

**Meeting:** Overview & Scrutiny Board

**Date:** 10 November 2021

Cabinet

16 November 2021

Council

N/A

**Wards Affected:** All Wards

**Report Title:** Budget Monitoring 2021/22 – Quarter 2 (April – September) Revenue Outturn Forecast & Capital Outturn Forecast

**Is the decision a key decision?** No

**When does the decision need to be implemented?** N/A

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## **1. Purpose and Introduction**

- 1.1. This report provides a high-level budget summary of the Council's revenue and capital position for the financial year 2021/22 which commenced on 1<sup>st</sup> April 2021. This report is based on the budget and forecast spend as at 30<sup>th</sup> September 2021.
- 1.2. Whilst the majority of the Covid-19 restrictions have now been lifted, the financial impact of the health pandemic remains a significant risk to the Council's finances. So far 2021/22 continues to see continued high demand for frontline services as well as advocacy and support.
- 1.3. As at Quarter 2 the Revenue budget shows a slight overspend of £0.84m which represents a variance of 0.73% against the 2021/22 budget. This shows essentially a static position since Period 4 with a minor improvement of £0.02m
- 1.4. The Capital Plan budget totals £284m for the 4 year programme, with £63m currently scheduled to be spent in 2021/22, including £35m on a number of Regeneration projects, and £5m on major Transport schemes. At this point (30 Sept 2021) the Capital Plan now requires £6.6m from new capital receipts and capital contributions over the life of the Plan in order to be able to deliver all that is planned.

## **2. Recommendation (s) / Proposed Decision**

### **Recommendations for Overview & Scrutiny Board**

- 2.1. That the Overview & Scrutiny Board notes the latest position for the Council's revenue outturn position and mitigating action identified and make any comments and/or recommendations to the Cabinet.
- 2.2. That the Overview & Scrutiny Board notes the latest position for the Council's Capital outturn position and make any comments and/or recommendations to the Cabinet.

### **Recommendation for Cabinet**

- 2.3. That Cabinet notes the report.

## **3. 2021/22 Budget Summary Position**

- 3.1. Overall Torbay is still seeing the continued impact of Covid-19. The impact is both directly and indirectly on the Council's income and expenditure in the year.
- 3.2. Despite the possible uncertainty of the Covid-19 impact the changes to the approved budget set by the Council in February appears to have effectively reallocated resources to meet the cost pressures faced. As a result, there is a forecast variance 0.73%. This demonstrates that, based on current levels of activity, additional funding for pressures such as the provision of Temporary Accommodation and the impact on Collection fund are sufficient to effectively meet the pressures and challenges anticipated for 2021/22.
- 3.3. However, officers remain focussed and closely monitoring:
  - 3.3.1. The continued costs of Covid-19 response including local test, track and trace work alongside the work to support communities and businesses in response to outbreaks.
  - 3.3.2. Income losses including car parking and collection fund where the changes to the behaviour of individuals and households affects key funding for local service delivery.
  - 3.3.3. The improvement journey within Children's Services which is crucial to the Council's medium term financial stability.
  - 3.3.4. The effective deployment of carried forward or one-off funds which are being deployed as part of the Council's recovery. In a number of areas such as Housing, the use of these funds is imperative to ensure to reduce long term costs. Effective use of the funds is crucial to providing a pathway to balance the 2022/23 budget.

### **Collection Fund**

- 3.2. The establishment of a Collection Fund reserve formed part of the Budget 2021/22 was required in order to meet the future impact of carrying forward the shortfall from 2020/21. This reserve funds the 2020/21 impact of the shortfall for the period 2020/21 – 2023/24.

3.3. So far 2021/22 monitoring seems to be in line with forecast collection levels, a 2% reduction on pre Covid-19 collection rates. Revised NNDR bills incorporating the new 2021/22 reliefs were issued.

3.4. Currently the in-year Council Tax Collection rate is forecast to be 93.7% which is 2% down on pre-covid-19 as for 2019/20 the collection rate was 95.65%.

#### **4. Grant Support**

4.1. During 2021/22 there are two key schemes which continue to provide funding to offset increased expenditure and income losses. This support has been received through un-ring-fenced grants as well as the income reimbursement scheme.

4.2. The un-ringfenced funding of £4.1m was included in the approved 2021/22 budget.

4.3. The Sales Fees & Charges reimbursement scheme which ran until the end of June 2021 will provide £0.2m of funding.

4.4. In addition to the un-ring fenced grants and the Income reimbursement Grant, Central Government have issued a number of other grants related to Covid-19.

