

TORBAY COUNCIL

Report No: 6/2005

Title: Budget Monitoring – Revenue Budget 2004/05

To: Overview and Scrutiny Board on 16 February 2005
Executive on 22 February 2005

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 based on the directorate structure as at April 2004.

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 Members note the projected outturn position and make any recommendations 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 is no alternative options.

7. Background

- 7.1 On 4 March 2004, the Council approved the net revenue budget of £139.429m. 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. This report takes into account the impact of addressing the reduction in the Council's budget requirement by £614,000.
- 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 third 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 year.

8. Performance

- 8.1 Table 1 below provides a summary of the projected outturn position based on the directorate structure as at April 2004. The financial position for the Supporting People programme and the impact of the damage caused as a result of the Storm in October 2004 are shown as separate items in table 1.

Table 1

Directorate	A Budget	B Expenditure at December 2004	C Projected Out-turn	D Variation at Out-turn
	£'000	£'000	£'000	£'000
Learning and Cultural Services	65,110	44,583	64,936	(174)
Environment	16,055	11,502	15,917	(138)
Torbay Regeneration Agency	1,280	312	1,225	(55)
Other Services *	18,450	3,553	17,633	(817)
Social Services & Housing	37,920	28,302	38,762	842
Supporting People	0	0	680	680
Storm Damage	0	0	465	465
Totals	138,815	88,252	139,618	803

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

- 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 £803,000 (Column D). This overspend represents 0.58% of the net revenue budget.
- 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 underspend by £174,000 at this stage in the year. This is broken down into a projected underspend for Learning of £74,000 and an underspend of £100,000 for Culture. Senior Management Team are managing the budget to enable them to deliver 1.5% savings in-year. There are a number of projected overspends and underspends within Learning and Culture, with the main variances summarised below:

- Office Services is projected to underspend by £23,000 mainly due to a vacancy within this division.
- Special Education Needs has increased its projected underspend to £95,000. This is a volatile budget with projected overspends of £146,000 identified for independent school fees and pupils with statements. This is 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 Special Educational Needs (SEN) staffing of £92,000 due to staffing vacancies and projected savings for recoupment of £147,000 relating to less expenditure on placing pupils with other Local Authorities.

Management Action – a detailed investigation into patterns of spend and to consider adjusting these budgets in 2005/06 to more accurately reflect need.

- The budget for Education Other than at School is projecting an overspend of £175,000. This is split between:
 1. increased expenditure for Interim Tuition of £125,000, due to increased costs associated with the statutory responsibility to provide a higher number of hours tuition. Also, the costs for placement of Key Stage 4 pupils at South Devon College are forecast to overspend by £17,000 and increased targeted support to schools is likely to result in an overspend of £19,000.
 2. the Pupil Referral Unit is forecast to overspend by £50,000. This reflects an historic underfunding of this resource. The need to address this will be recognised in the 2005/06 budget.
- The Youth budget was projected to underspend but a reorganisation of the service and revised spending profile is likely to result in a breakeven position.
- The School Contingencies budget is projecting an increased overspend of £83,000 due to in-year known changes to the Schools funding formula and commitments relating to adjustments such as new school buildings coming on stream. As pupils are the biggest driver to school funding, any net change in pupils numbers could have a significant impact on this projection. Revised pupil numbers will be known in February 2005.

- The Home to School and College Transport budget is now projecting an underspend of £20,000, of which £15,000 relates to School transport and £5,000 relates to College transport. The main reason for this underspend is a further fall in the number of season tickets being purchased by parents. This is a volatile budget that has been through a thorough review and implementation of the new policy is to be effective from September 2005. Further savings are projected as part of the 2005/06 budget round.
- The Leisure service is projecting an underspend of £100,000 due mainly to reduced Business Rates. The on-going savings have similarly been taken into account when preparing the 2005/06 budget.

