



Title: **Revenue Budget Monitoring 2012/13 – Quarter 1**

Wards Affected: **All Wards in Torbay**

To: **Council** **27 September 2012**

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## **1. Key Points and Summary**

- 1.1 In Quarter 1, the Council has overspent by £0.564m. With recovery plans in place officers are projecting an overspend of £1.117m at the end of the financial year. However there are also a number of emerging pressures which need to be monitored closely over the next quarter. The risks to the 2012/13 budget were advised to Council when the budget was approved.
- 1.2 The key variations within services which are projecting an overspend at the end of the year are:
- Children's Services: £0.750m due to pressures within Safeguarding and Wellbeing service due to the number and costs for looking after Children and the costs for the continued use of agency social workers.
  - Adult Social Care: £0.563m due to the number of Ordinary Residency cases coming into the Bay.
  - Spatial Planning: £0.340m due to a combination of unachieved 2012/13 savings, increased costs for Concessionary Fares and a shortfall in Planning income.
- 1.3 Where significant overspends have been identified services will be required to monitor progress against their plans to ensure expenditure is contained within the approved budget and bring forward individual recovery plans. It is recommended that the Budget Pressures contingency, which was created as part of the 2012/13 budget setting is applied now to address specific pressures identified within Children's Services and Spatial Planning.
- 1.4 Directors and Executive Heads will be working closely with Executive Leads to consider all options for addressing the projected overspend. The Council will continue to adopt strict measures of financial control including the continuation of a vacancy freeze and possible extension to posts currently protected and challenging all expenditure not yet committed. Executive Head's will take measures to bring

forward any proposed budget savings which will be required to address the budget gap for the next financial year (2013/14).

- 1.5 The Council must achieve a balanced budget at year end. This will be achieved by either:
- a) those services overspending producing in-year recovery plans which reduces or removes the projected overspend;
  - b) all other services deliver in year savings resulting in an underspend at year end;
  - c) if insufficient savings can be made there is a risk that, as a last resort, uncommitted reserves or uncommitted budgets will be required to ensure a balanced budget can be achieved at the end of the year.
- 1.6 A summary of the projected overspend is shown in the table 1 below and how it must be managed:

**Table 1**

	£'m	£'m
<b>Council Forecast Overspend</b>		<b>2.153</b>
To be managed by:		
In Year savings identified to date by services	0.536	
Funding From Budget Pressures Reserve	0.500	
Balance remaining		<b>1.117</b>
Further options to balance budget:		
Further in year savings to be identified through recovery plans (see paragraph 1.7)	to be confirmed	
Uncommitted reserves (if required)	to be confirmed	
Balance		<b>0</b>

### **Strategy For in Year Budget Management**

- 1.7 The majority of budget pressures identified are for services provided to the most vulnerable residents within the Bay and these are some of the Council's most

volatile budgets. It is recognised that some of the pressures will be difficult to reduce and will be recognised by allocating the budget pressures reserve to Spatial Planning and Children's Services. However, all of these services will be expected to continue to address the key issues through the implementation of their recovery plans and where possible identify further savings during the year.

1.8 The Strategy to address the current pressures is the implementation of continued strict financial management and control by the Senior Leadership Team and Executive Lead Members including a range of measures for all services:

- a moratorium on all non essential expenditure and a reduction in all other expenditure with an assessment of the services consequences.
- a freeze on all non essential recruitment through robust control by the Establishment Control Panel.
- a review of budgeted expenditure that could be ceased and an assessment of the services consequences.
- bringing forward any savings proposals for 2013/14 and implementing these to derive in-year savings.
- identification of any invest to save schemes that will have immediate cost savings in 2012/13 and beyond.
- a review of savings achieved in 2011/12 to ascertain whether these can be repeated.

**Paul Looby**

**Executive Head of Finance and Chief Finance Officer**

## **Appendices**

Appendix 1 Summary of Main Variations

Appendix 2 Pooled Budget with Torbay Care Trust

Appendix 3 Budget Monitoring of Council Subsidiaries and Associates

Appendix 4 Write-Off's over £5,000 (Exempt Appendix)

## **Documents available in Members' rooms**

None.

