

Meeting: Overview and Scrutiny Board
Council

Date: 6 September 2017
13 September 2017

Wards Affected: All Wards

Report Title: Revenue Budget Monitoring 2017/18 – Quarter 1

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 income and expenditure for the financial year 2017/18.
- 1.2. Actual income and expenditure is monitored by the finance team and budget holders throughout the year, results are extrapolated to provide a projected outturn position for each service. The projected outturn is compared to the revenue budget for each service and the variance from budget is reported to members quarterly in this Revenue Budget Monitoring report.
- 1.3. As at the end of quarter one 2017/18 the Council's revenue budget is predicting an overspend of £1.4m primarily as a result of expenditure pressures in children's social care. This level of overspend is a cause for concern and could impact on the 2018/19 budget. In the absence of any compensating savings in other services the Council will need to identify options to fund the overspend or this will be an unplanned pressure on the Council's reserves.

2. Recommendation (s) / Proposed Decision

- 2.1 That the Board considers the current position and make any comments and/or recommendations to the Council.

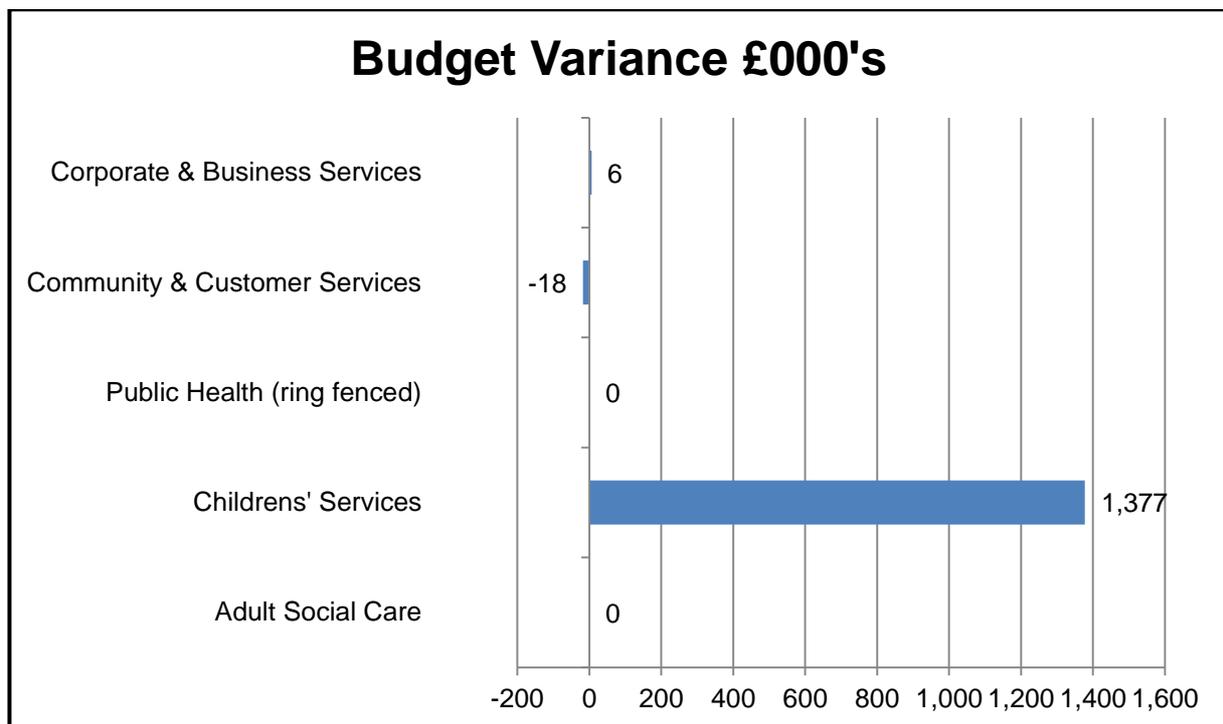
3. Reason for Recommendation/ Proposed Decision

- 3.1 Report for review and information.

