

TORBAY COUNCIL

Report No: **176/2005**

Title: **Budget Monitoring – Revenue Budget 2005/2006**

To: Executive on 12 July 2005
Overview and Scrutiny Board on 20 July 2005

1. **Purpose**

- 1.1 The purpose of this report is to provide Members with a summary of the Council's projections of income and expenditure for the year 2005/06 compared with the approved budgets.
- 1.2 This revenue monitoring statement shows the actual expenditure and projected outturn position based upon the latest information available. The projected outturn position is indicated for each of the Council's 15 Business Units, as at April 2005.

2. **Relationship to Corporate Priorities**

- 2.1 The monitoring of 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 2005/2006 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 2005/06. 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 council's Medium Term Financial Plan. This could also hinder the achievement of one of the Council's Corporate Aims which is to ensure all services are delivered within the approved budget for the financial year.
- 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 3 March 2005, the Council approved the net revenue budget of £149.093m. This covers all revenue expenditure for services provided by the Council including expenditure on children's services, adult services, housing, cultural services, highways, environmental health, parks, tourism and support services.

7.2 This is the first revenue budget monitoring report presented to Executive and Overview and Scrutiny for the financial year 2005/06. This is a continuation of the approach adopted in previous years of reporting publicly the projected financial position for the Council. Regular budget monitoring reports will be presented to both committees throughout the year. The planned dates for those reports are outlined below:

- Executive – 11 November 2005 and 14 February 2006;
- Overview and Scrutiny Board – 19 October 2005 and 18 January 2006.

7.3 Any on-going variation that can not be accommodated within the base budget for future years will need to be taken account of when considering and formulating the 2006/07 and later years budgets.

8. Performance

8.1 Table 1 below provides a summary of the projected outturn position based on the Business Unit structure for the Council as at April 2005. The financial position for the Supporting People programme is also shown as a separate item in table 1.

Table 1

Business Unit	A Revised Budget	B Expenditure as at June 2005	C Projected Out-turn	D Variation at Out-turn
	£'000	£'000	£'000	£'000
Adults Social Care	26,981	4,153	27,151	170
Audit and Efficiency	269	50	269	0
Cultural Services	5,338	895	5,338	0
Direct Services and Waste	7,011	1,159	7,011	0
Environmental Health and Consumer Protection	855	142	855	0
Financial Services	14,616	1,619	14,616	0

Business Unit	A Revised Budget	B Expenditure as at June 2005	C Projected Out-turn	D Variation at Out-turn
Highways and Engineering	3,537	589	3,537	0
Housing Services	1,565	260	1,595	30
Human Resources	2,002	353	2,002	0
Learning and Resources	63,087	10,374	63,337	250
Legal Support and Democratic Services	6,200	980	6,200	0
Policy, Performance and Communications	2,657	432	2,657	0
Planning Development and Policy	1,323	212	1,323	0
Social Inclusion (Children's)	12,357	2,022	12,757	400
Torbay Development Agency	1,295	201	1,295	0
Totals	149,093	23,441	149,943	850
Supporting People 2005/06	5,825		6,225	400
Supporting People 2004/05 carry forward				532

- 8.2 The above table indicates that, at the present time, there is a projected Council net overspend of £850,000 (Column D). This overspend represents 0.57% of the net revenue budget. In addition, the projected overspend for Supporting People is £400,000 for the current financial year and in addition there is the agreed carried forward of £532,000 from 2004/05 (see paragraph 8.27 and 8.30 for further details).
- 8.3 Individual detailed Business Unit monitoring statements will be issued to the respective Executive Members and they will be able to discuss specific issues with the appropriate officers. Further budget monitoring statements will be presented to Performance Boards during the year.
- 8.4 In the section below, a summary position for those Business Unit's that are projecting an overspend is outlined. Included within this summary is the management action taken by officers to ensure expenditure is contained within the approved budget set for the year.

Adult Social Care

- 8.5 Adult Services is projecting to overspend by £170,000 for the year. The overspend is not limited to one particular part of the service but is spread across the three main types of client i.e. mental health, older people and learning disabled.
- 8.6 The Mental Health Service is provided in partnership with the Devon Partnership Trust and is forecasting an overspend of £30,000 due to increased projected expenditure on Domiciliary and Nursing care. Learning Disability is forecasting an overspend of £50,000 due to expenditure within residential care. This area is particularly volatile, especially as

more clients make the transition from Children services to Adult services. A review is currently being undertaken on this budget area with regard commitments for the transitional cases.