## **Background Papers:**

The following documents/files were used to compile this report:

Torbay Council's Financial Information and Management System (FIMS).

Budget Digest 2012/13.

## 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 £123.7m.
- 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 performance and financial monitoring will be provided to Members through the quarterly performance reports.

### **A.2 Performance**

- A2.1 Table 2 on the next page provides a summary of the projected outturn position for Council services.

**Table 2 – Projected Outturn Position**

<b>Business Unit/Service</b>	<b>2012/13 Budget</b>	<b>Spend to Date</b>	<b>Projected Out-turn</b>	<b>Variation at Out-turn</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Adults &amp; Resources</b>				
- Adult Social Care	42,819	13,148	43,382	563
- Chief Information Officer	3,849	1,453	3,849	0
- Commercial Services	3,798	1,153	3,798	0
- Supporting People	5,913	1,772	5,913	0
	<b>56,379</b>	<b>17,526</b>	<b>56,942</b>	<b>563</b>
<b>Children, Schools &amp; Families</b>	<b>20,456</b>	<b>4,834</b>	<b>21,206</b>	<b>750</b>
<b>Community Safety</b>	<b>2,617</b>	<b>(44)</b>	<b>2,581</b>	<b>(36)</b>
<b>Place &amp; Resources</b>				
- Residents & Visitors	9,037	3,589	9,037	0
- Spatial Planning	5,311	1,259	5,651	340
- TDA - Clientside	2,747	1,083	2,747	0
- TDA - TEDC	1,720	2,249	1,720	0
- Torbay Harbour Authority	0	(505)	0	0
- Waste & Cleaning	11,142	8,223	10,992	(150)
- Finance	12,342	(5,233)	11,992	(350)
- Business Services	1,995	485	1,995	0
	<b>44,294</b>	<b>11,381</b>	<b>44,134</b>	<b>(160)</b>
<b>Total</b>	<b>123,746</b>	<b>33,697</b>	<b>124,863</b>	<b>1,117</b>

**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 and Resources

A2.3 There is a projected underspend of £0.160m. A summary of the main variations are identified below:

**Residents and Visitor Services** is predicted to declare a balanced budget at year end. However there are a number of emerging pressures that will need to be monitored closely over the next quarter. The poor weather has had an impact on the number of visitors to the Bay and has already been reflected in the amount of income received across the service including beaches and sports bookings but in particular car parking income.

Pay and display income is up by 3% compared to last year but parking and seasonal ticket sales are 8% lower which is thought to be primarily as a result of the poor weather in the first part of the summer season. If this continues for the year this could lead to an income shortfall of £0.460m. Car parking is a known volatile budget and with an improvement in the weather and the number of visitors to the Bay there is time to recover this shortfall. Income levels will be monitored closely over the next 8 weeks where an accurate indication of where income levels are likely to be will be available at the end of season in September. On-Street income is on target at the moment.

To mitigate against any shortfall in income Residents and Visitors have implemented a full moratorium on all discretionary spending, allowing only Health & Safety works, committed and contracted expenditure to be taking place. This will require managers to put a tight hold on all project expenditure within the revenue budgets.

A corporate approach will be taken when reviewing the moratorium such that if the income situation improves in the main season then a loosening of the moratorium can be put in place.

As with all services, strict controls will be put in place to ensure that expenditure is controlled at the point of ordering, so all expenditure can be thoroughly challenged before approval is given.

The largest reductions are likely to be made in repairs and maintenance budgets across the services and therefore only essential works will be completed as a result. This will have service implications and will be kept under review.

**Waste and Cleaning** is projecting an underspend of £0.150m. This is due to TOR2's introduction of various waste reduction and diversion initiatives which has generated savings in landfill tax and transportation costs. This has been partly offset by lower than expected income due to the non implementation of disposal charges at the Council's civic amenity site at Paignton.

**Spatial Planning** – is projected to overspend by £0.340m. Budget pressures include increased costs for Concessionary Fares arising from a shortfall in the final negotiated payment to bus operators amounting to £0.225m. The final agreement was not finalised until after the budget was approved. In addition passenger numbers have increased in the first quarter and coupled with an increase in fares a further £0.135m budget pressure has been identified.

