.

<http://www.torbay.gov.uk/DemocraticServices/ieListDocuments.aspx?CId=574&MId=6261&Ver=4>

Medium Term Resource Plan

<http://www.torbay.gov.uk/index/yourcouncil/financialservices/budget/budget2016-17.htm>

2014/15 Statement of Accounts

<http://www.torbay.gov.uk/statementofaccounts>.