

TORBAY COUNCIL

Report No: **F/45/04**

Title: **Budget Monitoring - Revenue Budget 2004-2005**

To: **Executive** on **13 July 2004**

1. Purpose

- 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 2004/05.
- 1.2 This revenue monitoring statement shows the actual expenditure and projected outturn position based upon the latest information available.

2. Relationship to Corporate Priorities

- 2.1 The Revenue Budget affects all the priorities of the Council.

3. Recommendation

- 3.1 That the projected out-turn position be noted.
- 3.2 That the Executive makes recommendations to ensure the Council stays within its 2004/05 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 2004, the Council approved the net revenue budget of £139.429m. This covers all revenue expenditure for the financial year e.g. expenditure on schools, social services, housing, cultural services, highways, environmental health, parks and tourism.
- 5.2 This is the first revenue budget monitoring report presented to Executive for the financial year 2004/05. This is a continuation of the approach adopted in previous years of reporting publicly the projected financial position for the Council. In addition to this report to the Executive, the Overview and Scrutiny Board will also consider this revenue budget monitoring report on 14 July and both committees will receive monitoring reports during 2004/05 on the following dates:
 - Executive – 9 November 2004 and 8 February 2005;
 - Overview and Scrutiny Board – 10 November 2004 and 16 February 2005.

- 5.3 At the time of writing this report, Torbay had not heard whether it has been successful in its appeal against the government's proposal to "cap" the authority. If Torbay is capped, the Council's net revenue budget will be reduced to £138.8m, a reduction of over £600,000. As part of the Council's forward planning, options are being considered as to how the reduction to the Council's budget will be managed and implemented. Members will be informed at the earliest opportunity when the result of the appeal is known and the consequences of any adverse decision.

6. **Performance**

- 6.1 As we are only three months into the new financial year, the first monitoring statement is based upon the latest information available. Table 1 below provides a summary of the projected outturn position for each directorate.

Table 1

Directorate	A Budget	B Expenditure at June 2004	C Projected Out-turn	D Variation at Out-turn
	£'000	£'000	£'000	£'000
Learning and Cultural Services	65,110	6,105	65,110	0
Environment	16,055	1,089	16,075	20
Torbay Regeneration Agency	1,280	212	1,280	0
Other Services *	19,064	2,821	18,808	(256)
Social Services & Housing	37,920	4,413	39,336	1,416
Totals	139,429	14,640	140,609	1,180

* Note: Other Services includes the Managing Directors, Corporate Governance, Finance and Human Resources Directorates.

- 6.2 The above table indicates that, at the present time, there is a projected Council net overspend at the end of the year before any management action is implemented of £1.180m (Column D). This overspend represents 0.85% 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.

Learning and Cultural Services

- 6.4.1 The Learning and Cultural Services Directorate is projecting to spend to budget and no variances are projected at this stage of the year.

Environment

- 6.4.2 The Environment Directorate is projecting an overspend by £20,000 in 2004/05 if no further action is taken.
- 6.4.3 Executive, at its meeting on the 8 June 2004 reviewed the provision of public toilets. At this meeting it was recommended to keep open, on a temporary basis, the Harbour toilets in Brixham, Paignton and Torquay and the toilets at Babbacombe Downs were reopened. This has led to a projected overspend of £50,000 in the year. The Executive will continue discussions with all appropriate parties concerning the long-term provision of toilet facilities in Torbay, which may have further financial implications.
- 6.4.4 Section 38 rechargeable works are projecting to underspend by £30,000. This is income received by the Council for supervision of highways works by developers.

Management Action

- 6.4.5 The Director of Environment will look to manage the projected overspend and identify savings in other services during the year to offset the projected overspend. A number of small changes are being proposed to pull back this overspend.

Torbay Development Agency (TDA) and Other Services

- 6.4.6 TDA and Other services provided by the Managing Directors, the Corporate Governance and the Human Resources Directorates are projecting to spend to budget at this stage of the financial year.
- 6.4.7 The Finance Directorate is projecting to underspend by £256,000. As stated within the Council's Treasury Management Strategy, the Director of Finance is continually reviewing the Council's borrowing strategy. As part of this ongoing review, and on advice from Sector the Council's Treasury Advisors, £6.8m of long-term debt was restructured. This restructuring has generated one – off cash savings as indicated above.

Social Services (including Housing)

- 6.4.8 The Social Services Directorate experienced budget pressures throughout 2003/04. At this early stage of the financial year a projected overspend of £1.416m is being reported, however, action has been taken to reduce this projection – see section 6.4.13.
- 6.4.9 Childrens services are projecting an overspend of £491,000 which continues the trend of increased costs within these services over the last 2 years. The main reason for the projected overspend is due to the additional cases of out of area placements for looked after children

since the commitments were budgeted for as part of the 2004/05 budget round. The key areas are independent foster care placements and independent residential placements.

