

Meeting: Overview and Scrutiny Board

Date: 13 June 2018

Wards Affected: All Wards

Report Title: Budget Monitoring 2017/18 – Quarter Four (subject to Audit)

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 2017/18. The outturn is subject to external audit.
- 1.2. As at the end of quarter four (year-end) 2017/18 the Council's **Revenue** budget is an over spend of £1.7m primarily as a result of expenditure pressures in children's social care. As approved in the 2018/19 Review of Reserves report (Council February 2018) this will be funded from the CSR Reserve.
- 1.3. The **Capital** Plan Budget totals £328 million over the 4 year period of which £135 million relates to 2017/18 and £138 million relates to 2018/19. Of the £135m capital expenditure of £121m was incurred in 2017/18, of which £99m related to the purchase of Investment Properties.
- 1.4. 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 2017/18 to 2018/19.

2. Recommendation (s) / Proposed Decision

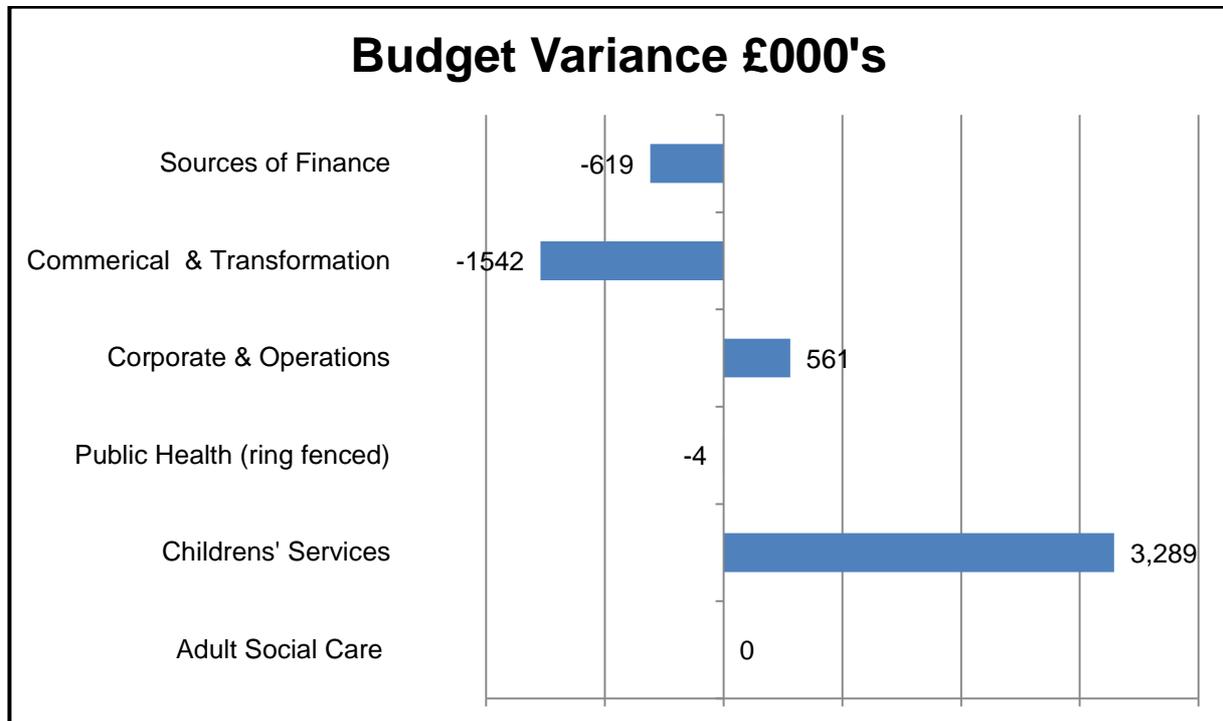
- 2.1. That the Council notes the outturn position for 2017/2018 as set out in the submitted report.

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 4 the Council's revenue budget is an over spend of £1.7m, primarily a result of service demand in Children's Services, offset in part by under spends or additional income on other services and additional grant in relation to NNDR. A bar chart summarising the budget variance by service for 2017/18 is as follows:



The budgets are presented in line with the Council management structure that was applicable from November 2017.

Investment Property

- 4.2 In the fourth quarter 2017/18 the Council committed to purchase two further properties with a total purchase cost of £18m at gross yields of 5.75% and 5.78%.

Sources of Finance

- 4.3 In April 2018 the Council was notified of £0.5m of additional "section 31" grant from MHCLG primarily in respect of changes in thresholds to small buses rates relief. This is funding that is in excess of the amount of grant estimated for the year.

Statement of Accounts 2017/18

- 4.4 The Council's statutory accounts for 2017/18 were "authorised for issue" on the 31st May in line with legislation. The Accounts are available on the Council's website and are currently being audited by the Council's external auditor, Grant Thornton.

