

TORBAY COUNCIL

Report No: **F/33/04**

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

To: **Executive**

on: **27 April 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 as at the end of February 2004 and the projected outturn position is based upon the latest information available.

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 fourth 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 10 February 2004.
- 5.3 As stated in the previous report to Executive, with the implementation of the new structure for the Council, arising out of the review of the 3rd and 4th tier review, changes have taken place as to where some 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. 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 the end of February and the projected revenue outturn position based upon the latest information available at the time of writing this report. Table 1 below provides a summary of the projected outturn position.

Table 1

Theme	A Revised Budget	B Expenditure at February 2004	C Projected Out-turn	D Variation at Out-turn
	£'000	£'000	£'000	£'000
Learning and Cultural Services	59,350	53,102	59,276	(74)
Environment	15,180	12,253	15,164	(16)
Other Services	27,861	13,916	27,823	(38)
Social Services	32,609	30,109	33,938	1,329
Totals	135,000	109,380	136,201	1,201

- 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 £1.201m (Column D), which has risen from £1,109m or £92,000 since the last monitoring report received by the Executive. This overspend represents 0.89% of the net revenue budget.
- 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 an underspend of £74,000 at year-end. This compares to a balanced budget position in the last monitoring report to the Executive. Some of the main variances are listed below:

1. Home to School Transport and Home to College Transport – there is a projected overspend of £50,000, which reflects the impact of the Council's policy and the number of pupils using this service. Officers are reviewing practices to identify any possible efficiency savings. On 30th March 2004, Executive received a report that outlined the current transport policy and seeking a decision over whether officers should undertake a review of this policy. Executive recommended that the Director

of Learning and Culture report back to Executive on ways in which expenditure on home to school transport might be reduced whilst maintaining a feasible transport network.

2. The budget for interim tuition (for permanently excluded pupils) is expected to overspend by £16,000. This is due to an increase in the number of pupils receiving this service.
3. Projected additional maternity costs for teachers of £32,000 over the current budget.
4. The volatile budgets for placement of statemented children placed in the independent sector, placements of children in other local authorities and specialist advice are projecting an underspend of £150,000 which is partly offset by a projected overspend for statemented pupils within Torbay of £33,000.
5. Underspends have been identified in a number of budgets including the Schools Standards Division, Student Services, the Pupil Referral Unit and within the Educational Psychologists service due to staff vacancies.

(b) Environment

The Environment department is projecting to underspend by £16,000. This compares to a projected underspend of £15,000 at the last monitoring report to Executive. 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, Oldway and the town hall. This has led to a projected overspend of £65,000.
2. Expenditure on roads is projected to overspend by £131,000. The imminent collapse of a section of Occombe Valley culvert running under the highway has necessitated repairs costing in excess of £50,000, which could not be accommodated within the existing budget. The remaining overspend is due to the costs associated with winter maintenance.
3. Refuse collection is projected to overspend by £25,000 due to increased costs associated with clinical waste and the purchase of new refuse bags which are resistant to seagulls.
4. 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.
5. Increased costs for removing abandoned vehicles are projected to overspend by £7,000.
6. A £33,000 projected overspend has been reported within the crematoria service due to increased gas prices, however this has been partly offset by an increase in fee income of £20,000.
7. The beaches service is projecting a £32,000 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 £15,000 overspend due to emergency repairs at Goodrington Beach.

8. 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.

The main projected underspends reported include:

9. A projected increase in income above budget for off street parking amounting to £155,000.
10. Improved prices received for recyclables at the material reclamation facility resulting in a projected increased income of £75,000.
11. 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.
12. A budget saving of £40,000 is reported for waste transfer and haulage, due to delays in replacement and repair to refuse compactors pending a review of the service.
13. Increased fee income within building control and development control amounting to £24,000.
14. Additional income of £10,000 for parks and recreation due to an extension of the “Fair” staying at Torquay during the summer.
15. Increased licensing income amounting to £29,000.

(c) Other

Other Services includes the Managing Directors division, the Corporate Governance Directorate, Torbay Development Agency and services contained within the Human Resources and Finance Directorates.

