

Meeting: Council

Date: 8 December 2016

Wards Affected: All Wards

Report Title: Revenue Budget Monitoring 2016/17 – Quarter 2

Is the decision a key decision? No

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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 2016/17.
- 1.2 As at quarter two the Council's revenue budget is predicting an overspend of £2.1m primarily as a result of expenditure pressures in both children's and adults social care. The overall estimated overspend remains the same as quarter one but there has been movement within that overall figure.

2. Recommendation (s) / Proposed Decision

- 2.1 That the forecast 2016/17 revenue budget position be noted.

3. Reason for Recommendation/ Proposed Decision

- 3.1 Report for review and information.
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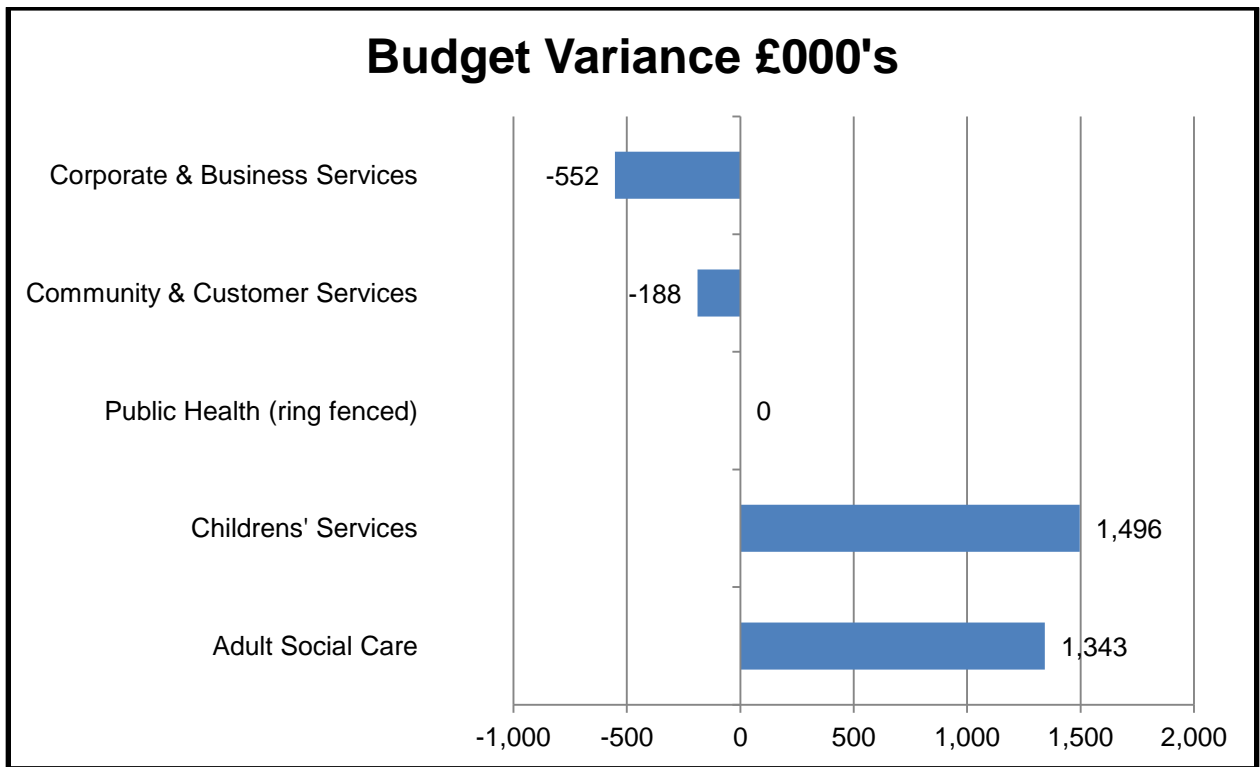
Supporting Information

