

Meeting: Overview and Scrutiny Board

Date: 10 July 2019

Wards Affected: All Wards

Report Title: Budget Monitoring 2018/19 – Quarter Four – Outturn

Is the decision a key decision? No

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

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1. Purpose and Introduction

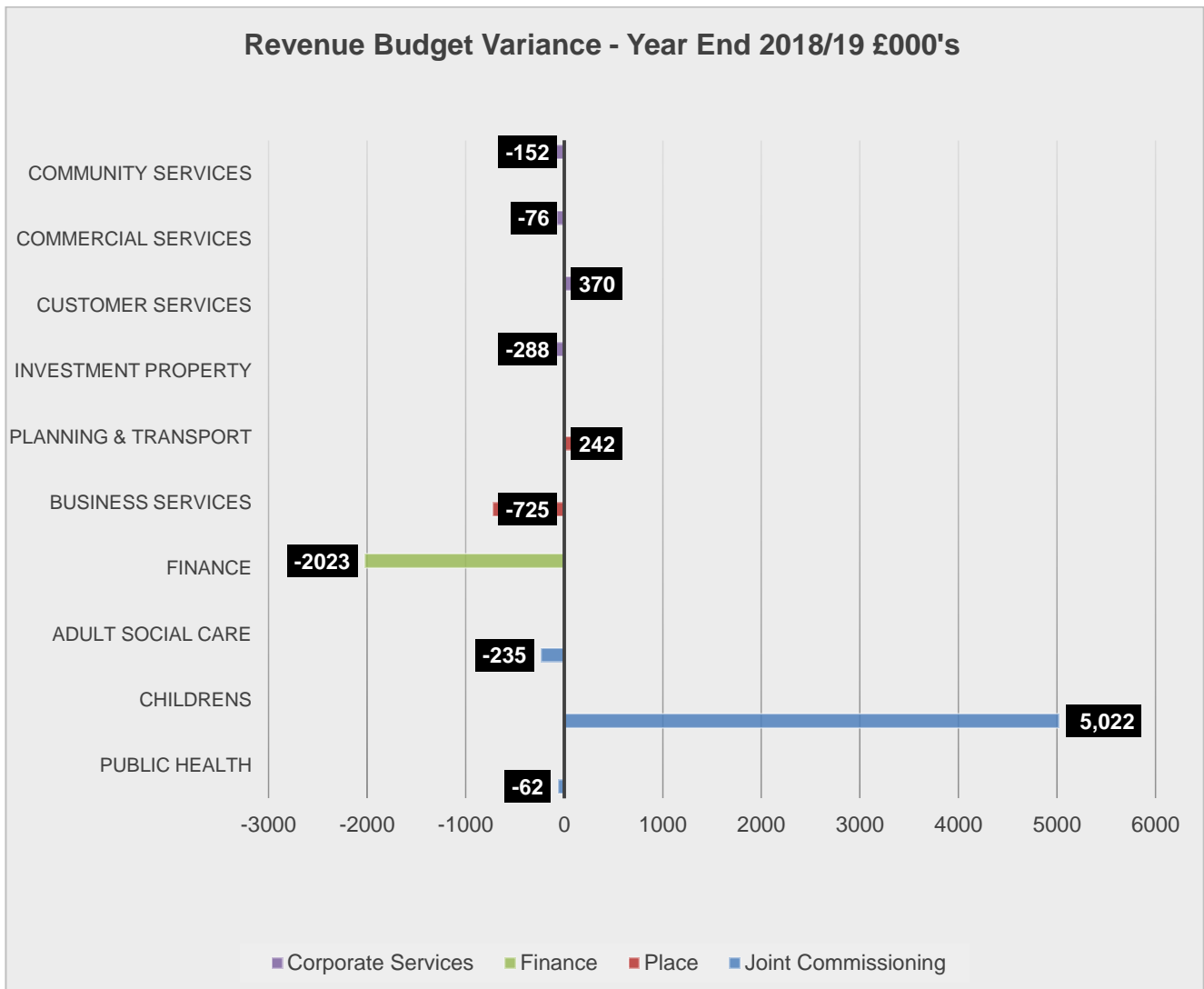
- 1.1 This report provides a **high level** budget summary of the Council's revenue and capital income and expenditure for the financial year 2018/19.
- 1.2 As at the end of 2018/19 the Council's **Revenue** budget is reporting an under spend of £0.5m for the financial year after the application of the previously reported one off funding. This was an improvement from the quarter three position as year-end figures and the moratorium continued to deliver financial savings. However this whole Council position is in the context of the overspend within Children's Services increasing to be £5.0m by the end of the year.
- 1.3 The year end position was in part achieved as following the Council's Senior Leadership Team putting in place in August 2018 arrangements for a moratorium on all spend or recruitment that was not urgent or required to meet statutory duties. The Chief Finance Officer also arranged additional processes to monitor and challenge orders and contracts placed by officers across the Council.
- 1.4 The Capital Plan Budget totals £212 million over the 4 year period. Capital expenditure of £67m was incurred in 2018/19 of which £35m related to the purchase of Investment Properties. The Capital Plan now requires approx. £2.1 million from (new) capital receipts and capital contributions over the life of the Plan to fund historic expenditure.
- 1.5 Under the officer scheme of delegation the Chief Finance Officer has approved the carry forward of unspent capital budgets (for expenditure or work in progress, together with their funding) from 2018/19 to 2019/20.

