

TORBAY COUNCIL

Report No: **F/66/04**

Title: **Budget Monitoring – Revenue Budget 2004/05**

To: Executive on 9th November 2004
Overview and Scrutiny Board on 10th November 2004

1. Purpose

- 1.1 The purpose of this report is to provide Members 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 is core to the delivery of all the Council's priorities.

3. Recommendation

- 3.1 That the projected out-turn position be noted and that Members make any recommendations they consider necessary to ensure the Council stays within its 2004/05 budget.

4. Reason for Recommendation(s)

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

5. Key Risks associated with the Recommendation(s)

- 5.1 It is important that the issues raised in this report are considered by Members and appropriate action is taken, where necessary, to ensure that the Council spends within the approved budget for 2004/05. Failure to consider the issues raised within this report and take appropriate action could result in the Council overspending its budget which will place pressure on the Medium Term Financial Plan.
- 5.2 The "x" in the matrix below denotes where the author has assessed the level of final risk to fall.

| | | | | | |
|------------|---|--------|----|----|-----|
| Likelihood | 6 | 6 | 12 | 18 | 24 |
| | 5 | 5 | 10 | 15 | 20 |
| | 4 | 4 | 8 | 12 | 16 |
| | 3 | 3 | 6 | 9 | X12 |
| | 2 | 2 | 4 | 6 | 8 |
| | 1 | 1 | 2 | 3 | 4 |
| | | 1 | 2 | 3 | 4 |
| | | Impact | | | |



**Low
risk**



**Intermediate
risk**



High risk

6. **Alternative Options.**

- 6.1 As this report is a monitoring report to Members there are no alternative options.

7. **Background**

- 7.1 On 4 March 2004, the Council approved the net revenue budget of £139.429m. As previously reported to Members in the last monitoring report, Torbay was waiting to find out whether the government would cap Torbay. On the 19 July 2004, the House of Commons agreed to cap Torbay and reduced the Council's budget requirement by £614,000. On the 4 August 2004, in order to conform with the Capping Order, the Council approved a revised budget of £138.815m for 2004/05.
- 7.2 At the meeting on 4 August 2004, Council agreed that services would not be reduced to meet the shortfall in the budget. It was agreed that subject to any in-year savings being identified, the shortfall in funding for the revised budget and the cost of rebilling all residents would be met from earmarked reserves.
- 7.3 The revised budget covers all revenue expenditure for the financial year e.g. expenditure on schools, social services, housing, cultural services, highways, environmental health, parks and tourism.
- 7.4 This is the second revenue budget monitoring report presented to Members 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.

8. **Performance**

- 8.1 Table 1 below provides a summary of the projected outturn position based on the directorate structure as at April 2004.

Table 1

| Directorate | A Budget | B Expenditure at September 2004 | C Projected Out-turn | D Variation at Out-turn |
|--------------------------------|----------------|--|----------------------------|-------------------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Learning and Cultural Services | 65,110 | 26,953 | 65,110 | 0 |
| Environment | 16,055 | 1,089 | 16,055 | 0 |
| Torbay Development Agency | 1,280 | 212 | 1,280 | 0 |
| Other Services * | 18,450 | 4,693 | 18,281 | (169) |
| Social Services & Housing | 37,920 | 19,018 | 37,920 | 0 |
| Supporting People | 0 | 0 | 767 | 767 |
| Totals | 138,815 | 51,965 | 139,413 | 598 |

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

- 8.2 The above table indicates that, at the present time, there is a projected Council net overspend at the end of the year of £0.598m (Column D). This overspend represents 0.38% of the net revenue budget. It should be noted that if the Supporting People budget is excluded, the projected outturn position would be reporting a £169,000 underspend.
- 8.3 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.
- 8.4 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

- 8.4.1 The Learning and Cultural Services Directorate is projecting to spend at the approved budget level at the end of the financial year. Within this though there are a number of projected overspends and underspends within Learning and Culture, with the main variances summarised below:

- The Education Development Plan and Schools Activities is projected to underspend by £30,000. However, revised monitoring procedures are currently bedding in which may result in the underspend reducing.
- The School Standards budget is expected to overspend by £72,000 due to the additional support services provided to schools i.e. interactive white boards consultant and the development of the 14 to 19 curriculum.
- Special Education Needs is projected to underspend by £19,000. This is a volatile budget with projected overspends of £264,000 identified for independent school fees and pupils with statements, due to increased numbers of pupils placed in the independent sector and an increase in the costs of pupils with statements. This is offset by underspends for specialist advice of £78,000 due to a vacancy and projected savings for recoupment of £196,000.