#### **5. Wholly owned companies**

5.1. This section contains an overview of the financial position for the Council's wholly owned companies. More detailed financial reporting about the Council's Wholly owned Companies will be presented to Audit Committee on a regular basis.

5.2. SWISCo which has now been trading for just over a year, remains under pressure. There have been significant impacts on the ability to effectively recruit and retain suitable staff for waste collection to deliver services. This is in part due to changes to the labour market & availability of staff, most significantly impacted by the withdrawal from the EU. Day-to-day staffing levels have also been significantly impacted by the need for staff to self-isolate as a result of being "pinged" or close-contacts of someone who has tested positive for Covid-19.

5.3. As part of the 2021/22 budget additional financial support was approved for SWISCo totalling £1.2m. The Council has received a request for additional support of £0.6m which will be required in-year during 2021/22.

5.4. TDA group are expected to report a surplus for 2021/22, although within that position Torvista will continue to incur losses until it increases its number of properties and its rental income

#### **6. Statement of Accounts – 2020/21**

6.1. The Council's auditors, Grant Thornton, due to their ongoing resource issues have delayed the start of the Audit of the Councils Statement of Accounts. Grant Thornton have failed to meet the statutory deadline of the 30<sup>th</sup> September 2021 to provide an opinion on the Accounts. The final reports will be presented to the Audit Committee in due course, probably now to a December meeting of the Committee.

## 7. Service Budgets

- 7.1. The table below contains the forecast spend for the financial year 2021/22. The reporting hierarchy reflects the current Senior Leadership Team (SLT) Structure.

Service	Budget £'000	Projected Outturn £'000	Outturn Variance £'000	Movement since P4 £'000
Adult Services	44,460	44,592	132	3
Executive	3,154	3,399	245	(9)
Children's Services	45,493	45,493	0	150
Corporate Services	5,834	6,721	888	153
Finance	(9,215)	(10,263)	(1,048)	(668)
Investment Portfolio	(4,639)	(4,639)	(0)	(0)
Place	20,738	21,362	623	349
Public Health	9,825	9,825	0	0
<b>Total</b>	<b>115,650</b>	<b>116,490</b>	<b>840</b>	<b>(22)</b>

- 7.2. The Overall council position shows a slight improvement of £0.02m resulting in an overspend of £0.84m (0.73%). More information on the service variances is contained below.

### 7.3. Adult Services

- 7.4. The Director for Adults Services, now covers the three service areas shown below.

Service	Budget £'000	Projected Outturn £'000	Outturn Variance £'000	Movement since P4
Adult Social Care	41,519	41,442	(76)	0
Community Services	2,493	2,628	135	15
Customer Services	449	522	73	(12)
<b>Total</b>	<b>44,460</b>	<b>44,592</b>	<b>132</b>	<b>3</b>

- 7.5. Overall Adults Services directorate shows a slight overspend representing 0.46% of the budget.
- 7.6. Within Adult Social Care the majority of spend is against a fixed price financial arrangement (contract) for the delivery of services provided by the Integrated Care Organisation (ICO). There is a slight underspend in Local Authority contracted activities.
- 7.7. The current financial arrangement with the ICO is due for renewal on 1st April 2023. Collaborative work is underway between Council & NHS colleagues on the Adult Social Care Improvement Plan (ASCIP). This includes attendance at a fortnightly budget oversight meetings.

- 7.8. There are challenges to the operational delivery of the ASCIP activities, which is impacting on the ability to deliver the savings put forward against each activity which means overall Adult Social Care is projecting a overspend against the budgets they hold – note this is external to the Council but being mentioned here to ensure Members are aware of the financial position of a key partner.
- 7.9. The Joint Community Equipment Store (JCES) is forecasting an overspend of £863k which is split equally between each of the three partners, CCG, ICO and Torbay Council. There is no impact to the Council's General Fund position due the share of overspend and increases usage and cost was expected due to the significantly increased volume of equipment being procured through the JCES.
- 7.10. Community Services has a shortfall on income. This represents the continued impact of Covid-19 on income generating activity within the service including Licensing and the Environmental crime team.
- 7.11. Following the investment of an additional £1m to meet additional demand for Temporary Accommodation, this service is forecast to be on budget. This position is monitoring fortnightly by officers to ensure progress in the provision of suitable and stable temporary accommodation options whilst individuals and family groups find permanent accommodation.
- 7.12. There remains considerable pressure in the local housing market which is affecting this service significantly. This scenario is almost a “perfect storm” of staycationers, and landlords opting to sell-up and exit the market as a result of local property prices increasing in the wake of the Stamp duty tax-relief. All of which culminates in the low availability of temporary options for individuals and family groups in need of temporary accommodation. With the end of Furlough and reductions to Universal Credit the team are expecting to see further increases in demand for support.
- 7.13. There are also anecdotal reports of the impact the local housing market is also impacting on the ability for local businesses to attract staff to come and live and work in Torbay due to the lack of available housing.
- 7.14. Customer services continues to see increased costs from staffing, including agency staff and print & postage costs as a result of the increased demand for support throughout Covid-19. Upon implementation of the Councils “CRM” system in future years more self-service options will be available for customers which will help to streamline straight-forward contact.

