

TORBAY COUNCIL

Report No: F/17/04

Title: **Budget Monitoring - Revenue Budget 2003-2004**

To: **Executive**

on: **16 February 2004**

1. Introduction

- 1.1 The purpose of this report is to provide Members of the Executive with a summary of the projections of income and expenditure for the year compared with the approved budgets for Torbay Council for 2003/04.
- 1.2 This revenue monitoring statement shows the actual expenditure by directorates as at the end of December 2003 and the latest projected outturn position for 2003/04.

2. Relationship to Corporate Policies

- 2.1 The Revenue Budget is used to deliver all the Council's policies and objectives and therefore covers all themes.

3. Recommendation

- 3.1 Executive note the projected outturn position and make any recommendations to ensure the Council stays within its 2003/04 budget.

4. Reason for Recommendation

- 4.1 To indicate the budgetary position for a range of services and to enable appropriate action to be taken to ensure the Council contains expenditure within its overall budget.

5. Background

- 5.1 On 4 March 2003, the Council approved the net revenue budget of £135m. This covers all revenue expenditure for the financial year e.g. expenditure on schools, social services, highways, environmental health, parks and tourism.
- 5.2 This is the third revenue budget monitoring report which has been presented to Executive for the financial year 2003/04. This is a continuation of the approach adopted in previous years of reporting publicly the projected financial position for the Council. In addition to budget monitoring reports presented to Executive, the Overview and Scrutiny Board has been receiving regular revenue budget monitoring reports. The Executive last considered a budget monitoring report at its meeting on the 11 November 2003

- 5.3 The Council has implemented the structure arising out of the 3rd and 4th tier review. As stated in the last revenue monitoring report, there have been some changes to where services are placed within the new directorates e.g. the Leisure function has been transferred from Environment to Learning and Cultural Services. These changes have not been reflected in this report. As discussed in the previous report, the Financial Services division will be realigning these budgets as part of the budget process for 2004/05.

6. Performance

- 6.1 The latest monitoring statement shows the actual expenditure as at end of December 2003, and the projected outturn position based upon the latest information available. This represents the first nine months of the 2003/04 financial year. Table 1 below shows the summary position:-

Table 1

Theme	A Revised Budget	B Expenditure as at December 2003	C Projected Out-turn	D Variation at Out-turn
	£'000	£'000	£'000	£'000
Learning and Cultural Services	59,350	42,012	59,350	0
Environment	15,180	10,383	15,165	(15)
Other Services	27,861	9,478	27,848	(13)
Social Services	32,609	24,475	33,646	1,037
Totals	135,000	86,348	136,009	1,009

- 6.2 The above table indicates that, at the present time, there is a projected Council net overspend at the end of the year of £1.009m (Column D), which has fallen by £163,000 from £1.172m in the last monitoring report. This projected overspend represents 0.7% of the net revenue budget. For comparative purposes, the budget monitoring report which was presented to Cabinet in February 2003, was projecting an overspend of £227,000.
- 6.3 Individual detailed departmental monitoring statements will be issued to the respective Executive Members and they will be able to discuss specific issues with the appropriate officers.
- 6.4 In the section below, a summary position for each directorate is outlined and areas have been highlighted where there are significant variations either occurring or projected.

(a) **Learning and Cultural Services**

The Learning and Cultural Services directorate is projecting to spend at the level its budget was set at the beginning of the financial year i.e. £59.350 million. This compares to a £5,000 projected overspend in the last monitoring report. Some of the main variances are listed below:

1. Home to School Transport and Home to College Transport – there is a projected overspend of £61,000, which reflects the impact of the Council’s policy and the number of pupils using this service. The Education directorate are currently reviewing the policy for Home to School/College Transport.
2. The budget for interim tuition (for permanently excluded pupils) is expected to overspend by £34,000. This is due to an increase in the number of pupils receiving this service.
3. Projected additional maternity costs for teachers of £63,000 over the current budget.
4. As previously reported, underspends have been identified in a number of budgets including the Schools Advisory Service, Education Welfare, Student Services the Pupil Referral Unit and within the Educational Psychologists service and Library service due to staff vacancies.

(b) Environment

The Environment department is projecting to underspend by £15,000. This compares to a projected underspend of £65,000 at the last monitoring report.

The majority of services are expected to match the budget. However, there are some budget heads where variances have been identified, the most significant of which are as follows:

1. As previously reported, the costs of Corporate Security have increased during the year due to the need for increased security patrols in the Council’s car parks, open spaces and at Oldway Mansion. This has led to a projected overspend of £65,000, compared to £54,000 previously reported. This reflects the introduction of additional security at the Town Hall to counter threats against staff.
2. Expenditure on roads is projected to overspend by £61,000. The imminent collapse of a section of Ocombe Valley culvert running under the highway has necessitated repairs costing £50,000 and which could not be accommodated within the existing budget accounts for the majority of the projected overspend.
3. The beaches service is projecting a £27,000 overspend of which there is a projected reduction of £17,000 in beach income due to a reduced tendered rental and the loss of the “Simulator Ride” income and a £10,000 overspend due to emergency repairs at Goodrington Beach.
4. As previously reported, Cliff Railway is projecting an overspend of £9,000 due to operational problems and the use of buses to transport passengers, with the resultant loss in income.
5. Street Cleansing is projecting to overspend by £50,000 due to service pressures, which have arisen due to the reduction in this budget as part of the 2003/04 budget round.
6. Increased numbers of abandoned vehicles are leading to an overspend of £7,000.