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 an £138,000 underspend in 2004/05 which compares with a balanced budget position 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 reflecting improved income for supervision of highways works by developers.
- A projected overspend of £15,000 has been identified due to reduced New Roads and Street Works Act income in respect of random sample inspections.
- A projected overspend of £20,000 due to increased costs for CCTV rental and security patrols.
- A projected underspend of £24,000 is due to a reduction in the number of abandoned vehicles requiring disposal and improved scrap metal prices.
- A projected overspend of £47,000 for the disposal of waste due to an increase in the tonnage for household waste.
- There is a projected reduction in pay and display car park income amounting to £53,000 which is net of a number of car park rate refunds amounting to £74,000
- A £40,400 overspend is projected for the Material Reclamation Facility due to the withdrawal of Teignbridge and South Hams District Council from using this facility from October 2004.
- A £74,000 projected saving for Public Transport and Concessionary Fares due to increased income.
- The Environmental Health division are projecting an underspend of £30,000 due to improved income.
- The directorate has identified savings of £133,000 through vacancy management over a number of divisions.
- The directorate has identified savings of £48,000 for operational and administrative functions across all divisions.

Management Action

- 8.4.3 The Director of Environment will continue to manage the budget and work towards achieving savings the Council needs to make to meet the cost of the winter storm identified in section 9 of this report.

Torbay Development Agency

- 8.4.4 TDA are projecting to underspend by £55,000 at year end. Some of the main projected variations are shown below:

- Management of vacant posts has resulted in a projected underspend for the salary budget of £41,000.
- An Improved rental stream from council leased properties has resulted in a projected increase of income amounting to £70,000.
- A projected underspend of £20,000 for Tourism and Resort Services.
- Expenditure on economic initiatives is expected to overspend by £73,000 which reflects the reinvestment of the rental income improvement identified above.
- A projected overspend of £27,000 due to the costs of seasonal staff for the Tourist Information Centres which has been met by the vacancy management saving referred to above

Other Services

- 8.4.5 The projected outturn position for the Other Services is summarised below.

Assistant Chief Executive

- 8.4.6 The Chief Executive's directorate is projecting a £180,000 overspend. £150,000 of this overspend is due to lower than anticipated income from Land Charges due to a downturn in the housing market. £30,000 of this overspend within the Coroners Service due to the one-off costs of establishing the new Coroner's Office and a change to the mix of cases considered by the Coroner resulting in higher unit costs per case. All other budgets are projected to spend to budget.

8.4.7 Finance Directorate

- 8.4.8 The Finance Directorate is projecting to underspend by £962,000. The main reasons for the projected variation are outlined below:

- As previously reported a one – off cash saving of £259,000 from the restructuring of £6.8m of long-term debt. Part of this saving, (£52,000) has been used to finance additional street cleansing within the Environment directorate.
- As previously reported, savings due to rate refunds in previous years for a number of car parks has been revised to £280,000
- The Council is projecting lower interest costs on its borrowing and higher interest on its investments, resulting in a £240,000 projected underspend. This underspend has arisen due to the careful management of the council's investment and borrowing. The council is consistently out-performing the market benchmark for the management of the council's treasury management function.
- The council has been notified of a rate refund including interest of £750,000 for the International Riviera Centre. As the landlord of the property and in line with previous

policy £250,000 will be used as a contribution to the council's overall finances and the remaining £500,000 will be transferred to an earmarked reserve. The International Riviera Centre will be able to draw down up to £250,000 to support its capital programme.

- There are two projected overspends amounting to £15,000 for the Magistrates Court and the NNDR administration grant.

Corporate Governance

- 8.4.9 The Corporate Governance directorate is projecting to underspend by £55,000. Projected underspends have been identified within Members Allowances (£30,000), Members Support (£10,000) the registrar's service (£20,000) and reduced external audit fees (£50,000) which are offset by a projected overspend for the Elections function (£10,000) and Corporate Management (£50,000).

Human Resources

- 8.4.10 Human Resources are projecting a small overspend of £20,000 due to the costs of Superannuation relating to employees who have retired.

