

Meeting: Council

Date: 1 February 2018

Wards Affected: All Wards

Report Title: Budget Monitoring 2017/2018 – Quarter Three

Is the decision a key decision? No

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

Executive Lead Contact Details: Elected Mayor Oliver, mayor@torbay.gov.uk

Supporting Officer Contact Details: Martin Phillips, Head of Finance,
Martin.phillips@torbay.gov.uk, 01803 207285

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 2017/18.
- 1.2. As at the end of quarter three 2017/18 the Council's **Revenue** budget is predicting an over spend of £2.5m primarily as a result of expenditure pressures in children's social care. This level of overspend is a cause for concern and has been reflected in the Elected Mayor's budget proposals for 2018/19 which were published in October 2017 and has been considered for the Elected Mayor's final Budget Proposals to Council in February 2018. In the absence of any compensating savings in other services the Council will need to identify options to fund the over spend. The 2018/19 Review of Reserves report addresses this issue.
- 1.3. The **Capital** Plan budget totals £329million for the 4 year programme, with £135 million currently scheduled to be spent in 2017/18, including £99 million on Investment Fund acquisitions. The Capital Plan requires £0.9 million from (new) capital receipts and capital contributions over the life of the Plan
- 1.4. Appendix 2 is an expanded narrative of the **capital schemes** expected to incur expenditure in 2017/18 with a specific update for each project. This aims to provide members with greater oversight of the progress on capital projects rather than a focus exclusively on financial issues.

2. Recommendation (s) / Proposed Decision

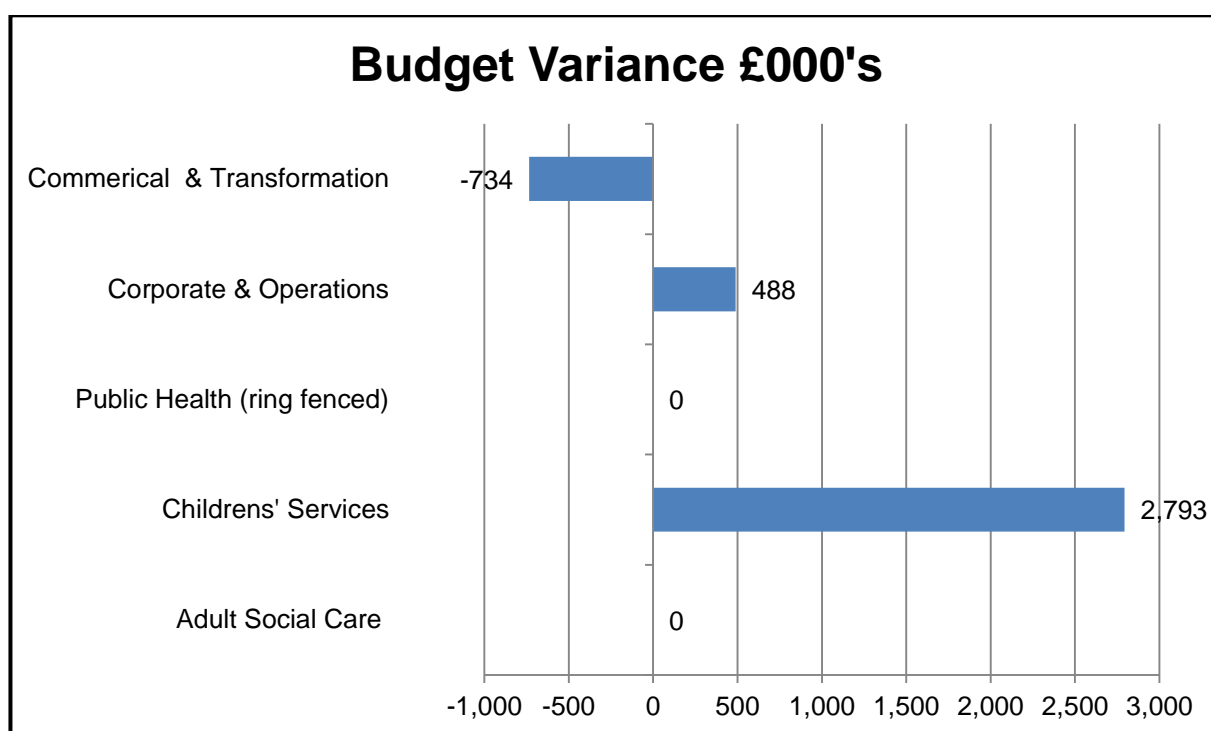
- 2.1. That the forecast 2017/2018 revenue budget position be noted.
- 2.2. That the latest position for the Council's Capital expenditure and funding for 2017/2018 be noted.