Management Action

The management team need to consider adjusting these budget to more accurately reflect need.

- The budget for Education Other than at School is projecting an overspend of £60,000 due to increased expenditure for Interim Tuition and the increased costs for placement of Key Stage 4 pupils at South Devon College.
- The Youth budget is projected to underspend by £30,000. There has been a significant reorganisation of the service and it is likely that this underspend will reduce during the course of the year.
- The School Contingencies budget is projected to overspend by £70,000 due to in year changes to the Schools funding formula which include commitments relating to adjustments such as new school buildings coming on stream.
- The Home to School and College Transport budget is projected to overspend by £33,000, of which £11,000 relates to School transport and £21,000 relates to College transport. This is a volatile budget and it has been through a thorough review and implementation of the new policy is to be effective from September 2005.
- The Museums Service is projecting an overspend of £10,000 due to an increased charge from Devon County Council for the Archives Service.
- The Leisure service is projecting an underspend of £51,000 due to reduced Business Rates which is offset by reduced income from deck chair hire.

Management Action

- The management team for Learning and Culture will continue to monitor the budget and ensure expenditure is kept within the overall budget allocation for 2004/05.

Environment

- 8.4.2 The Environment Directorate is projecting to spend to budget in 2004/05 which compares with a £20,000 overspend previously reported to Members. The main projected under and overspends are summarised below.

- As previously reported, at its meeting on the 8 June 2004 the Executive reviewed the provision of public toilets and agreed to keep open a number of toilets in the Bay. This has led to a projected overspend of £50,000 in the year.
- Section 38 rechargeable works are projecting to underspend by £40,000 (£30,000 previously reported). This is income received by the Council for supervision of highways works by developers.
- There is a projected reduction in pay and display car park income amounting to £69,000. This is net of a number of car park rate refunds amounting to £74,000
- A £13,500 overspend is projected for the Material Reclamation Facility due to the withdrawal of Teignbridge District Council from using this facility from October 2004.
- A £28,000 overspend is projected in waste collection and disposal due to the withdrawal of South Hams District Council from using the “bring” (recycling) banks.
- The Environmental Health division are projecting an underspend of £32,000 due to improved income.
- The directorate has identified savings of £70,000 through vacancy management over a number of divisions.

Management Action

- 8.4.3 The Director of Environment will continue to manage the budget and ensure that a balanced budget is declared at year end.

Torbay Development Agency (TDA) and Other Services

- 8.4.4 The projected outturn position for the Other Services and TDA is summarised below.

Assistant Chief Executive

- 8.4.5 The Chief Executive’s directorate is projecting an overspend of £75,000 due to lower than anticipated income from Land Charges. All other budgets are projected to spend to budget.

8.4.6 Finance Directorate

- 8.4.7 The Finance Directorate is projecting to underspend by £254,000. This is due to a one – off cash saving of £259,000 previously reported from the restructuring of £6.8m of long-term debt. Part of this saving, (£52,000) will be used to finance additional street cleansing. In addition, the Council is projecting lower interest costs on its borrowing, resulting in a £50,000 projected underspend.

- 8.4.8 A £100,000 saving is reported due to rate refunds in previous years for a number of car parks.

- 8.4.9 The one budget pressure identified within the directorate is the £100,000 additional costs for rebilling all residents, as a result of the government capping Torbay’s

budget for 2004/05. Originally it had been planned to fund this from the call on reserves but under the circumstances identified in paragraphs 8.4.7 and 8.4.8 above, it is now recommended that this be contained within the revenue budget.

Corporate Governance

- 8.4.10 The Corporate Governance directorate is similarly expecting to contain its spending within approved budgets. Projected underspends have been identified within Mayoralty and Members Allowances which are offset by a projected overspend for the Elections function.

Human Resources

- 8.4.11 Human Resources are projecting a small overspend of £10,000 due to the costs of Superannuation relating to employees who have retired.

Torbay Development Agency

- 8.4.12 TDA are projecting to spend within their 2004/05 budget.

Management Action

Whilst most of the overspends identified above are outside the control of the management teams, managers should be encouraged to identify ways in which these overspends can be contained within the overall approved departmental budgets.