As stated in paragraph 1.3 of this report, the Council's budget pressures reserve will be used to fund the £0.225m shortfall in the final negotiated payment to bus operators.

Budget pressures have been identified within Development Control primarily as a result of the delay in the introduction of 'full cost recovery' by Central Government resulting in a loss of income of £0.130m. In addition, Planning Application and Pre-Application fee income levels are predicted to be £0.185m below expectation as the national and local economic downturn continues. Building Control income is forecast to be down by £20,000.

To help ameliorate part of the above, Spatial Planning will use £0.1m of the earmarked reserve for future Planning Inquiries to reduce the shortfall in income.

**Economic Development Company (Client side)** – is projecting to spend within budget as at the end of quarter 1. Officers will be considering the impact of the moratorium on expenditure and what savings can be identified over the next quarter.

**Finance** – is projected to underspend by £0.350m which is due to savings within treasury management as a result of higher than budgeted cash balances (linked to the profile of spend within the capital programme) combined with higher investment rates leading to better investment returns and lower audit fees resulting from new arrangements for external audit of local authorities.

**Business Services** is projected to spend within its budget allocation as at the end of quarter 1.

#### A2.4 **Community Safety.**

**Community Safety** is projecting an underspend of £0.036m due to additional contract income derived from the Cemeteries and Crematorium Service.

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

Children's are projecting an overspend of £0.750m - this is after the application of £0.275m of the budget pressures reserve to fund the costs of the recruitment and retention initiative to reduce social care agency costs(see below).

This overspend reflects the ongoing budget pressures and volatility faced by this

service. The overspend is within Safeguarding and Wellbeing due to the numbers and costs for children in care and placements within the independent sector. In addition ongoing difficulties with the recruitment and retention of social workers means the continued use of agency social workers has a significant impact upon the projected overspend for the year.

The overspend has been partly offset by savings within Children's, Schools and Communities and Commissioning and Performance budgets.

The number of looked after children at the end of March 12 was 252. As at 30 June this number had fallen to 250. The number of children on Child Protection Plans as at the end of March 12 was 290; this has decreased by 48 to 242 as at 30 June.

### **Children's Services Response to the projected overspend**

Children's Services is currently going through a process of remodelling that aims to reduce the dependency on statutory provision by creating a targeted Early Help Service and Child in Need Service. This will systematically reduce the number of Looked After Children and the amount of time they spend in care. It will also reduce the number of children subject to a Child Protection Plan, thus reducing budget pressures in relation to statutory activity and placement costs.

Children's Services are also in the process of developing a more robust and assertive Fostering Strategy, which is designed to increase the number of in-house foster carers. As a consequence this will reduce the growing dependency on external independent fostering placements and residential care.

At the present time there is a 42.6% vacancy rate within Children's Services. This is being addressed immediately by the previously approved Recruitment and Retention Strategy that has been designed to reduce Agency spend by at least 60% in this current financial year and a further 40% in the 2013/14 financial year.

As an invest to save model, by September 2013, the investment to the Recruitment and Retention Strategy will achieve an overall saving of approximately £0.664m. This will result in a permanent staff team without any ongoing dependency on agency staff.

As part of the Service Review Process, other savings have been identified and are in the process of being formalised as part of the overarching budget strategy.



## Adults and Operations

- A2.6 This portfolio covers a range of services with budget pressures of £0.563m projected to year end.

**Adult Social Care** – net overspend of £0.563m. This is due mainly to the number of ordinary residency cases within the Council i.e. movement of 16 adult social care clients from other local authorities. This is a volatile area resulting in increased cost pressures for the Council. The issue of Adult Social care clients changing their residence has been recognised nationally but is currently having a detrimental impact upon Torbay as a net importer of clients. This area will be monitored closely throughout the year but it is recognised that it is difficult to actively manage this cost pressure.