2. Recommendation (s) / Proposed Decision

2.1 That the Board consider the report and make any comments and/or recommendations for consideration by the Cabinet.

3. 2018/19 Revenue Budget Summary Position

3.1 As at year end the Council's revenue budget is reporting an under spend for 2018/19 of £0.5m after the application of one off funding. Within this position there is a £5.0m overspend in Children's Services, offset by under spends in other services and the application of one off funding. A bar chart summarising the budget variance by service for 2018/19 is as follows:



Children's Social Care

3.2 The 2018/19 budget for Children's social care was increased by £3m, a 10% increase on the 2017/18 budget to reflect the levels of spend, in particular on Looked After Children. As previously reported in the six months to end of June 2018 the service experienced a 20% increase in Looked After Children numbers (in December 2017 the number of looked after children was 293 which had increased to 358 by the end of June 2018). Anecdotally other Councils in the south west and nationally also experienced a rise in numbers, but not at the percentage increase Torbay has experienced. Since June the total number of looked after children has stabilised, although with monthly variations in cases, their relative complexities and associated

cost. As at end March 2019 there were 361 looked after children, of which 34 were in residential placements. The number of residential placements has increased further to 43 (as at end May 2019).

3.3 The outturn position is an overspend of £5.0m. The reasons are as previously documented, namely, a clear trend that the complexity and unit cost of many care plans are increasing, and in part as a result of the national increase in demand for children's social care there is an ongoing challenge to attract and retain experienced social care staff. These challenges are in the context of the "inadequate" OFSTED judgement for the service in July 2018.

3.4 Based on recent activity it could be expected that, despite the allocation of £4.4m of additional funds to this service as part of the 2019/20 budget, the impact of the 2018/19 overspend will impact further on 2019/20. This is in particular a risk around the increase in the number of residential placements which are the highest cost placement type, where typical costs per child are between £5,000 to £10,000 per week. As a result the net underspend for 2018/19 will be transferred to the Comprehensive Spending Review Reserve to be held as a contingency for the costs of residential placements in 2019/20.

Higher Needs Block – Special Education Needs

3.5 As previously reported the schools' higher needs block in the Dedicated Schools Grant (DSG) has been under financial pressure as a result of an increasing level of referrals from schools for higher needs support for children, resulting in a forecast over spend in 2018/19 of £2.2m. The Council does not receive any funding for schools therefore the over spend will remain in the DSG to be funded in future years and is not a cost that the Council will fund. The cumulative deficit balance on the Dedicated Schools Grant reserve is now £2.8m.