- 6.4.10 Within the Learning Disabled budgets there is an increase in the cost and volume of Independent Sector placements and increasing complexity of cases leading to higher costs. This has resulted in a projected overspend of £175,000.
- 6.4.11 Adult Services are projecting an overspend of £50,000 due to an increase in the number of clients within residential homes.
- 6.4.12 When the government announced Torbay's grant allocation for Supporting People in 2003/04, the costs of services being provided were projected to be in excess of the grant allocation by approximately £200,000. This was reported to Executive and it was agreed that this deficit would be managed over a two-year grant period and rolled into the 2004/05 grant. The government is expecting all local authorities to make efficiency savings within the Supporting People Programme and has cut the grant available in 2004/05. In addition to the £200,000 budget pressure identified in 2003/04 a further £500,000 has been identified in 2004/05, totalling £700,000

Management Action

- 6.4.13 The Director of Social Services has taken the following actions to address the overspend within her directorate which are summarised below. At this stage it cannot be fully determined as to whether the following actions will meet the additional costs currently identified, as future demand cannot be easily predicted. However, the measures are designed to bring the spending within the Social Services within the approved budget. The impact of these proposals will be monitored and contained within future reports.

Children's Services

- All Independent Sector Placements (ISPs) have been reviewed, with ongoing reviews by the Assistant Director for Children's Services on a monthly basis. Any cases for which safe alternatives can be found will be placed in cheaper options locally. However, it should be noted that the Courts may rule against changes to placements in some cases. The reviews have reduced the original projection from £700,000 to £491,000.
- Workforce planning in conjunction with Human Resources Directorate has been undertaken to improve recruitment and retention of staff, to reduce advertising and agency costs.
- The introduction of an IT system for the commissioning of transport services so that existing costs and provision can be systematically monitored. The current system is paper-based and inefficient and costs cannot be tracked.

Learning Disabilities

- An Adult Placement Scheme has been introduced jointly with Devon, Plymouth and Cornwall, which will make savings of £25,000 in the current year. Further savings may be made in 2005/6 as the scheme develops. This has had the effect of reducing the projection for Learning Disabilities from £200k to £175k.

- Work is being undertaken to reduce the incidence of sickness absence and the use of Agency staff in Baytree House and Ocombe House to make savings on staffing budgets.

Adult Services

- Adult Services are also involved in the workforce-planning project referred to above to reduce sickness and absence of our staff within the council's In-House residential units along with the Learning Disabilities Service.
- The Director of Social Services is working to move from a price per case contracting to "block contracts" for some independent sector domiciliary care. Any cost savings that materialise from this review will be reported to Members as soon as they become available.

Supporting People

- A systematic review of contracts for Supporting People is critical to ensure best value is being achieved with our current providers. Resources have been diverted within the directorate fund two additional posts to conduct these reviews during the year.

7. Summary

- 7.1 The Local Government Employers has recently announced a three-year pay deal for all local government employees. 2.75% has been offered in the first year (2004/05), rising to 2.95% in years 2 and 3. If the unions accept the offer, the three-year deal will assist in the council's medium term financial planning, as there will be greater certainty if projecting future budget pressures. However, Torbay budgeted for a 2.5% pay award in 2004/05. The additional 0.25% equates to approximately £100,000 across all services. Each directorate has been asked to manage this budget pressure within their existing resources.
- 7.2 The budget pressures identified within the Social Services Directorate continue the trend of budget pressures from 2003/04. A £1.4m projected overspend at this stage of the financial year is a concern. At the time of writing this report, the Council was still awaiting notification as to whether the government will "designate" Torbay Council and set a maximum budget for 2004/05 i.e. "cap" Torbay. This would result in Torbay having to reduce its budget by £614,000 which would result in budget pressures amounting to £1.8m in the current year.
- 7.3 In addition to the early projected overspends identified, there are a number of other volatile budgets which the Council will be monitoring closely over the coming months, including homelessness, housing benefits, car park income and home to school transport.
- 7.4 At this early stage of the financial year, there is sufficient time for management action to be taken to address a number of these budget pressures. A cross-directorate officer group has been set up to consider budget pressures facing the Council in the current and next financial years. It is expected that this group will report on a number of actions and savings at the next meeting of the Executive. The Director of Social Services has already taken action to reduce the budget pressures identified within Children's and Adults services and further action will be required to reduce the overspend.
- 7.5 A consequence of an overspend at the end of the financial year is there may be a call upon the Council's balances. As stated in previous budget monitoring reports a 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.

- 7.6 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. 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, Law & Support, Finance, HR and Corporate Governance	Yes	Continued monitoring of budgets required
Learning and Culture	Yes	Continued monitoring of budgets required
Environment Services	Yes	Continued monitoring of budgets required
Social Services	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	No	X	Fill in Box 1	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?		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 2004/05