4. Position

4.1 Summary Position

A bar chart summarizing the projected budget variance by service for 2017/18 is as follows:



Children's Services

- 4.2 As at Quarter 1 the Council's revenue budget is predicting an overspend of £1.4m, primarily as a result of issues in Children's Services.
- 4.3 The Children's Services Medium Term Financial Strategy (MTFS) focuses on bringing the two main areas of expenditure – placements and staffing, in line with comparators over time. A reduction has been delivered in the staffing budget and spend on placements is currently projected to be lower compared last year. The direction of travel on these two key areas of spend of travel for both is downwards but not yet as deeply and quickly as envisaged by MTFS, resulting in a projected overspend of £1.4m. The improvements in these two key areas has been offset, in part, by some education related pressures and an increase in the level of "activity" associated with looked after children which could lead to a higher level of cost. In particular there is a continued financial pressure arising from court directed parent and child placements. Additional senior management oversight of placement decisions and a request for transformation funding to accelerate permanence work has been submitted to address matters. In addition the recruitment strategy has been revised and there are nine full time appointments due to start in September.

Adults Services

- 4.4 The Council and the other two partners have agreed a revised risk share which caps council risk but CCG need to get approval from NHSE as their regulator. On the assumption that the formal agreement is completed then the budget variance for the Council's contribution will be nil for 2017/18.

- 4.5 For 2017/18, (2018/19 and 2019/20), the Council is to fund a (fixed) amount of £3.1m each year that is in addition to the previously agreed annual fixed amount contained in the previous RSA with no exposure to any further ICO budget variances. This fixed payment is to be funded from the allocation in the 2017/18 budget for the Council's exposure to its 9% risk share plus an allocation of £0.9m from the £3.8m Improved Better Care Fund (IBCF) allocation to the Council in 2017/18.
- 4.6 The IBCF is to be invested in line with national guidance. The remaining balance of the £3.8m of the IBCF in 2017/18 is to be allocated as £0.9m for care home fees, £1.0m for targeted investment in adult social care improvements and £1.0m held in reserve for the ICO to be invested in line with the guidance.
- 4.7 The Council's appeal on Care Home fees was heard in June 2017. The Council is waiting for the decision which will not be known until the autumn.

Investment Property

- 4.8 In July 2017 the Council purchased a further investment property, The Ferndown Centre, Ferndown, Dorset.
- 4.9 Relating to the investment in the Ferndown Centre, Council approved the following at Council on 31 March 2017 (exempt minutes).
- 4.10 That the Assistant Director Corporate and Business Services and Head of Finance be authorised, to approve the terms in which the net surpluses are utilised in order to ensure maximum benefit for the Council. That for 2017/18 financial year the surpluses be allocated to support spending pressures within social care and to support regeneration within Torbay.
- 4.11 Given the Council's financial position for 2017/18 the Assistant Director Corporate and Business Services and Head of Finance have determined that any surplus in the 2017/18 financial year, above the approved net budget for the investment properties, will be allocated to social care. The value of this sum is expected to be £58,000.
- 4.12 Since the end of the first quarter the Council has purchased another investment property, Gadeon House in Exeter. The estimated gain to the Council in the year is around £0.4m which will be used to offset the current overspend.
- 4.13 As the Council purchases these properties the relevant budgets in both treasury management and investment properties will be updated to reflect the current borrowing and net income position.

Borrowing – Revenue

- 4.14 During the first quarter of 2017/18 the Council borrowed £15m, primarily to fund investment property acquisitions. Subsequently the Council has borrowed a further £19m as at 2nd August 2017.
- 4.15 The interest cost and voluntary repayment of principal will increase revenue expenditure, which will be more than offset by increased rental income from the investment property.

4.16 Detailed Position

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

Service	2017/18 Budget			Forecast Full Year Variance	Direction of Travel
	Expenditure £000s	Income £000's	Net £000's	£000's	
Adult Social Care	48,456	(7,365)	41,091	0	
Children's Services	77,720	(49,027)	28,693	1,377	R
Public Health	11,115	(1,479)	9,636	0	
Joint Commissioning	137,291	(57,871)	79,420	1,377	R
Community Services	30,668	(6,856)	23,812	25	R
Customer Services	73,719	(70,225)	3,494	(43)	G
AD Community & Customer Services	104,387	(77,081)	27,306	(18)	G
Commercial Services	6,293	(1,781)	4,512	0	
Finance	17,900	(17,825)	75	0	
Business Services	8,435	(13,012)	(4,577)	64	R
Regeneration & assets	6,518	(3,179)	3,339	(58)	G
AD Corporate & Business Services	39,146	(35,797)	3,349	6	R
Gross Revenue Budget	280,824	(170,749)	110,075	1,365	R
Sources of Funding	-	(110,075)	(110,075)	0	
Net Revenue Budget	280,824	(280,824)	0	1,365	R