- 8.7 Older People has a projected overspend of £90,000. The main areas of overspend are Direct Payments (whereby clients can request to arrange their own care packages) and Domiciliary care. These overspends have partially been offset by a reduction in the net cost of nursing and residential placements and an increased revenue offset against the Access and Systems grant.
- 8.8 It should be noted that these forecasts are based on a maximum of 8 weeks expenditure in the independent sector and a maximum of six weeks client contribution data. Therefore, at this early stage of the year these forecasts are likely to be the most significant risk area with respect to the Adult Services budgets in terms of size and service.
- 8.9 Management action is being taken to review the budgets and expenditure as part of the transition towards the Adults Care Trust in October 2005. It is expected that further efficiencies will be found as part of this process. In addition, Adults Services managers will be reviewing the grant income received from central government to assist in meeting some of these budget pressures which have been identified.
- 8.10 Until these actions have been fully assessed the projected overspend is being shown at the levels above. However, if savings or reductions in expenditure are not going to arise, further service actions will be necessary to bring the expenditure back in line with budget.

Housing

- 8.11 The Housing budget has traditionally been a volatile area and will be closely monitored throughout the year. At the end of 2004/05, the Housing budget overspent by £553,000 but management action to contain any continued overspend have been implemented such that at this stage the service is projecting an overspend of £30,000.
- 8.12 The latest trend on the number of homelessness shows there are fewer households in high cost temporary accommodation due to a range of measures. The number of households in high cost temporary accommodation have been reduced from 181 as at 31 December 2004 to 124 as at 30 June 2005 and targets have been set for further reductions through the remainder of the year.
- 8.13 The latest information indicates a reduction in costs for temporary accommodation and the Housing Service are introducing new initiatives which it is hoped will further reduce the numbers in temporary accommodation and increase the range of housing options available to people. The initiatives are:
 - (a) contracting with selected providers using leasing models to reduce costs and improve quality;
 - (b) development of a Rent Deposit savings account to provide more private sector accommodation; and
 - (c) better processing of information to increase the level of housing benefit subsidy.

The service expects that these initiatives will overcome the overspend currently being forecast but until firm and longer term evidence is available a small overspend is projected.

Children's Services

Learning and Resources

- 8.14 The Learning and Resources Business Unit is projecting a £250,000 overspend. This is largely as a result of a projected overspend in Children's Disability Services (see paragraph 8.17 to 8.19 below).

Social Inclusion

- 8.15 The Social Inclusion Business Unit is projected to overspend by £400,000. The main reasons for the projected overspend include expenditure for Boarding Out (Fostering) costs (£450,000) and residential care (£100,000). The overspends identified above have been partly offset by underspends within the Children In Need service (see paragraph 8.20 to 8.22 below).
- 8.16 It should be noted that due to the Department for Education and Skills passporting requirement, it will be difficult to consider utilising any underspend within Schools Block Activities for other non Schools block expenditure.

Detail (All of Children's Services)

- 8.17 The main variances within Schools Block Related activities include projected overspends within Schools contingencies where the number of Newly Qualified Teachers funded are expected to be greater than the budget allocation (£67,000). The Interim Tuition service is projected to overspend by £53,000 due to increased cost of provision. These overspends have been offset by a projected underspend for the provision of Nursery grants within the independent and voluntary sector for 3 and 4 year olds.
- 8.18 The main variances within LEA Block related activities include the Admissions and Student service and the Education Welfare service. Management action will be taken to ensure these services are managed within their cash limited budget.
- 8.19 As indicated above the Children's Disability Service is projected to overspend by £325,000. Some of the main budget pressures are outlined below:
- Expenditure for residential placements is projected to overspend by £82,000. This is partly accounted for by the recent placement of 3 new children and the limited supply of specialist care within the market for this service which reflects the increased charges from service providers. The numbers of children placed within residential placements are 9 and have increased by 4 since 1 April 2005.
 - Domiciliary care for children is projected to overspend by £111,000. This area of expenditure includes services such as provision of 24 hour care, adaptations and support to disabled children and their carers normally through the services of independent providers.
 - Direct payments are projected to overspend by £48,000. This is an area for development as carers can request to organise their own care packages. This should relieve pressure on other services provided by the local authority.
- 8.20 In the Social Care Division, services to children and families are currently divided into Permanency Planning and Children in Need services.
- 8.21 In Permanency Planning the costs for Boarding Out (Fostering) are projected to overspend by £450,000 due to the number of placements made and the associated costs for private sector foster care. The current projected position primarily reflects the impact of a number

of independent sector foster placements that were made during 2004/5. These included a number of very disruptive and difficult placements that have now settled and the placements are meeting the individual child and young persons needs and are therefore being committed for the full financial year. There is an increasing trend in the number of residential care placements made and associated costs for these placements. This service is projected to overspend by £100,000 and was £190,000 overspent in 2004/05.

- 8.22 The overspends identified above have been partly offset by underspends within the Children In Need service due to a fall in the number of children being placed in short term Out of Authority residential care and a fall in the number of children placed in foster care. However, these are volatile budgets where even short term placements can be very costly and difficult to forecast.

