

Meeting: Overview and Scrutiny Board **Date:** 27th January 2016
Council **3rd February 2016**

Wards Affected: All Wards

Report Title: Revenue Budget Monitoring 2015/16 – Quarter 3

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. Purpose and Introduction

- 1.1 The quarterly 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 three the Council's revenue budget is predicting an over spend of £2.7m primarily as a result of expenditure pressures in both childrens and adults social care, offset by savings in other services.

2. Recommendation (s) / Proposed Decision

Overview and Scrutiny Board:-

- 2.1 That the forecast 2015/16 revenue budget position be noted.
- 2.2 That 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:-

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

3. Reason for Recommendation/ Proposed Decision

- 3.1 Report for review and information.

Supporting Information

4. Position

4.1 Summary Position

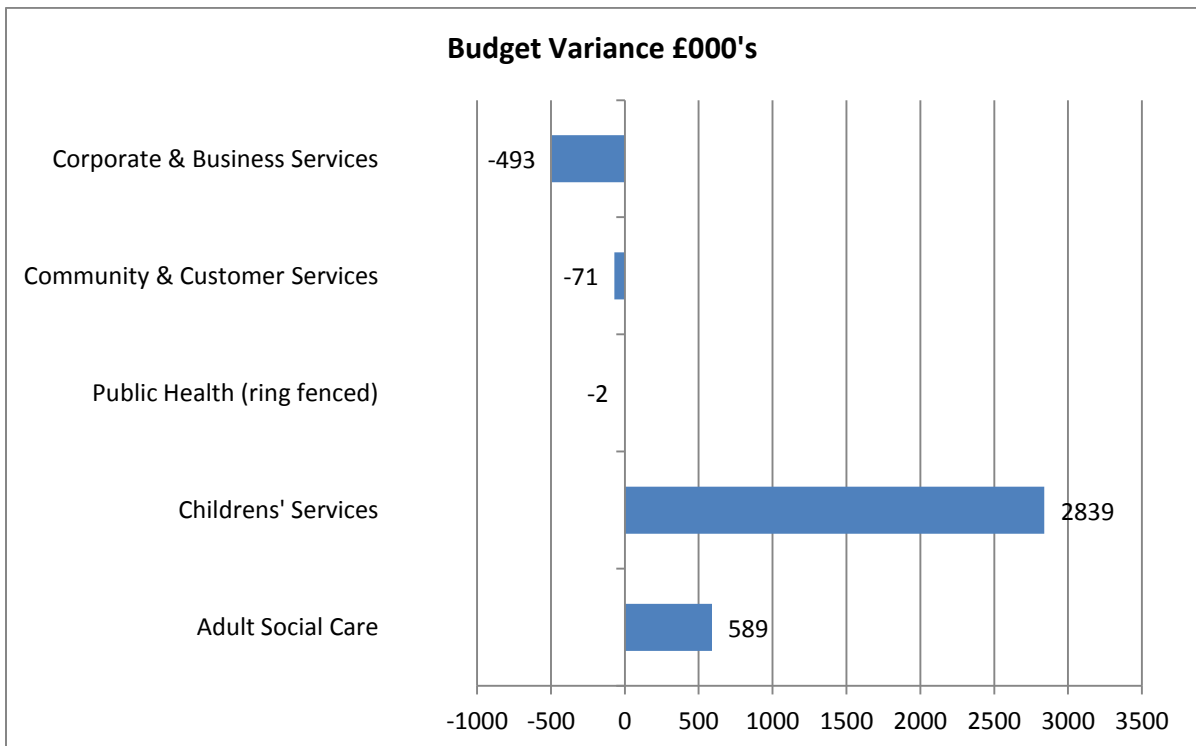
4.2 As at Quarter Three the Council's revenue budget is predicting an overspend of £2.7m primarily as a result of issues in both children's and adults social care.

4.3 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). The ICO is predicting an over spend in 2015/16. Torbay's share of the estimated forecast position for the last six months of the year is estimated to be £0.2m which is part of an overall net forecast overspend of £0.6m for the year in all adult social care budgets.

4.4 The predicted overspend on children's social care of £2.8m is primarily the non achievement of planned savings linked to the children's services cost recovery plan and the continued high use of agency staff.

4.5 This level of overspend is a cause for concern. In the absence of any compensating savings in other services Council will need to identify options to fund the over spend.