4.5 Detailed Position

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

Service	2017/18 Budget			Full Year Variance
	Expenditure £000s	Income £000's	Net £000's	
Adult Social Care	49,554	(10,757)	38,797	0
Children's Services	77,506	(48,856)	28,650	3,289
Public Health	11,115	(1,479)	9,636	(4)
Joint Commissioning	138,175	(61,092)	77,083	3,285
Business Services	30,138	(17,696)	12,442	295
Community Safety	3,905	(1,439)	2,466	17
Corporate Services	5,764	(1,549)	4,215	360
Customer Services	73,716	(70,225)	3,491	1
Investment Properties	3,985	(4,862)	(877)	(112)
Corporate Services and Operations	117,508	(95,771)	21,737	561
Business Development	11,073	(2,414)	8,659	(549)
Financial Services	18,936	(16,634)	2,302	(957)
Transformation	727	(421)	306	(36)
Commercial Services and Transformation	30,736	(19,469)	11,267	(1,542)
Gross Revenue Budget	286,419	(176,332)	110,087	2,304
Sources of Funding	-	(110,087)	(110,087)	(619)
Net Revenue Budget	286,419	(286,419)	0	1,685

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	3.3	<p>As previously reported continued financial pressures in relation to looked after children numbers which increased in the last quarter of the year.</p> <p>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 £1.0m. 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.</p>
Public Health	0	Ring fenced budget
Commercial Services and Transformation	(1.5)	Savings in pension payments (both discretionary and deficit related) based on actual expenditure and pension costs invoiced by Devon County Council, the release of a number of contingency budgets and both lower than expected waste tonnages and payment to provider for concessionary fares based on actual numbers provided by suppliers at year end.
Corporate and Operations	0.5	<p>Over spend in a number of services: Including on coroner, legal services, elections, spatial planning, printing services, CCTV, Torre Abbey and events.</p> <p>Offset by additional confirmed investment properties to date, salary savings and part year savings from the new contract with Parkwood Leisure for Torbay Leisure Centre and the Velopark.</p>
Sources of Funding	(0.6)	Additional s31 grant and NNDR Top Up Grant in relation to Business Rates
Total	1.7	Projected over spend to be funded from CSR reserve

5. Balance Sheet issues

Borrowing

- 5.1 Since end of December 2017 to end of the financial year, the Council has not borrowed any further funds. Total borrowing as at 31st March remained at £273m.

Council Subsidiary Companies

- 5.2 The Council has interests in a number of companies. The financial performance for 2017/18 of these companies is included in the Council's unaudited statement of accounts (link below).

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

6. Capital Plan Summary Position

- 6.1 The Capital Plan Budget total £328 million over the 4 year period of which £135 million relates to 2017/18 and £138 million relates to 2018/19. Of the £135m capital expenditure of £121m was incurred in 2017/18 of which £99m related to the purchase of Investment Properties.

- 6.2 Appendix One shows the expenditure on each scheme in 2017/18 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.

7.1 Protecting Children

- 7.2 Spend of £1.8m in 2017/18 including ongoing repairs and maintenance for schools, enhancements at both Ellacombe and White Rock early years provision plus an enhancement at Torquay Academy.

7.3 More Prosperous Torbay

- 7.4 Spend of £16.5m in 2017/18 including £6.4m of transport improvements including £3.5m on the Western Corridor scheme, £0.7m of cliff reinforcement works at Hollicombe, £4m loan to South Devon College and £5m on employment space at White Rock. Work has started on a number of schemes includes Oxen Cove jetty and the EPIC development.

7.5 Attractive and Safe Place

- 7.6 Spend of £1.7m including Princess Gardens Fountain, Torquay Town Dock pontoons, Hollicombe Cliff rock armor and the first tranche of the loan to Parkwood Leisure for improvements to Clennon Valley.

7.7 Supporting Vulnerable Adults

- 7.8 Spend of £1.0m on Disabled facility Grants and £0.5m of capital funding provided to the ICO as part of the risk share agreement for adult social care.

7.9 Corporate Support

- 7.10 Spend of £1.1m including £0.4m IT purchases and £0.4m on office accommodation improvements to Electric House (£0.4m)

7.11 Investment Properties

- 7.12 Spend of £99.5m in the year. The expenditure reflects the purchase of investment properties at Ferndown, Oxford, Medway and Exeter and a loan to a care home provider.

8 Receipts & Funding

- 8.1 The funding identified for the latest Capital Plan budget is shown in Appendix 1. This is based on the latest prediction of capital resources available to fund the budgeted expenditure over the next 4 years. The main source of funding in 2017/18 was £109m from prudential borrowing. Of this £99m related to the funding of the purchase of Investment Properties.

9. Grants

- 9.1 Since the last Capital update (Quarter 3 2017/18) reported to Council in February 2018, the Council has been notified of the following capital grant allocation:
- 1) £0.160m additional “pot hole” funding for 20147/18. This will be allocated to the transport capital budget.
 - 2) £3.976m from the MHCLG Land Release Fund. This is to enable by 2020 or earlier the “release of land for housing” on three sites fully owned by Torbay: £0.900m for Victoria Square, £1.100m Preston Down Road and £1.976m Collaton St Mary.

10. Capital Receipts

- 10.1 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 £0.7m was received by the end of March 2018, of which £0.2m was “right to buy” receipts to be reserved for housing, leaving a target of £0.8m still to be achieved.

11. Capital Contributions – S106 & Community Infrastructure Levy

- 11.1 Income from capital contributions in 2017/18 amount to £0.4 million.

Appendices:

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