## 7.15. Children's Services

Service	Budget £'000	Projected Outturn £'000	Outturn Variance £'000	Movement since P4
Schools Services	3,650	3,498	(152)	(146)
Children's Safeguarding	41,843	41,995	152	296
<b>Total</b>	<b>45,493</b>	<b>45,493</b>	<b>0</b>	<b>150</b>

- 7.16. Within **Schools Services** Local Authority funded activities are expected to be on budget.
- 7.17. There remains pressure with the provision of Home to School transport as a result of rising costs as transport providers have to adapt their operating models in light of Covid-19 and as children and young people adjust & readjust to the changes to schooling and as a result, may need a different level of support to get to and from school.
- 7.18. Outside of Local Authority funded activities, the schools' higher needs block in the Dedicated Schools Grant (DSG) remains under financial pressure because of an increasing level of referrals from schools for higher needs support for children. The pace of demand is far outstripping increases in dedicated funding and has been for several years.
- 7.19. For 2021/22 the Schools Forum set a deficit budget of £2.6m for 2021/22. Based on the latest monitoring, the forecast in-year deficit is now £3m.
- 7.20. As a result, the DSG cumulative deficit is now forecast to exceed £9.0m by the end of 2021/22.
- 7.21. The Council does not receive any funding for schools therefore the overspend will remain in the DSG to be funded from DSG in future years. The School and Early Year Finance (England) Regulations 2020 confirm that this is not a cost that the Council must fund. However, for how long this position is sustainable is not certain. At some point the deficit will need to be funded therefore it is essential that officers and members continue to focus on this key issue.
- 7.22. In 2020/21 and the following two financial years additional legislation has been passed that, for accounting purposes, reclassifies the deficit on the Council's balance sheet. There is currently uncertainty as to what will happen after the end of the three year period.
- 7.23. Representatives from the Council and the School Forum continue to work with the Education & Skills Funding Agency (ESFA) to discuss the proposed financial recovery plan that was submitted to the ESFA. So far, the external scrutiny and review carried out has not identified any new initiatives that are over and above the

work already progressed by Torbay Council and the Schools Forum to address this position.

- 7.24. Most recently, engagements with the Education and Skills Funding Agency (ESFA) have indicated that a central government funding solution is unlikely.
- 7.25. Within **Children’s Safeguarding** there is a slight overspend forecast of £0.1m (0.36%).
- 7.26. This change in position serves as a reminder of the significance of the need for continued and rigorous whole Council support for this service given the financial impact if the number and cost of care rises.
- 7.27. In previous years reports the increased spend was perceived to be “within the control” of the Council and the improvements seen in the last 18 – 24 months has been as a result of robust measures put in place to increase the accountability for how resources were deployed in order to meet the needs of Children.
- 7.28. The current picture is one of National level issues having a local impact. There are significant shortages of placements meaning Children & Young people are unable to step down from Residential to family-based settings such as fostering placements. The local housing market means that a number of the accommodation options for 16+ have now converted their larger properties to self-catering holiday units in order to take advantage of the increased demand from holiday makers. This has seen the cost of 16+ Accommodation is increasing from £600 per week to £2,400 in some cases. Other Councils are also reporting placing children as young as 3 years old in Residential Placements as a result of the inability to find suitable family-based alternatives.
- 7.29. All of this means that despite the continued oversight, challenge and support from colleagues, external factors are significantly influencing spend.
- 7.30. Key measures;

Placement types	Aug'20	Dec'20	Apr'21	Sep'21
Residential Placement	26	23	21	21
IFA Fostering Placement	92	89	81	81
Total Children Looked After (CLA)	330	322	321	306

- 7.31. Overall placement numbers remain stable and the number of Children Looked After (CLA) continues to reduce gradually. Since the start of the year CLA has reduced from 315 to 306 and Residential Placements has remained at 21.
- 7.32. Agency costs are forecast of £5m. This is in part as a result of successful internal recruitment where Social Workers or Team Managers have secured a promotion within the Council, but in the interim, Agency cover has been required whilst permanent recruitment is undertaken.