Children's Service – Management Action

- 8.23 The Director of Children's Services is satisfied that the following actions are in place:
- monitoring mechanisms which control access, cost and duration of placements in the independent residential sector.
- 8.24 Contributions from the Primary Care Trust towards the cost of these placements have not yet been received. This is an urgent matter which will be addressed by the Director of Children's Services and possibly the Children's Trust Executive with any contribution reducing the projected overspend.
- 8.25 The approval of the Commission for Social Care Inspection findings and corresponding Action Plan provided additional financial capacity for the Director of Children's Services to deliver some essential improvements to the local Children's Services strategy. These actions have not yet been implemented and the full year impact will not be felt until 2006-07. Arrangements are in hand to ensure the Action Plan is robustly monitored so that the corresponding improvements can be evidenced.
- 8.26 It is evident that further, more searching consideration needs to be given to the increasing levels of need experienced in the Disability/Special Educational Needs division. In the short term though actions are needed to bring the projected overspend levels back to the approved budget levels.

Supporting People

- 8.27 As reported within the Provisional Outturn report to Members in June the cost of ongoing commitments within the Supporting People Programme continue to exceed the grant allocation from government. The government has allowed authorities to carry forward any deficit within the Supporting People programme, which Torbay has done since 2003/04. Members will recall that they agreed to meet the overspend for 2003/04 from its own resources, as part of the closure of the accounts in 2004/05. Members also agreed to carry forward the deficit from 2004/05 which amounted to £532,000 and manage this deficit as part of the Supporting People programme during 2005/06 and later years.
- 8.28 The council's Supporting People grant for 2005/06 is £5.825m, which is a reduction from £6.134m in 2004/05. This is consistent with the government's expectations that the level of grant will be reduced year on year to reflect the efficiency gains achieved by all authorities as part of this programme.
- 8.29 In addition to the deficit identified above, a continuation of these trends in the current year would project a further £400,000 overspend for the current year. This reflects a relative improvement on the position and begins to reflect some of the management action already put in place.

- 8.30 Management action to address the overspend includes a systematic review of contracts for Supporting People which 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. Managers believe that they will be able to process some of the appeals which will make in-roads into the overspend and to begin to recover the deficit from previous years in 2006/07.
- 8.31 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 been identified at the last Commissioning Body meeting which will impact in the next financial year. However, any failure to reduce the current level of spending will have serious implications for the Council's finances, as well any decision by the Government not to permit the carry forward into future years.
- 8.32 All other Business Units are projecting to spend to budget at this stage of the year.

9. Summary

- 9.1 It is very early in the financial year, but already a number of budget pressures have been identified and there is a projected overspend of £850,000. In addition, there is a projected overspend within the Supporting People of £400,000 which does not include the £532,000 deficit carried forward from 2004/05.
- 9.2 Most of the projected overspends are for known volatile budgets, which always require close monitoring by service managers, for example Adults Services, Children's services, and Supporting People. It should be noted that the overspends projected in Children's Services and Supporting People continue the trend of budget pressures identified in 2004/05 and are of a concern.
- 9.3 The Chief Executive and Leader have re-iterated to all Directors the financial regulation that spending must be contained within the budgets approved by the Council and all services are working to this requirement. There will inevitably be occasions though where legal requirements force additional additional spending on the Council and it is these cases that the Council needs to take a holistic view to the problem.
- 9.4 At this stage of the year, the projected level of overspend is similar to 2003/04 and 2004/05. In each of these years a net underspend was achieved at outturn, however, there is no reason for managers not to begin to implement strong action to bring spending back in line with budgets. The Council was fortuitous in both of these years of receiving substantial rebates or refunds or additional income for one reason or another. The Director of Finance is currently unaware of any such source of funding in the current year and as such the Council must manage its budgets within existing resources.
- 9.5 At this early stage of the financial year, it is considered there is sufficient time for management action to be taken to address a number of these budget pressures. Management action and a number of initiatives have been identified to manage the pressures and further action will be required to reduce the projected overspend. The first aim of the Council must be to ensure that the Council delivers a balanced budget at the end of the year. This is one of the Council's objectives that all services will be delivered within the approved budget for the financial year.
- 9.6 Due to the volatile nature of a number of the budgets, all Strategic Directors and Assistant Directors must closely monitor 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.

- 9.7 A consequence of an overspend at the end of the financial year is there may be a call upon the Council's balances. 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.

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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, Estates and Property and Procurement.

Does the proposal have implications for the following issues? If "Yes" - give details. <i>delete as appropriate</i>		Name of responsible officer
Legal	No	Bill Norman
Financial – Revenue	Yes – contained within the report	Paul Looby
Financial – Capital Plan	Yes – contained within the report	Paul Looby
Human resources	No	Geoff Williams
Property	No	Sam Partridge
Procurement and Efficiency	No	Steve Parrock

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 Business Units?	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?	<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 Information and Management System (FIMS)

Budget Digest 2005/06