Investment Property

3.6 In the fourth quarter of 2018/19 the Council completed the forward purchase of a property east of Exeter that will be developed as a distribution centre with an agreed tenant, for a total of £16m including purchase costs of which £2.3m was incurred in 2018/19. The costs of the borrowing required for the purchases are to be funded from future rental streams. Council approved a revised Minimum Revenue Provision (MRP) Policy in February 2019 which changed maximum asset lives used in the calculation based on the MHCLG statutory guidance issued in 2018. This change has been applied in 2018/19 generating an additional saving of £0.4m which is shown as a treasury management saving.

3.7 Detailed Position- The budget position for each service is shown in the table below:

Service	2018/19 Budget			Forecast Full Year Variance
	Expenditure £000s	Income £000's	Net £000's	£000's
Adult Social Care	52,740	(12,513)	40,227	(235)
Children's Services	82,709	(50,848)	31,861	5,022
Public Health	10,097	(721)	9,376	(62)
Joint Commissioning	145,546	(64,082)	81,464	4,725
Business Services	31,206	(16,853)	14,353	(725)
Planning and Transport	10,219	(2,599)	7,620	242
Director of Place	41,425	(19,452)	21,973	(483)
Community Services	4,559	(2,469)	2,090	(152)
Commercial Services	6,965	(2,090)	4,875	(76)
Customer Services	66,890	(63,468)	3,422	370
Investment properties	5,908	(8,961)	(3,053)	(288)
Corporate Services	84,322	(76,988)	7,334	(146)
Finance	21,113	(19,878)	1,235	(2,023)
Gross Revenue Budget	292,406	(180,400)	112,006	2,073
Sources of Funding	397	(112,403)	(112,006)	(496)
Net Revenue Budget	292,803	(292,803)	0	1,577
Application of one off funding				(2,121)
Net Revenue Budget				(544)
Transfer to CSR for CSC in 2019/20				544

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

Service	Variance to Budget £m	Main Variances in 2018/19
Adult Social Care	(0.2)	Fixed payment agreed with ICO for 2018/19, with small underspends on some client budgets.
Children's Services	5.0	As detailed earlier
Public Health	(0.1)	Primarily a ring fenced budget

Director of Place	(0.5)	Agency staff & consultancy costs in spatial planning, offset by the impact of the moratorium of expenditure, higher than forecast savings in concessionary fares and lower than budgeted waste tonnages. In addition the revised car park tariffs generated higher income than forecast. The service also has allocated £0.450m to fund highways spend in 2019/20 as per the approved 2019/20 budget.
Corporate Services	0.2	Shortfall on printing income and lower than anticipated housing benefit subsidy offset by the impact of the moratorium and staffing savings.
Finance and Central	(2.0)	Primarily the £0.6m additional gain on NNDR Pilot and the £0.4m gain on a revised MRP calculation with confirmed reductions on pension costs, additional investment income, higher than forecast harbour surplus, release of unallocated contingency and a net saving within financial services.
Investment Properties	(0.3)	As detailed earlier
Sub Total	2.1	
Sources of Funding	(0.5)	One off release of 2018/19 NNDR funding by MHCLG announced in 2019/20 provisional local government finance settlement.
Application of one off Funding	(2.1)	Release of unspent capital budgets and earmarked reserve
Total	(0.5)	Projected under spend

4 Risks & Sensitivity

4.1 There are a number of financial risks facing the Council as shown below:

Risk	Impact	Mitigation
Achievement of approved savings for 2019/20	Medium	2019/20 Budget monitoring and "saving tracker" monitored by senior staff.
Achievement of Children's Services cost reduction plan	High	Regular monitoring of performance and recovery plan, due to be revised for 2019/20
Identification, and achievement, of £18m of savings for 2020/21 to 2022/23 per Medium Term Resource Plan March 2019	High	Transformation Team set up to coordinate the implementation of potential transformation savings. Senior Leadership Team and Cabinet will need to consider options for future years.
Unable to recruit staff and need to use agency staff.	High	Children's Services have experienced difficulties for several years. This issue is now appearing in other services including planning and legal services.
Pressure achieving income targets in some services	Low	A small number of services are not meeting their income targets (which increase by 3% each year).
Additional demand and cost pressures for services particularly in children's social care	High	19/20 Budget monitoring, use of service performance data and recovery plan.