Social Services and Housing

- 8.4.13 The Social Services budget can be broken down into 5 key areas in terms of budget monitoring. The Children's Service, Adults Service, Housing Service, directorate support and Supporting People. Due to the volatility of the budget for Social Services, there are a number of projected over and underspends. A summary of the financial position for each area is explained below. Paragraphs 8.4.22 to 8.4.23 identify the action taken to remedy the previously projected overspend and the impact this has had to date and the expected future impact.

Children's Service

- 8.4.14 Children's services are projecting an overspend of £378,000 a fall from £491,000 reported to Members at Committee in July. Whilst this fall is welcomed, there is a trend of increased costs within this service over the last year. The main reason for the projected overspend is due to the costs of placing children with foster parents in the independent sector and increased costs within the children's disabilities budget. In addition, the use of agency staff for essential posts has also increased the costs for the service.

Adults Service

8.4.15 Within the Learning Disabled budgets for Adults Services, there is an increase in the cost and volume for residential placements and day care provision and increasing complexity of cases leading to higher costs. This has resulted in a projected overspend of £501,000 which has risen from £175,000 in the last budget monitoring report to this Committee.

8.4.16 Older Persons services are projecting to underspend by £738,000. Based on commitments to date, the savings have been identified within In-House Domiciliary Care and Community Meals and Purchased Nursing Care.

8.4.17 The Mental Health Service is provided in partnership with the Devon Partnership Trust. This service is projecting an overspend of £64,000 which is an improvement on the previous forecast.

8.4.18 The net position for the Adults Service is an underspend of £0.173m.

Directorate Support Costs

8.4.19 A £213,000 underspend is projected for the Directorate due to the capitalisation of the costs for implementing the Paris system. These costs were budgeted from within the revenue budget but with the pressures identified within this service it was agreed by Council that these costs should be capitalised - Council report F/65/04 - 28 October 2004.

Housing

8.4.20 The Housing Service is projecting a small overspend of £8,000. Due to the volatility of the homelessness budget, this service area will be closely monitored.

Supporting People

8.4.21 As previously reported to Members, the cost of services being provided within the Supporting People Programme were projected to be in excess of the grant allocation by approximately £230,000. 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. It should be noted that 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 to reflect this expectation.

8.4.22 In addition to the £230,000 budget pressure identified in 2003/04, to date the Supporting People Grant is projected to overspend by £537,000 in 2004/05, totalling £767,000.

Management Action

8.4.23 The Social Services Directorate has made a number of changes to service provision to address the overspend within the directorate. Members from the Overview and Scrutiny Board were provided with an update of progress at a meeting on the 21 September 2004. There are a number of large variations within the overall Social Services budget but current projections are that expenditure will be contained within the overall budget. However, at this stage of the year the main concern is the Supporting People budget.

8.4.24 An update on the management action taken to date is summarised below

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 number of ISPs and consequently reduced the original projection from £700,000 to £378,000.
- 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.
- The introduction of a Contracts Manager for Children's Services to ensure all ISPs have Torbay contracts, which is more robust and ensures value for money for the Council.

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 £200,000 to £175,000.
- 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.
- There has been an increase in the take up of the Independence Living Fund to maximise benefits income for clients, however these gains have been overshadowed by increased volume of Residential Care and Cat Care commitments.

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 Assistant Director for Social Services in conjunction with her Finance manager has utilised specific grants to offset revenue pressures and there has been careful monitoring of Care Home Admissions by Social Services Care managers. These measure have helped to achieve savings within this service to balance the budget.
- The Assistant Director for Adults Services is working on a range of initiatives prompted by a review from an independent consultant. Any cost savings

that materialise from these reviews 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 the Council's current providers. A recovery plan is being developed to address the financial position and other issues related to the overall strategy for service improvements and financial management.
- Resources have been diverted from within the directorate to fund two additional posts to conduct reviews of current contracts during the year.
- The Council is working closely with its partners on the Commissioning Body to seek a framework for sustainable improvements to the Supporting People Programme. To date the savings expected have not yet materialised, but the additional actions outlined above are expected to result in reduced expenditure.
- It has previously been decided that Supporting People should endeavour to operate within the approved budgets over time. Recent information from Government has indicated that, as with 2003-04 overspends, any variations can be carried forward to the next financial year. It is anticipated that any overspend not cleared by the contractual reviews being undertaken by the end of the current financial year, will be carried forward and will form part of the target savings for the following year.