3. Reason for Recommendation/ Proposed Decision

3.1 Report for review and information.

4. 2017/18 Revenue Budget Summary Position

4.1 As at Quarter 3 the Council's revenue budget is predicting an over spend of £2.5m, primarily as a result of issues in Children's Services, offset in part by under spends or additional income on other services. A bar chart summarising the projected budget variance by service for 2017/18 is as follows:



The budgets are presented in line with the new Council management structure that was applicable from November 2017. There is likely to be further “housekeeping” revisions to the structure as it develops.

Children's Services

4.2 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. Our spending on placements is projected to be above last year's outturn. Overall our Children Looked After population is broadly static which is in contrast to the national position which is showing year on year growth. Although placement numbers remain broadly constant over the past year the average cost per new placement is often higher, from both complexity of placement and higher cost per placement due to scarcity in the national supply of placements. The staffing outturn for the current year is still projected to be broadly in line with last year's outturn and

has been affected by investment to stabilise the Social Care workforce and ensure that children were not subject to repeated change in their allocated Social Worker.

- 4.3 As previously reported the schools' higher needs block in the Dedicated Schools Grant has been under financial pressure as a result of an increasing level of referrals from schools for higher needs support for children resulting in an over spend in 2017/18 of £1.2m. 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 the Council will fund. The Council will continue to work directly with schools to jointly work on a solution to this issue.

Investment Property

- 4.4 In the third quarter 2017/18 the Council purchased another investment property for £31m at a yield of 5.5%.

4.5 Detailed Position

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

Service	2017/18 Budget			Forecast Full Year Variance
	Expenditure £000s	Income £000's	Net £000's	£000's
Adult Social Care	49,539	(10,479)	39,060	0
Children's Services	77,467	(48,741)	28,726	2,793
Public Health	11,115	(1,479)	9,636	0
Joint Commissioning	138,121	(60,699)	77,422	2,793
Business Services	23,450	(17,964)	5,486	168
Community Services	10,736	(1,433)	9,303	110
Corporate Services	5,769	(1,548)	4,221	290
Customer Services	73,716	(70,225)	3,491	150
Investment Properties	3,517	(4,281)	(764)	(230)
Corporate Services and Operations	117,188	(95,451)	21,737	488

Business Development	11,073	(2,414)	8,659	(90)
Financial Services	18,934	(16,971)	1,963	(644)
Transformation	727	(421)	306	0
Commercial Services and Transformation	30,734	(19,806)	10,928	(734)
Gross Revenue Budget	286,043	(175,956)	110,087	2,547
Sources of Funding	-	(110,087)	(110,087)	(11)
Net Revenue Budget	286,043	(286,043)	0	2,536

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	Fixed payment agreed with ICO for 2017/18
Children's Services	2.8	As paragraph 4.2 above
Public Health	0	Ring fenced budget
Commercial Services and Transformation	(0.8)	Expected savings in pension payments (both discretionary and deficit related) based on expenditure profile to date, the release of a number of contingency budgets and lower than expected waste tonnages.
Corporate and Operations	0.5	<p>Projected over spend on coroner, legal services, elections and spatial planning, offset by additional confirmed investment properties to date. Income shortfall in printing offset in part by salary savings in exchequer and benefits.</p> <p>Income budgets not being achieved. Projected over spends on events, CCTV, and Torre Abbey. Offset by salary, housing options and temporary accommodation savings. Also included are savings from the new contract with Parkwood Leisure for Torbay Leisure Centre and the Velopark.</p>
Sources of Funding	0	
Total	2.5	Projected over spend

4.6 Risks & Sensitivity

- 4.7 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.
- 4.8 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.
- 4.9 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	Medium	17/18 Budget monitoring and "saving tracker" monitored by senior staff.
Potential impact and costs of judicial review for care home fees	Low	Judgement in Council's favour – October 2017
Risk that current ASC/ICO proposals are not formally agreed.	Low	The 3 bodies of CCG, ICO and Council have signed a revised risk share which caps council risk
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. Elected Mayors 2018/19 budget proposals 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.
Investment Property Income changes	Low	Regular review of income and tenant negotiation