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

Service	Variance to Budget £m	Main Variances in 2017/18
Adult Social Care	0	As paragraph 4.4 above.
Children's Services	1.4	As paragraph 4.3 above
Public Health	0	Ring fenced budget
Community and Customer Services	0	Community Services: Projected overspends on events, sports leases and Torre Abbey offset by assumed savings from the new contract with Parkwood Leisure for Torbay Leisure Centre and the Velopark.
Corporate and Business Services	0	Projected overspend on Spatial Planning, offset by additional confirmed investment properties to date. The quarter two monitoring report will include any impact from the summer period on seasonal income such as car parking.
Sources of Funding	0	
Total	1.4	Projected overspend

4.17 2017/18 Savings

4.18 The 2017/18 budget relies on the achievement of approved budget reductions. The Council's Senior Leadership Team has been monitoring the achievement of these savings as part of the current year budget monitoring.

4.19 Risks & Sensitivity

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

4.21 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.

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

Risk	Impact	Mitigation
Achievement of approved savings for 2017/18	High	17/18 Budget monitoring and "saving tracker" monitored by senior staff.
Potential impact and costs of judicial review for care home fees	High	Balance of CSR reserve and 2017/18 social care contingency to fund if required.
Risk that current ASC/ICO proposals are not formally agreed.	Low	The 3 bodies of CCG ICO and Council have agreed revised risk share which caps council risk but CCG need be get approval from NHSE as their regulator.
Achievement of Childrens' Services cost reduction plan	High	Regular monitoring of performance and recovery plan.
Identification, and achievement, of £17.4m of savings for 2018/19 to 2020/21 per Medium Term Resource Plan April 2017	High	Transformation Team set up to coordinate the implementation of potential transformation savings. Mayors 2018/19 budget proposals due to be released in October 2017
Additional demand for services particularly in childrens' social care	High	17/18 Budget monitoring, use of service performance data and recovery plan.

4.23 2018/19 Budget Process

4.24 The Mayor is expecting to present his budget proposals for 2018/19 in October 2017 for consultation. The 2018/19 budget will be presented to Council for approval in February 2018.

4.25 The Council's Medium Term Resource Plan is available on the Council's website:

<http://www.torbay.gov.uk/media/7320/mtrp15.pdf>

4.26 Balance Sheet issues

4.27 During the first quarter of 2017/18 the Council has taken out borrowing of £15m, primarily to fund investment property acquisitions. Subsequently the Council has borrowed a further £19m resulting in, as at 2nd August 2017, total external borrowing of £187m.

4.28 Council in February 2017 approved an operational boundary of £191m being £171m for external borrowing and £20m for other liabilities. This is the limit beyond which external borrowing is not normally expected to exceed during the year but this is a working limit which can be varied depending on schemes and approvals. This limit has now been exceeded as a direct result of additional capital schemes approved by the Council since February including investment fund purchases.

4.29 In the 'Capital Plan Update – 2017/18 Quarter 1' report Officers are recommending that changes to the operational borrowing boundary and authorised borrowing limit are increased as follows:-

- 2017/18 operational borrowing boundary increased to £310m, being £290m for external borrowing and £20m other liabilities, from £191m.
- 2017/18 authorised limit is increased to £330m, being £310m for external borrowing and £20m other liabilities, from £255m.

4.30 The Council has interests in a number of companies. The financial performance for 2016/17 of these companies is included in the Council's statement of accounts (link below).

<http://www.torbay.gov.uk/council/finance/statement-of-accounts/>

4.31 The total value of debtor write offs in the first quarter of 2017/18 was:

Service	Number of records written off	Value of write offs £000's	Number over £5,000
Council Tax	951	103	0
NNDR	25	100	4
Housing Benefit	253	64	0

4.32 Any write offs in the quarter over £5,000 are reported to Members in exempt Appendix One.