The main projected underspends reported include:

7. A projected net increase in income above budget for off street parking amounting to £117,000 compared to £82,000 previously reported.
8. Improved prices received for recyclables at the material reclamation facility resulting in a projected increased income of £57,000 compared to £40,000 previously reported.
9. A budget saving of £34,000 is projected for disposal of waste due to the extension of the contract for Waste Disposal with South Hams District council. This has increased from £30,000 as previously reported.
10. Increased fee income within building control and development control amounting to £45,000, compared to £40,000 previously reported.
11. Additional income of £11,000 for parks and recreation due to an extension of the “Fair” staying at Torquay during the summer of 2003.
12. Increased licensing income amounting to £12,000.

(c) Other

Other Services includes the Managing Directors division, the Corporate Governance Directorate, Human Resources Directorate and the Finance Directorate.

Other Services are currently projecting an underspend of £13,000 compared to a projected overspend of £147,000 in the last report. The reason for the large change in the projected position is due to the notification by the Devon Fire Authority of the supplementary levy for 2003/04.

When the Devon Fire Authority set its budget for 2003/04 there was considerable uncertainty surrounding the Firefighter’s pay award and its impact upon the 2003/04 budget. On the 20 January 2004, the Fire Authority notified Torbay that the cost of the supplementary levy would be £94,000 which is required to meet the impact of the pay award in 2003/04. This means there is a £195,000 projected underspend for the Fire Levy.

A summary of the other main areas projecting an over or underspend are outlined below:

1. A budget overspend of £150,000 (£140,000 previously reported) due to the low level of interest rates is partly offset by a projected underspend of £70,000 (£60,000 previously reported) on the Council’s borrowing costs.
2. As previously reported, Land Charges income has fallen due to a levelling off in the housing market, resulting in a projected overspend of £150,000.
3. Housing Benefits are projecting an underspend of £100,000 for year-end, mainly due to the transfer of Supporting People to Social Services. As previously reported, the

Housing Benefit budget is a volatile budget and needs careful monitoring throughout the year.

4. A £15,000 overspend is projected for the Council's Transportation Strategy due to Consultancy costs for Tweenway Cross.

(d) Social Services (including Housing)

The Social Services directorate are projecting an overspend of £1.037m (which compares to £1.085m in the previous report) against a budget of £32.609m. This represents 3.0% of the net revenue budget for this directorate. The main reasons for the projected overspend are:

1. Childrens services are projecting an overspend of £852,000 compared to £628,000 previously reported. This represents 11% of the total budget for this service. Since August 2003 the overspend has been increasing by in excess of £100,000 per month. If this trend continues through to the end of the financial year, the overspend in Children's Services may exceed £1 million.
2. The three key reasons for the projected overspend, as previously reported, are:
 - due to the rise in the number of Children Looked After and the associated increase in costs including private fostering placements which are on average 6 to 7 times more expensive than standard fostering placement costs and boarding out costs. The Boarding out budget i.e. fostering of children is projecting to overspend by £561,000.
 - due to the difficulty in recruiting and retaining staff. This has resulted in the employment of Agency staff, which has a premium in terms of cost.
 - due to an overspend forecasted within the disabilities team due to expenditure on adaptations and short-term breaks for children in care homes. The disabilities team is projecting to overspend by £183,000 or 25% over the original budget.
3. Adult Services are projecting to underspend by £375,000 compared to a break-even position previously reported. As previously reported, costs associated with client numbers in Care Home placements in the Independent sector have shown a net reduction as have Domiciliary Care placements. In-House Home Care underspends and the use of Specific Grants also form part of the projected under spend.
4. The position with respect to the Residential Allowance Grant has been confirmed and it is expected that the grant awarded will be sufficient to cover all of the Council's costs. Although the Supporting People costs are projecting to be in excess of the grant allocation by up to £200,000, the deficit will be managed over a two-year grant period and rolled into the 2004/5 grant for appropriate management action.
5. The Learning disabled budget is projecting an overspend of £196,000 (an increase from £96,000 in the last report). The projected overspend for this budget has been increasing over the last six months. This is due to Care Home placements in the Independent sector increasing in price and budget pressures arising from recruitment difficulties.
6. The Mental Health budget is projecting an overspend of £188,000 which compares with a projected overspend of £325,000 in the last report. The Devon Partnership

NHS Trust (DPT) holds delegated management accountability for these budgets, which they manage on behalf of Torbay Social Services. The overspend relates to the level of Care Home based placements and a shortfall with respect to client income. The client income shortfall has resulted due to a delay in the flow of information provided by the DPT, which has resulted in delays in financial assessments of clients. This problem has been raised with the Trust and is being addressed with budget holders via an agreed action plan. As a result of this action plan the position has been improving over the last few months with a fall in the projected overspend by £82,000 in the last month.