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 January 2016			Forecast Full Year Variance as at Qtr 3	Direction of Travel (Qtr 2 to Qtr 1)
	Expenditure £000s	Income £000's	Net £000's	£000's	
Adult Social Care	42,598	-802	41,796	589	R
Children's Services	83,496	-54,751	28,745	2,839	R
Public Health	9,751	-9664	87	-2	G
Joint Commissioning	135,845	-65,217	70,628	3,426	R
Community Services	32,241	-7,193	25,048	-34	G
Customer Services	73,922	-69,567	4,355	-37	G
AD Community & Customer Services	106,163	-76,760	29,403	-71	G
Commercial Services	6,269	-2,011	4,258	-3	G
Finance	21,152	-15,352	5,800	-584	R
Business Services	5,972	-10,117	-4,145	-56	G
Regeneration & assets	7,037	-2,420	4,617	0	
Spatial Planning	1,184	-825	359	150	R
AD Corporate & Business Services	41,614	-30,725	10,889	-493	G
Total Expenditure	283,622	-172,702	110,920	2,862	
Sources of Funding	-	-110,920	-110,920	-150	G
Net Expenditure	283,622	-283,622	0	2,712	R

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 with (former) Provider Trust was £0.4m.</p> <p>From 1st October the Integrated Care Organisation started and the Council's share of risk from that date changed 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</p>

		<p>board – minutes are available on the link below: http://www.sdhct.nhs.uk/about-us/board-meetings</p> <p>The projected overspend for the Council’s share for the last six months of the year is £0.2m</p> <p>In other adult social care budgets there is a continuation of the prior year pressures on the Joint Equipment Store but at a lower level following management action (+£0.2m), and lower than budgeted costs due to changes in the profile of other adult social care contracts and staffing costs. (-£0.2m).</p>
Children’s Services	2.8	<p>The over spend 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 £2.8m.</p> <p>The number of Children Looked After (CLA) is 290 as at 31/12/15 (297 30/9/15). Due to the number of children (201 as at 31/12/15) in longer term placements (“legacy cases”) the opportunity to reduce costs has been limited. Some client 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 December in excess of £2.3m, although this is partly offset by reduced salary costs, the forecast spend is £3.1m which after offsetting savings in pay costs is forecast to be £0.5m overspent.</p>
Public Health	0	<p>Ring fenced budget – in year reductions from central government in 15/16 grant now confirmed at £0.550m.</p> <p>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.</p>
Community and Customer Services	(0.1)	<p>Community Services: Projected overspends on CCTV, Licensing, Housing Options, Torre Abbey, theatres and sport. These are offset by senior management salary savings, additional income, other vacancy management and a moratorium on spend.</p>

Corporate Services and Business Services	(0.5)	Expected saving on “corporate” pension payments, and both savings and increased income in treasury management activities. The potential income shortfall in commercial services has been offset by one off income in relation to land charge fees. The planning fee income target in 21015/16 is not expected to be achieved with some developments now likely to proceed in 2016/17.
Sources of Funding	(0.1)	Grant higher than budget
Total	2.7	Projected overspend

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, however the main areas of variance are, as identified above, within social care.

4.12 Risks & Sensitivity

4.13 The predictions for the full year outturn in this report are based on nine months of financial information and will be subject to changes in both assumptions and demand.

4.14 Historically the Council’s overall position improves in the last quarter of the year as actual expenditure and income for the year is finalised.

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,	High	Issue identified in Medium Term

of £33m of savings for 2016/17 to 2018/19		Resource Plan. 2016/17 budget proposals issued 6 th November 2015. Four year Efficiency Plan to be drawn up.
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 2016/17 Budget

- 4.17 A number of 2015/16 budget monitoring issues link directly to the 2016/17 budget proposals. In some cases where a saving has been achieved in 2015/16 this has been reflected in 2016/17 budget proposals.
- 4.18 The areas of higher risk are in social care. In adult social care the impact of the current year position has been reflected in the ICO's financial planning and Cost Improvement Plans for 2016/17.
- 4.19 In children's social care to reflect the current year position there have been no budget reductions in safeguarding and £2m has been proposed to be invested in the service offset, in part, by the planned reduction in the use of earmarked reserves per the October 2014 Childrens Services Plan. A considerable amount of focus has been placed on the children's services budget by both staff and members including the work of the Audit Committee. The 2016/17 budget proposals will include a progress report from the Director of Childrens Services on the financial plan and its achievability in 2016/17.

4.20 2016/17 Budget Process

- 4.21 The Mayor presented his budget proposals for 2016/17 in November 2015 for consultation. The 2016/17 Budget is being presented to Council on 3rd February 2016 prior to adjournment to Council on 11th February 2016.
- 4.22 The provisional Local Government Finance Settlement for 2016/17 was published in December 2015 and Priorities and Resources Panel have been provided an update.

4.23 Balance Sheet issues

- 4.24 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).
- 4.25 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).

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>.

2016/17 Budget Proposals – November 2015.

<http://www.torbay.gov.uk/budget2016-17>