The Torbay and Southern Devon Health and Care NHS Trust have a Cost Improvement Programme which is used to monitor and deliver the savings as required when the 2012/13 budget was approved. At the end of the first quarter the Trust has declared that they are on target to achieve these savings subject to any new emerging pressures that may arise. The main risks to not achieving the cost reduction package include the achievement of a number of reviews within domiciliary care, and any changes to care home fees settlement.

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

All other services within this portfolio are projected to spend within their budget allocation as at the end of quarter 1.

### A3. Reserves

- A3.1 As identified in the outturn report the Council has an uncommitted reserve of £3.618m to meet the financial challenges it faces over the next few years. These challenges will 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.

No monies have been released from this reserve in the first quarter of the year.

- A3.2 The Council is faced with a number of other cost pressures which will further reduce the level of reserves it holds. These include redundancy costs which will arise from the 2013/14 budget round (£0.6m last year) and will be a cost in 2012/13. In addition, if the Council is unable to declare a balanced budget at year end any overspend will have to be funded from these reserves. This will reduce the Council's uncommitted reserves and impact upon how the Council manages further reductions in government grant in 2013/14 and 2014/15.

A3.3 A summary of the Council's uncommitted reserve is shown below in table 3 and cost pressures already identified in 2012/13.

**Table 3 - Uncommitted Reserves**

Reserve	Working Balance £'m
Comprehensive Spending Review Reserve	
<b>Balance at 30 June 2012</b>	<b>3.618</b>
Possible calls upon reserves	
Redundancy Costs arising from 2013/14 budget	0.600m (estimated)
Projected overspend – 2012/13	1.117m (latest position)

A3.4 The Council also has its General Fund balance which is £4.0m and represents 3.2% of the Council's net budget which I consider to be a prudent level. It should be noted that the General Fund reserve should only be called upon in emergencies.

#### **A.4 Dedicated Schools Grant (DSG)**

A.4.1 The final confirmed Dedicated Schools Grant in 2012/13 is £84.3m and is used to fund all Schools Related Expenditure. The DSG is currently reporting an overspend of £0.055m. The DSG is a ring fenced grant and can only be used to fund schools related activities.

#### **A.5 Debtors Monitoring**

A5.1 This section of the report provides Members with an update for the first quarter 2012/13 in respect of council tax and business rate collection.

##### Council Tax

A5.2 The targets for the collection of Council Tax in 2012/13 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 £59.7m after the granting of statutory exemptions and reductions and Council Tax Benefit in the period April 2012 to March 2013. To date the Council has collected £16.1m which is about 26.9% of the Council Tax due in year. The collection level is in line with last year's performance

A5.4 The total arrears outstanding at 31 March 2012 were £3.9m and this has been reduced by £654k which is about 16.5% of the total arrears due.

A5.5 There are no Council Tax write-offs over £5,000 to report.

#### Non-Domestic Rates

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

(i) collect 96.5% of the business rates due within the 12 months of the financial year (i.e. April to March); and

(iii) collect 50% of the arrears brought forward from previous years.

A5.7 The Council is due to collect £37.3m after the granting of mandatory relief in the period April 2012 to March 2013. To date the Council has collected £11.9m which is about 32.1% of the business rates due in year. The collection rate is slightly up compared to this point last year.

A5.8 The total arrears outstanding were £1.490m and this has been reduced by £0.305m which is about 20.4% of the total arrears due.

A5.9 The write-offs in respect of debts over £5,000 are listed in Appendix 5

#### **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 4 is a list of those companies which summarises their projected outturn position.

## Torbay and Southern Devon Health and Care NHS Trust - Financial Position

	Year to Date - June 2012			Forecast End Year Outturn		
	Budget	Actual	Variance (Under)/ Over	Budget	F'cast	Variance (Under)/ Over
	£'000	£'000	£'000	£'000	£'000	£'000
Total Contract Income	26,891	26,973	82	107,564	108,127	563
Community Based Teams/ Clinical Services	14,461	14,416	(45)	57,842	57,922	80
Commissioned Social Care ( Net of Client Charges)	8,183	8,264	81	31,941	32,504	563
Support Services (Management / Capital/Infrastructure/Unalloc'd CIP	4,222	4,269	46	17,681	17,601	(81)
<b>TOTAL TRUST SERVICES</b>	<b>26,866</b>	<b>26,948</b>	<b>82</b>	<b>107,464</b>	<b>108,027</b>	<b>563</b>
(Surplus)/Deficit	(25)	(25)	0	(100)	(100)	(0)