Social Services and Housing

- 8.4.11 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. Paragraph 8.4.21 identifies 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

- 8.4.12 Children's Services are projecting an overspend of £700,000 a rise from £378,000 reported to Members at Committee in November 2004. There are a number of reasons for this including.
- The service has experienced high numbers of referrals for accommodation during November and early December. Referrals to the in-house Fostering Service reached a peak of 45 during November, numbers dropped in December before increasing significantly again in January 2005.
 - Due to the increased number of placements the vacancies and flexibility within the in-house Fostering Service was considerably reduced resulting in further independent sector placements being made during November and December 2004.
 - Resultant cost of placing children with fostering parents in the independent sector (which has increased by one at a cost of £33,000).
 - Two further independent sector residential placements were made during this period accounting for £103,000 for the projected overspend. These include the cases of a 14 year old young person exhibiting self harming behaviour and a high suicide risk.
 - Increased costs within the Children's Disabilities Service primarily due to high cost individual care packages and meeting short fall costs of the Robbin's respite unit.
 - The service has continued to experience problems in recruiting to the two vacant Service Manager posts within the Intake Service resulting in reduced management cover due to maternity leave and a vacant post.

Adults Service

- 8.4.13 Within the Learning Disabled budgets for Adults Services, there are budget pressures which are accounting for a £280,000 projected overspend at the end of the financial year. This overspend is as a result of the cost and volume for residential placements and day care provision and the complexity of individual cases leading to higher costs. However, it should be noted that the projected overspend of £280,000 has fallen from £501,000 in the last budget monitoring report to this Committee. This is due to reviewing cases and finding more cost effective solutions for packages of care.
- 8.4.14 Older Persons services are projecting to underspend by £551,000 compared to £738,000 previously reported. Based on commitments to date, the savings have been identified within In-House Domiciliary Care and Community Meals and Purchased Nursing Care and supported by increased collection of income. The fall in the projected underspend is due to an increase in purchasing of domiciliary care packages that have in the past been difficult to purchase due to lack of capacity in the market.
- 8.4.15 The Mental Health Service is provided in partnership with the Devon Partnership Trust. This service is projecting an overspend of £22,000 a fall from £64,000 in the previous forecast. The reason for the fall in the overspend is due to improvements in budget controlling arrangements within Devon Partnership Trust and finding more cost effective solutions for packages of care.
- 8.4.16 The net position for the Adults Service is an underspend of £249,000.

Directorate Support Costs

- 8.4.17 A £161,000 underspend is projected for the Directorate due to the capitalisation of the costs for implementing the Paris system. This compares to a £213,000 projected underspend in the previous report.

Housing

- 8.4.18 The Housing Service is projecting an overspend of £552,000. The projected overspend is in the area of temporary accommodation and is explained below. Investment in the temporary accommodation for homeless household service has improved customer satisfaction and delivered a 30% reduction in homeless acceptances and significant increases in prevention. However the downturn in relets from Housing Associations has led to increased numbers of households remaining in temporary housing and continued use of higher cost options, despite double the number of low cost private sector leasing units coming on stream (100 in total) with a consequential increase in net expenditure. In addition, with increasing costs the percentage claimable through Housing Benefit reduces, which increases the pressure on the budget.

Supporting People

- 8.4.19 As previously reported to Members, the cost of services being provided within the Supporting People Programme were in excess of the grant allocation by approximately £230,000 in 2003/04. 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 to reflect this expectation for all local authorities.
- 8.4.20 In addition to the £230,000 budget pressure identified in 2003/04, to date the Supporting People Grant is projected to overspend by a further £450,000 in 2004/05 (£537,000 previously reported), totalling £680,000.

Management Action

8.4.21 The management action taken to date is summarised below for each service:

Children's Services

- All independent sector placements continue to be reviewed by the Children's Services Management Team on a monthly basis. Cases are moved as soon as a safe alternative can be found either in-house or at a reduced cost.
- All independent sector placements continue to be subject to contractual review and negotiation to reduce costs based on service need and individual cases.
- Medium term management action is being implemented as part of the service integration and improvement to;
 - reduce the overall numbers of looked after children.
 - expand the number of in-house options available to reduce the likelihood of independent sector placements.
 - review contractual arrangements with providers to reduce costs.
 - use of family placement respite for children with disabilities to reduce high cost of residential provision
- Contingency plans have been put in place to ensure management cover within the Intake Service until the return of a Service Manager from maternity leave at the end of March 2005 and the other vacancy identified above.

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 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 has been 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. This amounts to £20,000 from the Housing division and £35,000 from Adults Services.
- As previously reported the Council is working closely with its partners on the Commissioning Body to seek a framework for sustainable improvements to the Supporting People Programme. Savings have now been identified at the last commissioning Body meeting which will impact in the next financial year.
- It has previously been decided that Supporting People should endeavour to operate within the approved budgets over time. The latest information from Government has indicated that, as with 2003-04 overspends, any variations in 2004/05 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. However, it should be noted that the Supporting People Grant will fall again in 2005/06.