Other Services are currently projecting an underspend of £38,000 compared to an underspend of £13,000 previously reported to the Executive.

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

1. A budget overspend of £400,000 as a result of the fall in interest rates during 2003/04 is partly offset by a projected underspend of £300,000 on the Council’s borrowing costs.
2. As previously reported 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 was less than Torbay had budgeted for and means there is a £195,000 projected underspend for the Fire Levy.
3. As previously reported, Land Charges income has fallen during the financial year due to a levelling off in the housing market, resulting in a projected overspend of £125,000.

4. 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.
5. The Coroners Service is projecting to overspend by £30,000 due to the set up costs for the new coroner and the costs for one inquest of a complex nature.
6. A overspend for Members Allowances of £30,000 is partly offset by an underspend of £23,000 within the registrars service due to increased income.
7. 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 £1.329m (which compares to £1.037m in the previous report) against a budget of £32.609m. This represents 4.0% of the net revenue budget for this directorate. The main reasons for the projected overspend are:

1. Childrens services are projecting an overspend of £1.068m compared to £8525,000 previously reported to this committee.
2. There are three key reasons for the projected overspend:
 - even though the number of Children Looked After has fallen, this has been offset by increasing costs including private fostering placements, which are on average 6 to 7 times more expensive than standard fostering placement costs and boarding out costs.
 - 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.
3. Adult Services are projecting an underspend of £321,000 compared to a £375,000 previously reported. Client numbers in Care Home placements in the Independent sector have fallen during the year which has accounted for the underspend, as has the underspend for In House Home Care. Officers have now identified that specific grants received to offset the abolition of Residential Allowance are sufficient.

The government has announced Torbay's allocation for Supporting People, 6 months into the financial year. Costs are projected to be in excess of the grant allocation by approximately £220,000 and the deficit will be managed over a two-year grant period and rolled into the 2004/5 grant for appropriate management action.

4. The Learning disabilities budget is projecting an overspend of £179,000 compared to £196,000. The projected overspend is due to Care Home Placement prices increasing and rising salary costs due to recruitment difficulties and the appointment of agency staff.
5. The Mental Health budget is projecting an overspend of £112,000 which compares with a projected overspend of £188,000 in the last report to Executive. 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 contributions for these placements based upon current commitments. 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 projected overspend has fallen in the last 4 months.

6. The budget for Directorate support costs is showing a projected underspend of £80,000 compared to £74,000 which was previously reported. Overall, the budgets are under-spent due to a later start date for the implementation of a new Social Services IT system.
7. The Housing Service is projecting an overspend of £500,000 due to the increased caseload for homelessness.

7. Summary

- 7.1 The Council has had to face a number of budget pressures during 2003/04. The projected overspend has stabilised over the last few months and there has been improvements in some areas. However, the Social Services directorate has seen increasing budget pressures within Childrens Services, which is currently projecting an overspend of £1.068m. In addition, Housing Services is reporting a significant budgetary problem, resulting from increased numbers of homelessness in Torbay, which has increased to £500,000.
- 7.2 When all other variations throughout the Council are taken into account, the Council is projecting an end of year overspend of £1.201m which represents 0.89% of the Council's overall budget for 2003/04. There is limited time available for the Council to take management action to address these overspends and management action now needs to be taken to assess the consequences of the current budget pressures on the Council's 2004/05 budget.
- 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. In addition, the Council has 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 1.74% of the Council's net budget for 2003/04 and is below the average level for unitary authorities. If the level of balances remains unchanged during 2004/05, this will fall to 1.68%. 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 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. Directors and Members will have to

consider the implications of the final outturn position upon the 2004/05 budget and the Council's Medium Term Financial Plan when it is reported to Members later in the year.

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Director of Finance

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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		
Managing Director/Finance /Human Resources/Law and Support/Corporate Governance	Yes	Continued monitoring of budgets required
Learning and Cultural	Yes	Continued monitoring of budgets required
Environment Services	Yes	Continued monitoring of budgets required
Social Services	Yes	Continued monitoring of budgets required
Torbay Development Agency	Yes	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.

Documents available in Members' Room

Background Papers:

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

Torbay Council's Financial System Records - General Ledger

Budget Digest 2003/04