9 Storm Damage

- 9.1 At the time of writing this report the South West was suffering from severe storms and Torbay was not excluded from suffering damage. At this time a full assessment has not been completed of the damage but the costs of repair and making good the damage is likely to be a six figure sum. Initially the council will have to finance these repairs from its own resources but claims will be made on the Insurance companies where possible as well as making a bid to the ODPM for the Bellwin scheme to be implemented in respect of these costs.
- 9.2 The Bellwin scheme is used by the Government to meet the costs of unforeseen events for which the Council involved could have not reasonably insured for. If approved then the Council meets the first £0.275m (approximately) of any expenditure and 15% of the balance, with the Government funding the balance. Thus if the damage eligible for funding was £1m, the Council would have to fund £0.275m plus £0.112m with the Government providing £0.613m.
- 9.3 If the Government does not implement the Bellwin scheme then the Council will have to use its own resources and it is for this purpose that the Council holds a General Balance, which currently stands at £2.2m

10. Summary

- 10.1 As identified within the report there is a projected overspend of £598,000. It should be noted that if the projected overspend for Supporting People is excluded, the Council would be projecting an underspend of £169,000 for the year.
- 10.2 As indicated in paragraph 7.1, this is the first monitoring report since the government capped Torbay. To date the estimated costs of capping, (£100,000) have been contained within the overall Finance directorate's budget. As stated in the Council report to Members in August 2004, the budget shortfall will be funded from earmarked reserves to ensure front line services do not suffer.
- 10.3 The report has highlighted a number of budget pressures and underspends within each directorate. There are a number of volatile budgets which require close monitoring and include Adults and Children's services, homelessness, housing benefits, car park income and home to school transport. All Directors are working closely with their Executive Members to ensure a balanced budget is achieved at year-end and to mitigate against the reduction in the Council's budget as a result of capping.
- 10.4 As previously reported, the first aim of the Council must be to ensure that the Council delivers a balanced budget at the end of the year. Current projections indicate that this is achievable, however, further management is still required to address the budget pressures within the Supporting People Programme. Additional resources have been made available and a plan is in place to undertake reviews of existing contracts and identify savings accordingly.
- 10.5 Due to the volatile nature of a number of the budgets, the overall position will be closely monitored to ensure a balanced budget is declared, as happened in every financial year since the Council became a Unitary authority.

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Director of Finance

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IMPLICATIONS, CONSULTATION AND OTHER INFORMATION

Part 1

These sections may have been completed by the Report author but must have been agreed by the named officers in the Legal, Finance, Human Resources and Property Divisions.

| Does the proposal have implications for the following issues? If "Yes" - give details. <i>delete as appropriate</i> | | Name of responsible officer |
|--|-----------------------------------|-----------------------------|
| Legal | None | Bill Norman |
| Financial – Revenue | Covered in the body of the report | Paul Looby |
| Financial – Capital Plan | None. | Paul Looby |
| Human resources | None. | Geoff Williams |
| Property | None. | Sam Partridge |

Part 2

The author of the report must complete these sections.

| Could this proposal realistically be achieved in a manner that would more effectively: <i>delete as appropriate</i> | | |
|--|--|----|
| (i) | promote environmental sustainability? | No |
| (ii) | reduce crime and disorder? | No |
| (iii) | promote good community relations? | No |
| (iv) | promote equality of opportunity on grounds of race, gender, disability, age, sexual orientation, religion or belief? | No |
| (v) | reduce (or eliminate) unlawful discrimination (including indirect discrimination)? | No |

If the answer to any of the above questions is "Yes" the author must have addressed the relevant issue/s in the main report and have included a full justification and, where appropriate, an impact assessment.

Part 3

The author of the report must complete this section.

| | <i>delete as appropriate</i> | If "Yes", give details |
|---|------------------------------|---|
| Does the proposal have implications for any other Directorates? | Yes | Regular budget monitoring is essential for effective financial management of the service. |

Part 4

| | | |
|--|--|------------------------------|
| Is this proposal in accordance with (i.e. not contrary to) the Council's budget or its Policy Framework? | | <i>delete as appropriate</i> |
| | | Yes |
| 1. | If "No" - give details of the nature and extent of consultation with stakeholders and the relevant overview and scrutiny body. | |
| | | |
| 2. | If "Yes" - details and outcome of consultation, if appropriate. | |
| | | |

Part 5

| | | |
|--|------------------------------|----------------------------------|
| Is the proposal a Key Decision in relation to an Executive function? | <i>delete as appropriate</i> | If "Yes" - give Reference Number |
| | No | |

Part 6

Wards

All

Appendices

None.

Documents available in Members' Room

None.

Background Papers:

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

Torbay Council's Financial System Records - General Ledger

Budget Digest 2004/05