4. Position

Summary Position

- 4.1 As at Quarter 2 the Council's revenue budget is predicting an overspend of £2.1m (Qtr 1: £2.1m), primarily as a result of issues in both children's and adults social care. The overall over spend is unchanged from Quarter 1, but the pressure from social care has increased which has been offset by under spends in other services.
- 4.2 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. The ICO is predicting a significant overspend in 2016/17. Torbay's share of the estimated forecast position is £1.1m (Qtr 1: £0.9m) which is part of an overall net forecast overspend of £1.3m (Qtr 1: £1.1m) for the year in all adult social care budgets.
- 4.3 The predicted overspend on children's social care of £1.5m (Qtr 1: £0.8m) is primarily the non achievement of the anticipated placement reductions in spend linked to the children's services cost recovery plan and the fact that staffing costs, including agency staff, are above budgeted levels. These costs have been offset, in part, by in year recovery action by the Director of Children's Services who is evaluating further options for service improvement and cost reduction.
- 4.4 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 overspend. At this stage, it is likely that the use of earmarked service reserves will be required which will be outlined in the 2017/18 Review of Reserves report.
- 4.5 The ongoing financial impact of the 2016/17 budget variations on both adults and children's social care has been included within the Mayor's 2017/18 budget proposals (November 2016). In addition for children's social care, the financial impact on the previously projected reduced use of reserves of £1.1m in 2017/18 has been included in both the 2017/18 budget proposals and the 2017/18 Review of Reserves report.
- 4.6 The Council at its meeting in September approved a revised Minimum Revenue Provision policy which will lead to an in year saving of £0.8m which is included within the projected outturn as at Quarter 2.

4.7 A bar chart summarising the projected budget variance by service for 2016/17 is as follows:



Detailed Position

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

Service	2016/17 Budget- revised as at September 2016			Forecast Full Year Variance as at:-		Direction of Travel
				Qtr 2	Qtr 1	
	Expenditure £000s	Income £000's	Net £000's	£000's	£000's	
Adult Social Care	41,631	-1,584	40,047	1,343	1,131	R
Children's Services	77,727	-48,772	28,955	1,496	757	R
Public Health	11,185	-11,094	91	0	0	G
Joint Commissioning	130,543	-61,450	69,093	2,839	1,888	R
Community Services	30,662	-6,542	24,120	12	11	A
Customer Services	73,511	-69,694	3,817	(200)	0	G
AD Community & Customer Services	104,173	-76,236	27,937	(188)	11	G
Commercial Services	6,604	-1,773	4,831	(1)	10	G
Finance	19,174	-12,289	6,885	(540)	185	G
Business Services	8,331	-12,327	-3,996	(11)	26	G
Regeneration & assets	6,356	-2,050	4,306	0	0	G
AD Corporate & Business Services	40,465	-28,439	12,026	(552)	221	G
Total Expenditure	275,181	-166,125	109,056	2,099	2,120	G
Sources of Funding	-	-109,056	-109,056	(37)	(37)	G
Net Expenditure	275,181	-275,181	0	2,062	2,083	G

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

Service	Variance to Budget £m	Main Variances in 2016/17
Adult Social Care	1.3	<p>From 1st October 2015 the Integrated Care Organisation started. The Council has a 9% risk share agreement from that date based on the total financial position of the Torbay and South Devon Healthcare Foundation Trust (SDH) – a share of a total budget of approximately £379m. Financial performance of SDH is reported to its board – minutes are available on the link below:</p> <p>http://www.torbayandsouthdevon.nhs.uk/about-us/board-meetings/</p> <p>The projected overspend for the Council’s share of the forecast ICO overspend is £1.1m (Qtr 1:£0.9m). This is in addition to the additional funds the Council provided as part of the Annual Strategic Agreement agreed by Council in July 2016.</p> <p>In other adult social care budgets there is a continuation of the prior year pressures on the Joint Equipment Store of £0.2m.</p>
Children’s Services	1.5	<p>As a result of monitoring within Children's Services a recovery action on a projected overspend has been initiated. However the service is still forecast to overspend by £1.5m (Qtr1: £0.8m) in 2016/17.</p> <p>The overspend is a combination of delays in the planned reduction in staffing levels and higher than forecast placement expenditure. In addition there are increased cost pressures on special guardianships and section 17 grant allocations.</p>
Public Health	0	Ring fenced budget

Community and Customer Services	(0.2)	Community Services: Projected overspends on Concessionary Fares and Housing are offset by a projected saving from the 'Energy from Waste' plant, vacancy management, the moratorium on spend and recovery of Housing Benefit overpayments.
Corporate and Business Services	(0.5)	Projected savings on audit fees, grant income, "corporate" pension payments and the change in the MRP policy approved by Council in September 2016 (£0.8m), offset by a budget pressure on treasury management arising from lower rates on investments.
Sources of Funding	0	Grant higher than budget
Total	2.1	Projected overspend

2016/17 Savings

- 4.10 The 2016/17 budget relies on the achievement of £11.6m of approved budget reductions. 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 in the financial year are, as identified above, additional pressures within social care.