7.33. Within Agency costs £1m of this is associated with the improvement journey of Children's Services and is therefore only expected to be required for a fixed period of time. Similarly there are a number of agency posts which are supporting through managing the excess of the newly qualified Social Workers caseload. Again, these posts are time-limited and scheduled to cease as new staff progress through the Learning Academy and increase their caseloads.

7.34. Based on the volatility within recent years at this stage in the year this forecast represents a balance of prudence and realism for 2021/22. If current placement numbers remain stable & the new staff due to start in the Autumn of 2021 as part of the Learning Academy remains on track savings are expected in 2022/23 as there will be significantly reduced Agency Costs.

**7.35. Corporate Services & Executive**

Service	Budget £'000	Projected Outturn £'000	Outturn Variance £'000	Movement since P4
Executive	3,154	3,399	245	(9)
Corporate Service's	5,834	6,721	888	153

7.36. Within Corporate Services there are significant, continued pressures within Legal Services as a result of challenges to recruit. This results in forecast Agency costs of £0.4m forecast. Reduced fee-earning work provides a further cost pressure of £0.2m on income. The Divisional Director for Corporate Services is working closely with the Head of Legal to address both of these pressures.

7.37. Elsewhere in Corporate Services a result of reduced income for the Printing & Post Service, there is a further pressure of £0.4m. Again, the Divisional Director for Corporate Services is working with the team to address this shortfall.

7.38. Within the Executive unit there are cost pressures related to previously agreed Council wide savings targets (£0.2m) which have as yet been unachieved due to the significant resources re-directed to the Covid-19.



### 7.39. Finance

Service	Budget £'000	Projected Outturn £'000	Outturn Variance £'000	Movement since P4
Finance	(9,215)	(10,263)	(1,048)	(668)

7.40. Within Finance, which is where a number of Central Government Grants are shown, there is a underspend forecast as a result of applying a number of contingencies & Government Grants.

7.40.1. Sales Fees & Charges grant £0.2m

7.40.2. Release of specific earmarked contingencies £0.7m

7.40.3. Gainshare from Devon-wide Business Rates Pool £0.1m

### 7.41. Investment Portfolio

Service	Budget £'000	Projected Outturn £'000	Outturn Variance £'000
Investment Portfolio	(4,639)	(4,639)	0

7.42. The Council's Investment Portfolio is forecast to be on budget after the use of the Investment Fund reserve to meet any in year shortfall. Within the portfolio there are some pressures as a result of the Covid-19 impact on Commercial tenants.

7.43. Any tenants with arrears are actively engaging with colleagues in TDA and repayment plans have been agreed. Based on the level of arrears outstanding at the end of the Financial Year there may be an accounting adjustment to release some of the bad debt provision made at the end of 2021/22.

## Place

Service	Budget £'000	Projected Outturn £'000	Outturn Variance £'000	Movement since P4
Place Operations	11,978	12,636	658	384
Place Commissioned	3,969	3,969	0	0
Planning & Transport	4,792	4,757	(35)	(35)
<b>Total</b>	<b>20,738</b>	<b>21,362</b>	<b>623</b>	<b>349</b>

- 7.44. Within Place there is a £0.6m overspend which represents 1.3% of the budget.
- 7.45. Place Operations has a cost pressure of £0.7m.
- 7.46. There are pressures of £0.2m as a result of increased tonnages linked to reduced recycling rates. This may be offset by the end of the financial year when the Waste Annual Partnership Reconciliation exercise which will be undertaken later in the year.
- 7.47. The movement within Place Operations is due to the additional financial support requested by SWISCo of £0.6m is also shown here.
- 7.48. The pressure is partially offset by the declaration of a £200k underspend forecast within Parking Services. This is in part due to the service having a number of vacancies across the service. The Head of Parking Services is currently co-ordinating an enhanced Recruitment and Retention offer for staff to boost staffing levels which is vital to ensure safe and compliant parking across the bay.
- 7.49. Despite starting the Financial year in a lockdown, and Summer weather that could have been better, car parking income over the summer has remained on budget. There remains uncertainty over how the Autumn/Winter season will impact parking income, so at this stage the service is forecast to be on budget. A seasonal promotion has been announced which seeks to improve footfall in the Town Centres to support retailers in the run up to the Festive Season.
- 7.50. Planning, Housing and Climate Emergency**
- 7.51. Last year there were a number of income pressures within Planning, however this year a slight overachievement of the income budget is forecast as a result of continued high demand in the wake of the stamp duty relief.
- 7.52. Within Strategy & Project Management there may be an underspend based on the level of Concessionary Fares payments required for 2021/22 as it is expected that there will be continued reduced levels of travel.