Housing

- The medium and long term solutions are to increase the number of new affordable housing units being developed and develop more cost effective solutions in the private sector. This would include better value procurement of temporary accommodation options and to improve the proactive prevention of homelessness across all agencies, whilst improving the economic vitality of Torbay, to reduce benefit dependency and the low wage economy.
- Due to the volatility of the Housing budget, the Assistant Director for this service will be closely monitoring the budget over the remainder of the financial year.

9. Storm Damage – October 2004.

- 9.1 As reported to Members in the last monitoring report the council suffered significant damage to seafront areas as a result of the severe storms experienced on 27th October 2004. At the time of the last report a full assessment had not been completed of the damage but the costs of repair and making good the damage was estimated to be a six figure sum. As previously reported, initially the council has had to finance repairs from its own resources and claims have now been 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 Current estimated costs of the emergency works, repair and replacement is now estimated to be £465,000, a summary of which is provided below. An application has been made under the 'Bellwin Scheme' for Central Government grant towards the costs and if successful, could entitle the Council to financial support of around £63,000. A decision from government is expected within the next month.

9.3 Where possible the costs of the Storm Damage will be met from the Bellwin Scheme, insurance and revenue savings arising in 2004/05. This may reduce the overall revenue cost to the council by £160,000. If the total costs of the Storm Damage cannot be met from revenue Members will need to consider utilising the Financial Strategy Reserve.

9.4 A summary of the main costs are shown below:-

1.Repair to promenade railings, steps and footways in several seafront areas:

- Goodrington - Youngs Park	£ 86,000
- Preston Green	£ 55,000
- Other sites	£ 46,000

2. Replacement of chalets, beach huts and cabins at Meadfoot, Oddicombe and Goodrington Beaches

£102,500

3. Emergency highways clear-up, repair to footways, lighting and signals

£ 93,000

4. Repairs to seawalls at various locations

£ 54,000

5.Damage to harbours at Torquay, Paignton and Brixham

£ 28,500

TOTAL £465,000

10. Summary

10.1 As identified within the report there is a projected overspend of £803,000. As stated earlier, confirmation has now been received from the Office for the Deputy Prime Minister that any over or underspends on Supporting People can be carried forward to 2005/06. If the overspend for Supporting People is excluded the projected overspend at year end would be £123,000.

10.2 In addition, the council is having to fund costs amounting to £465,000 due to the storm in October 2004. These costs have been included within the overall projected overspend and may fall further by £63,000 if the council's claim under the Bellwin scheme is successful and a further £100,000 if the insurance fund is used to cover some of the cost of the repairs.

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 are of concern including Adults and Children's services, homelessness and car park income.

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 if the Supporting People overspend is excluded this is achievable. However, further management action is still required to address the budget pressures within the Supporting People Programme and where possible every effort must be made to prevent a carry forward of any deficit within this area. Additional resources have been made available as explained in the report and a plan is in place to which will result in savings, particularly in 2005/06.

10.5 However, the projected overspends in Housing and Children's Services are of a concern. There is limited time available to take management action to address the overspends identified. Service managers must continue to closely monitor expenditure in these areas and start to plan now to address these budget pressures in 2005/06.

- 10.6 A number of underspends have been identified which will help to contribute to overall council's financial position. When considering the overall financial position, Members should note that the Executive approved the transfer of £0.5m from earmarked reserves to the Financial Strategy Reserve. These resources were earmarked to meet some of the prospective budgetary issues facing the Council in 2005/06 and any shortfall in storm damage funding arising from the extreme weather in October 2004 – report COM/2/04.
- 10.7 Due to the volatile nature of a number of the budgets, all Strategic Directors and Assistant Directors must closely monitored their budgets to ensure a balanced budget is declared, as happened in every financial year since the Council became a Unitary authority. And favourably commented upon by the Audit Commission in the recent CPA report.

Richard Thorpe
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.e. would generate expenditure or savings in excess of £100,000 or 20% of an approved budget OR affect more than 2,000 residents of the Borough.)	<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