Investment Property Income changes	Low	Regular review of income and tenant negotiation
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5 Statement of Accounts 2018/19

- 5.1 The Council's statutory accounts for 2018/19 were "authorised for issue" on the 31st May in line with legislation. The Accounts are available on the Council's website and will be audited by the Council's external auditor, Grant Thornton.

6. Balance Sheet issues

Borrowing

- 6.1 In quarter four the Council borrowed a further £18m, primarily to fund investment property loans and acquisitions in 2018/19. Total borrowing as at 31 March was £303m. Borrowing is still below the approved Operational and Authorised limits for the year.

Council Subsidiary Companies

- 6.2 The Council has interests in a number of companies. The financial performance for 2018/19 of these companies is included in the Council's statement of accounts (link below). <http://www.torbay.gov.uk/council/finance/statement-of-accounts/>
- 6.3 All of these companies form part of the Council's group boundary, therefore Members should be aware of the assets and liabilities of these companies.
- 6.4 In April 2019 the TDA, a Council subsidiary, acquired the shares in C&A Consultancy Limited.

Debtor – Write offs

- 6.5 The total value of debtor "write offs" in the fourth quarter of 2018/19 was:

Service	Number of records written off	Value of write offs £000's
Council Tax	594	175
NNDR	17	182
Housing Benefit	337	106

- 6.6 Exempt Appendix 2 contains details of write offs over £5,000.
- 6.7 The 2019/19 "in year" collection rates for both Council Tax and NNDR were both higher compared to 2017/18.

Council Tax	96.3%	(up from 95.6% in 2017/18)
NNDR	96.6%	(up from 96.4% in 2017/18)

7 Capital Plan Summary Position

7.1 The Capital Plan Budget total £212 million over the 4 year period. Capital expenditure of £67m was incurred in 2018/19 of which £35m related to the purchase of Investment Properties.

7.2 Appendix One shows the expenditure on each scheme in 2018/19 compared to level of spend estimated at quarter three. The final column shows the balance that will be carried forward to fund capital expenditure in future years.

7.3 Protecting Children

7.4 Spend of £3.2m in 2018/19 including ongoing repairs and maintenance for schools, enhancements at both Ellacombe and Brunel academies plus an enhancement at Torquay Academy for secondary school places.

7.5 More Prosperous Torbay

7.6 Spend of £19.3m in 2018/19. The premises at White Rock leased to Graphics Control became operational with spend in year of £1.6m. The EPIC building at White Rock is close to completion with spend of £5.6m in the year. Land at Edginswell was purchased in the year for a cost of £2.9m and proposals for the site will be brought forward to Members in 2019. Land for housing at two locations were surrendered by TCCT to the Council for £2.4m, again proposals for the site will be brought forward to Members in 2019. Ongoing major highway works at Western Corridor (£2.4m) and other highways spend (£2.9m) including payments in relation to the South Devon Highway.

7.7 Works also continued on the Claylands site for regeneration, Oxen Cove jetty, and the Hotel development on the Terrace car park. Although most of these schemes were in progress, the actual spend in year was lower than forecast by the project managers.

7.8 A loan agreed by Council to the TDA including the loan for industrial units in Paignton in December 2018 were not drawn down in year. The first drawdown took place in April 2019.

7.9 There was a significant variation in the payment due to Devon County Council for payments in relation to South Devon Highway compared to previous forecasts supplied.

7.10 Spend in year was lower than forecast on a number of schemes including ongoing delays in the Claylands development in relation to both the site and the proposed "pre let".