## 7.53. Public Health

Service	Budget £'000	Projected Outturn £'000	Outturn Variance £'000
Public Health	9,825	9,825	0

- 7.54. Public Health colleagues continue to lead on the Council's response to Covid-19 and co-ordinate and deliver a number of key and continuing strands of the response and recovery work.
- 7.55. This includes the spend of the Contain Outbreak Management Fund Grant, the delivery a number of Testing Programmes as well as the management of the Local Contract tracing work.
- 7.56. As the majority of this work is directly grant funded, there is no forecast variance on Local Authority funded activity within Public Health. There is a slight underspend forecast within the ringfenced grant, which will be carried forward to continue to fund vital local Covid-19 response work once the current Government funded grants end on the 31<sup>st</sup> March 2022.

## 8. Future mitigating actions

- 8.1. Service pressures continue in a number of services;
- 8.1.1. Council Tax & Business Rates Collection
  - 8.1.2. Demand for Council Tax Support Scheme
  - 8.1.3. Support for individuals and families requiring Temporary Accommodation
  - 8.1.4. Income pressures across Car Parking, Investment Properties
  - 8.1.5. Support for the Leisure Centres & SWISCo
  - 8.1.6. Growing pressure within Children's Safeguarding due to National issues
  - 8.1.7. Increasing spend on the Higher Needs Block within the DSG.
- 8.2. Officer groups continue to work in "Incident Management Teams" focussing on each of these issues to identify and deploy interventions to manage these pressures.
- 8.3. During 2021/22 budget focussed senior Officer groups continue to meet monthly for each Directorate. This allows the Chief Executive, Chief Finance Officer & the service Director & support staff
- 8.4. Looking ahead, the financial impact for the Council remains contingent on the level of recovery in Torbay. This recovery is in terms of both the local economic recovery and collection of Council Tax and NNDR which is vital to fund the delivery of local public

services. The summer was a very busy visitor season which gave encouragement in terms of the economic recovery, albeit present pressures on other services due to the influx of visitors.

- 8.5. The Chief Financial Officer and his team are closely monitoring the Council's cash flow, although at this stage there remains no concern about cash flow. As in 2020/21 central government have advanced a number of grants.

## 9. Risks & Sensitivity

- 9.1. There are a number of financial risks facing the Council as shown below:

Risk	Impact	Mitigation
Future funding of DSG Deficit	High	Recovery meetings have been convened by the Chief Finance Officer to review any and all opportunities to locally influence this area of spend.
Continued loss of income	High	Recovery meetings have been convened by the Chief Finance Officer for all the Council's main areas of income. Each group is tasked with developing an action plan to influence income where possible
Collection Fund shortfall	High	Additional resources allocated to support the Revenues & Benefits team and a review of debt recovery will be undertaken.
Fair Funding Formula	Medium	Development of a robust MTRP to address the expected impact on Torbay's funding. Timing of this funding change is now 2022/23 at the earliest.
Identification, and delivery, of savings for 2022/23 to 2024/25 per Medium Term Resource Plan	High	Star Chambers for the 2022/23 Budget setting process commenced in June. Options will be reviewed by Senior Leadership Team in collaboration with Cabinet to consider options for future years.
Delivery of Children's Services cost reduction plan	Medium	Meetings continue to monitor the current rate of delivery against the identified actions from the Sufficiency Strategy.

<p>Unable to recruit staff and need to use agency staff.</p>	<p>High</p>	<p>Recruitment &amp; retention of Social Work staff, particularly in safeguarding is still one of the core priorities for the Senior management team within Children's Services.</p> <p>This pressure is also being seen across a number of front line services which are integral to the Council's "Summer Response Team" Work continues to identify solutions to these challenges which seem to be on a national scale.</p>
<p>Additional demand and cost pressures for services, particularly in children's social care</p>	<p>Low</p>	<p>2021/22 Budget monitoring, use of service performance data and recovery plan.</p>
<p>Delivery of approved savings for 2021/22</p>	<p>Medium</p>	<p>Further to regular budget monitoring for all budget holders, the Council's Senior Leadership Team receive monthly updates on the 2021/22 position.</p>
<p>Investment Property Income changes</p>	<p>High</p>	<p>There are ongoing discussions with tenants about recovery plans</p>