5. **2018/19 Budget Process**

- 5.1 The Elected Mayor presented his budget proposals for 2018/19 as planned on the 23rd October 2017 for consultation. The 2018/19 budget will be presented to Council for approval in February 2018.
- 5.2 The Elected Mayor's 2018/19 budget proposals are available on the Council's website:

<http://www.torbay.gov.uk/council/finance/budget/budget-201819/>

6. Balance Sheet issues

Borrowing

- 6.1 Since end of September 2017 the Council has borrowed a further £50m, primarily to fund investment property acquisitions. Total borrowing as at 31st December 2017 was £273m.

Council Subsidiary Companies

- 6.2 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/>

- 6.3 The Council has now set up Torbay Housing Company Ltd for the aim of buying domestic dwellings for rent in line with the Council's housing strategy.
- 6.4 The TDA has also set up two new trading companies for their commercial activities. These are currently not trading.
- 6.5 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.

Debtor – Write offs

- 6.6 The total value of debtor write offs in the third quarter of 2017/18 was:

Service	Number of records written off	Value of write offs £000's	Number over £5,000
Council Tax	697	257	0
NNDR	30	126	6
Housing Benefit	162	51	0

7. Capital Plan Summary Position

- 7.1 The Capital Plan Budget has been updated for any further revision to both projects and timing, resulting in the latest revision attached at Appendix 1. The Plan now totals £328 million over the 4 year period of which £135 million relates to 2017/18 and £138 million relates to 2018/19.
- 7.2 The movements in the estimate of expenditure in 2017/18 on the Capital Plan between the last monitoring report at September 2017 of £104.0m and the current budget for 2017/18 of £134.8 m are shown below.

Scheme	Changes £m	New Schemes £m	Reason
Budget changes since last report (Q2 2017/18 - £104.0m)			Capital Plan Update – 2017/18 Quarter 2 (Report 7 Dec 2017)
Protecting Children:			
Early Years – Ellacombe Nursery	(0.2)	0	Delayed start so part budget moved to 2018/19
New Paignton Primary School	(0.5)	0	Site acquisition delayed by funder's requirements.
Relocate Torbay School	(0.6)	0	Delay in decision on relocation options.
More Prosperous Torbay			
Investment Fund	31.5	0	Further site approved and purchased
Oxen Cove Landing Jetty	(1.9)	2.0	New landing facility Rephased to reflect likely spend
Oxen Cove Shellfish Facility- design work	(0.3)	0.4	Preparatory design work pending grant application. Reprofiled budget to 18/19
Town Centre Regeneration Programme	(24.0)	25.0	Council Oct 17 approval. Rephased budget to future years.
Transport Integrated Transport Schemes	1.4 (1.8) (0.3)	0	Budget from future years Part budget used to fund Western Corridor work. Rephased to 2018/19
Transport – Western Corridor	(0.7)	0	Latest estimate of work
Attractive and Safe place			
Public Toilets Modernisation Programme	(0.9)	1.0	Agreed by Council as part of new contract proposal Costs likely to spread over 3 years
Corporate Support			
Corporate IT Developments	0.2	0	Part budget brought forward from future years
Office Rationalisation – Electric House	(0.2)	0.7	Refurbishment works Part budget transferred to next year
Estimate – Quarter Three 2017/18, total £134.8m	1.7	29.1	

8 Updates to Capital Plan:

8.1 Protecting Children

8.2 There are a number of projects in Childrens' services where some expenditure has been re profiled to move funding between years to reflect latest expenditure projections:

- Early years – Ellacombe - £0.25m budget has been moved to 2018/19 as a result of a delayed start on site
- New Paignton Primary school - £0.48m budget rephased to next year as site acquisition is delayed by funder's requirements.
- Relocate Torbay School - £0.6m budget moved to 2018/19 awaiting decisions on relocation options.

8.3 More Prosperous Torbay

8.4 Claylands redevelopment – approval to utilise a further £0.4m prudential borrowing (to a total of £7.9m) on this project was agreed at Council in October and the budget has been revised in the Capital Plan to reflect this change.