7. A representative from the DPT was asked to attend Overview and Scrutiny Board on the 22 December 2003 to discuss the management of this service. Unfortunately the representative was unable to attend. The Overview and Scrutiny Board have asked for a written response from the DPT outlining their management of the service and budget.
8. The budget for Directorate support costs is showing a projected underspend of £74,000 compared to £53,000 which was previously reported. The main reason for the projected underspend is the later start date for the implementation of a new Social Services IT system.
9. The Housing Service overspend is continuing to rise and is projected to be £350,000 at the end of the financial year due to the increased caseload for homelessness. As at the end of December 2003 there were 91 families in bed and breakfast accommodation.

7. Summary

- 7.1 The Council has had to face a number of budget pressures during 2003/04. Whilst the projected overspend has stabilised over the last few months and there has been improvements in some areas, the Council faces a challenging period over the last few months of the financial year.
- 7.2 The key budget pressures outlined in the report cover a number of different areas. The Social Services directorate has seen increasing budget pressures within Childrens Services, which is currently projecting an overspend of £852,000. In addition, Housing Services is projecting a significant budgetary problem resulting from increased numbers of homelessness in Torbay which has increased to £350,000. When all other variations throughout the Council are taken into account, the Council is projecting an end of year overspend of £1.009m which represents 0.75% of the Council's overall budget for 2003/04. At this stage of the year, there is limited time available for the Council to take management action to address this problem and the projected overspend continues to be of concern with the potential consequences for next years budget and future years.
- 7.3 As previously reported a rate refund of £800,000 for Clennon Valley Leisure Centre has not been included within the projected outturn figures. These monies were intended to be used for "Invest To Save" schemes to assist Torbay in meeting the many challenges identified by the CPA process. In addition, the Council has been made aware of further successful rating appeals in respect of car parks. These two areas will go some way to meet the projected overspend during the current financial year.

- 7.4 One consequence of an overspend during 2003/04 is there may be a call upon the Council's balances, which currently stand at £2.350 million. This represents 1.7% of the Council's net budget and is below the average level for unitary authorities. Any further reduction in balances would, in my opinion, fall below a prudent minimum level for Torbay. In addition, any expenditure that is financed from the Council's General Fund Balance will clearly have an impact on the Council's Medium Term Financial Planning for 2004/05 and future years.
- 7.5 Executive received a report at its meeting on 9 December 2003, which reviewed the level of reserves for the Council. At this meeting it was agreed to release £250,000 from a contingent liability reserve which is no longer required. The Executive recommended that a contribution be made to general fund balances of £150,000 and £100,000 is earmarked for next years budget. This has resulted in an increase in the level of the General Fund Balances from the £2.2 million previously reported to Executive.
- 7.6 The first aim of the Council must be to ensure that the Council delivers a balanced budget at the end of the year and ideally every directorate should aim to deliver the budget to the levels originally set or subsequently approved. This has to be set against the difficult budget pressures faced within the Social Services directorate. However, Directors and Executive Members will be working closely to ensure that where possible the projected overspend is minimised and all costs are monitored closely over the last few months of the financial year.

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IMPLICATIONS, CONSULTATION AND OTHER INFORMATION

Part 1

These sections may be completed by the Report author but must be agreed by named officers in the Legal, Finance, Human Resources and Property Divisions. If these are not completed and agreed, the Report will not be included on the agenda.

Does the proposal have implications for the following issues?

Insert name of
responsible officer

Legal (including Human Rights)	None.	Bill Norman
Financial – Revenue	Contained within the report	Paul Looby
Financial - Capital	None.	Paul Looby
Human resources (including equal opportunities)	None.	Geoff Williams
Property	None.	Sam Partridge

Part 2

These sections must be completed by the author of the Report.

Does the proposal have implications for the following issues?

Please give details as appropriate

Sustainability	No	
Crime and Disorder	No	
*OfSTED Post Inspection Action Plan	No	
*Social Services Action Plan	No	
*Change Management Plan	No	

* not applicable to reports to Licensing, Development Control and Area Development Committees

Part 3

These sections must be completed by the author of the Report.

Does the proposal have implications for the following Directorates? If so, please inform the relevant Director.

Please give details as appropriate

Chief Executive/Corporate Services	Yes or No	Continued monitoring of budgets required
Learning and Cultural	Yes or No	Continued monitoring of budgets required
Environment Services	Yes or No	Continued monitoring of budgets required
Social Services	Yes or No	Continued monitoring of budgets required

Part 4

Is the proposal contrary to or does it propose amendment to the Policy Framework or contrary to (or not wholly in accordance with) the Council's budget?	Yes Fill in Box 1	No Fill in Box 2
1. Details of the nature and extent of consultation with stakeholders and relevant select committees.		
2. Details and outcome of consultation, as appropriate.		

Part 5

Is the proposal a Key Decision in relation to an Executive function?	Reference Number	No
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Part 6

Wards

All Wards.

Appendices

None.

Background Papers:

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

Torbay Council's Financial System Records - General Ledger

Budget Digest 2003/04