Risks & Sensitivity

- 4.11 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.
- 4.12 Historically the Council's overall position improves in the last quarter of the year as actual expenditure and income for the year is finalised and impact of some future year savings are realised in year.

4.13 There are a number of financial risks facing the Council. Key risks are shown below:

Risk	Impact	Mitigation
Achievement of £11.6m of approved savings for 2016/17	High	16/17 Budget monitoring and "saving tracker" monitored by senior staff.
Potential cost impact of the Council's 9% risk share of total ICO performance	High	Monthly information is being provided by the ICO to Council supported by "contract" meetings
Potential impact and costs of judicial review for care home fees	High	Balance of CSR reserve and 2016/17 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 £21.5m of savings for 2017/18 to 2019/20 per Efficiency Plan (Sept 2016).	High	Issue identified in Medium Term Resource Plan. Four year Efficiency Plan now available which was presented to Council in September and forwarded to DCLG in October. Transformation Team set up to coordinate the implementation of potential transformation savings.
Additional demand for services particularly in childrens' social care	High	16/17 Budget monitoring, use of service performance data and recovery plan.
Ability of ICO to deliver a balanced budget in 2016/17 and to prevent further increases in expenditure in year.	High	Regular monitoring of performance and financial performance with challenge to ICO on cost improvements.

Implications on 2017/18 Budget

- 4.14 A number of 2016/17 budget monitoring issues link directly to the 2017/18 budget proposals. Where a saving has been achieved in 2016/17, if applicable, this has been reflected in 2017/18 budget proposals.
- 4.15 The ongoing impact of the 2016/17 budget variations on both adults and children's social care has been included within the Mayor's 2017/18 budget proposals (November 2016). In addition for children's social care, the financial impact on the

previously projected reduced use of reserves of £1.1m in 2017/18 has been included in both the 2017/18 budget proposals and the 2017/18 Review of Reserves report.

- 4.16 The Director of Children's Services is continuing to review the performance of children's services with a view to presenting to Council a revised financial plan supported by a level of detail to enable performance monitoring and challenge. The impact of this plan, when appropriate, will form part of the Council's final 2017/18 budget and reserve planning for 2017/18 and future years.

2017/18 Budget Process

- 4.17 The Mayor presented his budget proposals for 2017/18 on 4th November 2016 for consultation. The 2017/18 Budget is being presented to Council in February 2017.
- 4.18 Council approved the Efficiency Plan that was submitted to DCLG to enable the Council to accept the Revenue Support Grant funding "offer" for the next three financial years.
- 4.19 At the time of writing this report DCLG have not responded to the funding "requests" submitted by Councils. The new Chancellor has been quoted as using the Autumn Statement (23rd November) to "reset fiscal policy", however the impact of this, if any, on local government is unknown.
- 4.20 Other elements of the Council's 2017/18 funding have yet to be confirmed and/or finalised. In particular as the total NNDR rateable values within Torbay are reducing by 6% from April 2017 the actual financial impact on Council's NNDR funding and NNDR "Top Up" grant is yet to be confirmed, although it is hoped that the changes will be "fiscally neutral" for the Council.

Balance Sheet issues

- 4.21 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 2016).
- 4.22 The Council has interests in a number of companies. The financial performance for 2015/16 of these companies is included in the Council's statement of accounts (link below).

4.23 The total value of debtor write offs in the second quarter of 2016/17 was:

Service	Number of records written off	Value of write offs £000's	Number over £5,000
Council Tax	478	156	0
NNDR	38	161	8
Housing Benefit	46	156	0
Other Invoices	129	36	0

Background Documents

2016/17 Budget digest & supporting reports, including 2016/17 Review of Reserves and the Medium Term Resource Plan.

<http://www.torbay.gov.uk/council/finance/budget/budget-201617/>

2017/18 Draft Budget Proposals and supporting financial and service information

<http://www.torbay.gov.uk/council/fit-for-the-future/>

2015/16 Statement of Accounts

<http://www.torbay.gov.uk/media/7211/soa-1516.docx>