8.5 Investment Fund – the 2017/18 budget has been increased by a further £31.5m to reflect the acquisition of a site approved by Investment Committee, to be funded by prudential borrowing. The balance of the approved £200m budget is now held in 2018/19 for further purchases.

8.6 Oxen Cove Landing Jetty – Council approved this scheme to provide additional landing facilities primarily for local shellfish at Oxen Cove. The estimated project cost is £1.9m funded from external grant and prudential borrowing. Whilst some budget has been left in the current financial year it is anticipated that most expenditure will be incurred next year.

8.7 Oxen Cove Shellfish Facility – approval was given by Council on 7 December 2017 to commission preparatory design work for this scheme at a cost of £0.4m. This should enhance a funding bid to provide resources along with some prudential borrowing for additional shellfish processing facilities, subject to a further report to Council.

8.8 Town Centre Regeneration Programme – as agreed by Council 19 October 2017 a total £25m prudential borrowing budget has been added to the Capital Plan spread over current and future years. Individual projects within this overall programme to be agreed by specified officers and members before draw down of prudential borrowing is approved.

8.9 Transport - Integrated Transport Programme. In accordance with previous Council decisions regarding the use of the Integrated Transport Block budget, £1.8m of the funding has been transferred to support the ongoing improvements along the Western

Corridor. In addition £0.3m of the budget has been moved to next year reflecting likely expenditure levels of individual schemes, primarily Fleet Walk improvements.

- 8.10 Transport – Western Corridor. – This scheme is mainly funded from Local Enterprise Partnership (LEP) grant and in view of the increased costs of these road improvements a further £1.8m has been added to the budget to support this project. These resources are transferred from the Integrated Transport block. The LEP have also agreed to transfer £0.95m of its grant funding from the Torquay Gateway project to the Western Corridor scheme, and the budgets have been revised in the Council's Capital Plan accordingly. There has also been some adjustment of the budgets between years following a review of likely expenditure patterns, for both the Western Corridor and Torquay Gateway projects.

8.11 Attractive and Safe Place

- 8.12 Public Toilets Modernisation Programme – as part of the agreement with the new service provider, a programme of works to update the public toilets in the Bay will be undertaken over the next two or three years. The improvements are estimated to cost a total of £1.032m and will be funded by prudential borrowing, as agreed at Council on 7 December 2017.
- 8.13 Torquay Town Dock pontoon replacements – The agreed scheme is now expected to cost slightly more than initially estimated and an additional £0.04m will be funded from the Harbours Reserve.

8.14 Supporting Vulnerable Adults

- 8.15 Adult Social Care – an increased Government Disabled Facilities Grants allocation of £0.122m has been awarded

8.16 Corporate Support

- 8.17 Corporate IT Developments – The 4 year budget has been reprofiled to support the urgent need to replace outdated ICT Infrastructure equipment; upgrade Microsoft Software; and also to support some additional costs associated with the ORP office move project and Agile/flexible working. A further estimate of £1m will be required to fund potential further improvements to ICT infrastructure items for 2019/20, 2020/21.

9 Receipts & Funding

- 9.1 The funding identified for the latest Capital Plan budget is shown in Appendix 2. This is based on the latest prediction of capital resources available to fund the budgeted expenditure over the next 4 years.

10. Grants

- 10.1 Since the last Capital update (Quarter 2 2017/18) reported to Council in December 2017, the Council has been notified of the following capital grant allocation:

- Dept. for Communities and Local Government – Disabled Facilities Grants additional 2017/18 allocation £0.122m.

The DCLG (now MHCLG) recently announced this additional allocation but there are strict requirements attached to this grant including that it is used by 31 March 2018. It can be used on DFGs or other social care capital projects.

11. Capital Receipts

- 11.1 The approved Plan relies on the use of £3.4m capital receipts. The Council already holds a capital receipts reserve of £2.1 m at 31 March 2017 and a further £0.4m was received by the end of December 2017, leaving a target of £0.9m still to be achieved.

12. Capital Contributions – S106 & Community Infrastructure Levy

- 12.1 Income from Section106 capital contributions so far in 2017/18 amount to £0.3 million.

Appendices:

Appendix 1 Capital Plan expenditure and funding summary – Quarter Three 2017/18

Appendix 2 Capital Plan 2017/18 – Performance Summary