7.11 Attractive and Safe Place

7.12 Spend of £5.6m on a wide range of schemes including a loan to Parkwood Leisure for investment at Clennon Valley leisure centre (£1.1m),

7.13 A significant number of other schemes commenced in the year including toilet refurbishment, Brixham Victoria breakwater, CCTV system replacement, Harbour Lights in Paignton, Haldon and Princess Pier work and Beacon Quay decking. Although most of these schemes were in progress, the actual spend in year was lower than forecast by the project managers.

7.14 In addition there were a number of schemes where although the intention was to progress a number of schemes further by the financial year end in a number of cases some expenditure has been delayed to 2019/20. These include Brixham Breakwater and Oxen Jetty, where there were issues in obtaining the appropriate licenses prior to work commencing, although both schemes are now progressing.

7.15 Supporting Vulnerable Adults

7.16 Spend of £2.2m in 2018/19 including spend of £0.9m on Disabled facility Grants and £1.3m on the purchase of a site in Torquay for extra care housing.

7.17 The only significant variances was the carry forward of unspent allocations for affordable housing and adult social care capital. In addition although the actual spend on disabled facilities grants was close to the 2018/19 allocation, the underspend carried forward from previous years was not fully spent on schemes in the year.

7.18 Corporate Support

7.19 Spend of £1.0m including £0.2m IT investment and £0.3m on office accommodation improvements to Electric House. These works have been part funded from revenue.

7.20 Investment Properties

7.21 Spend of £35.2m in the year. The expenditure reflects the purchase of investment properties at Gloucester, Bodmin, Exeter and Babbacombe. In addition the first tranche of payments in relation to a forward purchase on a distribution depot in Exeter.

7.22 The loan for the hotel development in Torwood Street was not drawn down in 2018/19 with the first drawdown occurring in April 2019. In addition no other property purchases occurred in the last quarter of the year therefore the balance of the Fund profiled for 2018/19 purchases is to be carried forward.

8 Funding

8.1 A summary of the funding of the 2018/19 Capital Plan is shown in the Table below:

2018/19 Funding	Totals @ Q4 £m
Unsupported Borrowing	47
Grants	14
Contributions	1
Revenue	2
Reserves	0
Capital Receipts	3
Total	67

9. Grants

9.1 The Council has been notified of the following **2018/19** capital grant allocations in the fourth quarter.

- a) MHCLG – Coastal Revival Grant - £50,000. A small grant to support Paignton and Preston Community Partnership to support the restoration of the sea front shelters. £20,000 was allocated to the Partnership in March 2019.
- b) Department for Education – SEND Grant (additional) - £233,000.
- c) Department for Education– Devolved Formula Capital Grant - £158,000.
- d) Great Western Railway – Edginswell Contribution - £8,000

9.2 The Council has also been notified of the following **2019/20** capital grant allocations in the fourth quarter.

- e) Department for Education – Schools Condition Funding - £418,000.
- f) Department for Education – Devolved Formula Capital Grant - £81,000.
- g) Department for Transport – Highways Grants – “potholes” - £95,000

9.3 All the above grants will be included in the Council’s 2019/20 capital budget.

10. Capital Receipts

10.1 To date in 2018/19 under £1.0m of capital receipts have been generated of which £0.8m was received in February 2019 linked to the TCCT land purchase approved by Council in December 2018. The next largest receipt was under £0.1m from the disposal of Torhill Road day centre. Currently, primarily linked to the expenditure on the surrender of land from the TCCT, the approved Plan relies upon the generation of a total of £2.1 million additional capital receipts from asset sales.

11. Capital Contributions – S106 & Community Infrastructure Levy

11.1 In 2018/19 under £0.7m of capital contributions were generated. Of this value, £0.3m was from s106 agreements and the balance being contributions to specific schemes by other partners.

11.2 The Council’s Community Infrastructure Levy (CIL) scheme came into effect in 2017/18. The main capital project identified for funding from CIL receipts is the South Devon Highway. No significant CIL funds have yet been received in 2018/19.

Appendices:

Appendix 1 - Capital Plan expenditure and funding summary – Quarter Four 2018/19

Appendix 2 – EXEMPT – write offs over £5,000.