	Year to Date - June 2012			Forecast End Year Outturn		
	Budget	Actual	Variance (Under)/ Over	Budget	F'cast	Variance (Under)/ Over
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Contract Income</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Social Care - Torbay Council	10,302	10,384	82	41,207	41,770	563
NHS Torbay Care Trust	8,025	8,025	0	32,100	32,100	0
NHS Devon	8,564	8,564	0	34,257	34,257	0
<b>Total Contract Income</b>	<b>26,891</b>	<b>26,973</b>	<b>82</b>	<b>107,564</b>	<b>108,127</b>	<b>563</b>
	<b>YTD Var.</b>					
Torquay South Zone	640	619	(21)	2,560	2,539	(21)
Torquay North Zone	427	428	1	1,709	1,707	(2)
Brixham Zone	415	409	(6)	1,658	1,637	(21)
Paignton North Zone	262	251	(11)	1,046	1,033	(13)
Paignton South Zone	583	583	0	2,331	2,339	8
Torquay Baywide Services	702	698	(4)	2,806	2,811	5
Baywide Enabling Services Team ( BEST)	159	157	(2)	634	637	3
Other Adult Social care & Other Social care	313	335	22	1,251	1,260	9
Professional Practice & Public Health	2,377	2,376	(1)	9,508	9,506	(2)
Medical Directorate	259	251	(8)	1,035	1,034	(1)
South - Dartmouth & Totnes	290	290	0	1,158	1,160	2
South - Ivybridge & Kingsbridge	531	539	8	2,125	2,153	28
South - Tavistock	341	336	(5)	1,364	1,368	4
South - Coastal	234	219	(15)	935	920	(15)
South - Moorland	134	134	0	536	536	0
South - Newton Abbot	299	317	18	1,197	1,214	17
South - Other Clinical Services	750	715	(35)	2,999	2,965	(34)
Community Hospitals	5,748	5,759	12	22,990	23,103	113
<b>Community Based Teams/ Clinical Services</b>	<b>14,461</b>	<b>14,416</b>	<b>(45)</b>	<b>57,842</b>	<b>57,922</b>	<b>80</b>
Social Care	7,344	7,426	82	28,585	29,148	563
LD (In-House)	672	672	0	2,688	2,688	0
Other Baywide Social Care	167	166	(1)	668	668	0
Ind Sector (Health Commissioned)	0	0	0	0	0	0
<b>Social Care ( Net of Client Charges)</b>	<b>8,183</b>	<b>8,264</b>	<b>81</b>	<b>31,941</b>	<b>32,504</b>	<b>563</b>
Support Services (Management / Capital/Infrastructure/Unalloc'd CIP	4,222	4,269	46	17,681	17,601	(81)
	4,222	4,269	46	17,681	17,601	(81)
<b>TOTAL PROVIDER SERVICES</b>	<b>26,866</b>	<b>26,948</b>	<b>82</b>	<b>107,464</b>	<b>108,027</b>	<b>563</b>
(Surplus)/Deficit	(25)	(25)	0	(100)	(100)	(0)

Appendix 3

Budget Monitoring of Council Subsidiaries & Associates

<b>Budget Monitoring of Council Subsidiaries &amp; Associates</b> <b>2012/13 - Quarter One</b>	<b>Council Ownership</b>	<b>Gross Income to Date</b> £m	<b>Gross Spend to Date</b> £m	<b>Surplus or Deficit to date</b> £m	<b>Projected Outturn</b> £m
<b>Subsidiaries</b>					
Torbay Economic Development Company	100%	1.2	(0.8)	0.4	0
English Riviera Tourism Company	100%	0.6	(0.2)	0.4	0
<b>Associates</b>					
TOR2	19.99%	4.6	(4.5)	0.1	0.5
South West Careers	25%	2.9	(3.0)	(0.1)	0
PLUS	25%	6.8	(7.0)	(0.2)	0