



Meeting Council **Date** 28 February 2013

Wards Affected: All Wards in Torbay

Report Title: Revenue Budget Monitoring 2012/13 – Quarter 3

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1. Key Points and Summary

1.1 At the end of Quarter 3, the Council is projecting an overspend of £1.996m at the end of the financial year. This is after the application of £1.106m from the Comprehensive Spending Review (CSR) Reserve and of £0.275m of the Budget Pressures Reserves to support pressures within Children's Services and £0.225m from the Budget Pressures Reserve to support pressures within Spatial Planning.

1.2 The emerging pressures that were highlighted during the year and previous monitoring reports have materialised and have been included within the figures. Some of these risks to the 2012/13 budget were advised to Council when the budget was approved in February 2012.

1.3 The key variations within services which are projecting an overspend at the end of the year are:

- Children's Services: £3.1m (after the application of reserves) due to pressures within Safeguarding and Wellbeing service due to the number and costs for looking after Children and the costs for the continued use of agency social workers.
- Adult Social Care: £0.741m due to the number of Ordinary Residency cases coming into the Bay and the impact of new fee rates for Care Homes as approved by Council on 6 February 2013.
- Spatial Planning: £0.287m (after the application of reserves) due to a combination of unachieved 2012/13 savings, increased costs for Concessionary Fares and a shortfall in Planning and building control income.

- Savings within Finance primarily due to treasury management savings.
- 1.4 As mentioned in the last monitoring statement the Budget Pressures Contingency created as part of the 2012/13 budget setting has been used to address specific pressures identified within the year i.e. Children's Services and Spatial Planning and further monies have been released from the CSR reserve to support increased costs within Residential Care.
 - 1.5 Directors and Executive Heads have worked closely with Executive Leads to consider all options for addressing the projected overspend and to assess its impact upon the 2013/14 budget. As part of the budget proposals £2m additional resources has been allocated to Children's Services to fund the increased costs for Safeguarding and additional resources have been provided to Adult Social Care to fund the increased costs for Ordinary Residency.
 - 1.6 The Council continues to adopt strict measures of financial control including the continuation of a vacancy freeze and challenging all expenditure not yet committed. The Council must achieve a balanced budget at year end. Options to achieve this are:
 - a) those services overspending producing and delivering against in-year recovery plans which reduces or removes the projected overspend. For some services this will be extremely challenging due to the nature of the service and demand pressures and the limited time available until the end of the financial year;
 - b) all other services deliver in year savings resulting in an underspend at year end;
 - c) if insufficient savings can be made there is a risk that, as a last resort, uncommitted reserves or uncommitted budgets will be required to ensure a balanced budget can be achieved at the end of the year.
 - 1.7 A summary of the projected overspend is shown in the table 1 below and how it must be managed:

Table 1

	£'m	£'m
Council Forecast Overspend		5.763
Managed by:		
In Year savings identified to date by services	2.161	
Funding From Budget Pressures Reserve	0.500	
Funding From CSR Reserve	1.106	
		3.767
Balance remaining		1.996
Further options to balance budget:		
Further in year savings to be identified through recovery plans	to be confirmed	
Uncommitted budgets (see para 1.12)	to be confirmed	
Uncommitted reserves (if required)	to be confirmed	
Balance		0

Strategy For in Year Budget Management

- 1.8 The majority of budget pressures identified are for services provided to the most vulnerable residents within the Bay and these are some of the Council's most volatile budgets. However, there are also pressures with respect to the achievement of income targets within services.
- 1.9 The Council recognised at the end of quarter 2 that some of the pressures within services will not reduce in this financial year. Therefore resources were allocated from the budget pressures reserve to Spatial Planning and Children's Services and a further allocation to Children's from the CSR reserve was made at the end of quarter 2. Further resources have been allocated to Children's and Adults Services in 2013/14 to address the ongoing pressures.
- 1.10 In line with the Council's policy any service which is overspending its approved budget allocation will be expected to continue to address the key issues through the

implementation of their recovery plans and where possible identify further savings during the remainder of the year. The significant projected overspends are within Adults and Children's services i.e. the most vulnerable people within the Bay. Executive Lead Members and the Senior Leadership Team continue to take appropriate action to curtail expenditure to reduce the projected overspend and will continue to explore all opportunities to ensure recovery plans are delivered and to identify where other efficiencies and savings can be made to ensure a balanced budget is achieved. However it is recognised that there is limited time available to make further reductions within services which are currently projecting an overspend at year end.

1.11 The Strategy to address the current pressures is the implementation of continued strict financial management and control by the Senior Leadership Team and Executive Lead Members including a range of measures for all services:

- a moratorium on all non essential expenditure and a reduction in all other expenditure with an assessment of the services consequences.
- a freeze on all non essential recruitment through robust control by the Establishment Control Panel.
- a review of budgeted expenditure that could be ceased and an assessment of the services consequences.
- bringing forward any savings proposals for 2013/14 and implementing these to derive in-year savings.

1.12 The Council currently holds uncommitted budgets of £2m which is a combination of unallocated un-ring fenced grants such as New Homes Bonus and the Council's Contingency. Based on the latest projections unless further in-year savings can be achieved, and assuming there is no further increase to the projected overspend, all of these uncommitted budgets will be required to declare a balanced budget at year end.

Paul Looby
Executive Head of Finance and Chief Finance Officer

Appendices

Appendix 1 Summary of Main Variations

Appendix 2 Pooled Budget with Torbay Care Trust

Appendix 3 Budget Monitoring of Council Subsidiaries and Associates

Documents available in Members' rooms

None.

Background Papers:

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

None

Summary of Main Variations

A.1 Report Overview

A1.1 The purpose of this report is to provide Members with a summary of the projections of income and expenditure for all Business Units within the Council and to set out how the Council will maintain expenditure within its approved budget of £123.7m.

A1.2 The revenue monitoring statement shows the expenditure and projected outturn position based upon the latest information available to finance officers in consultation with service departments. Where possible, the implications or consequences arising from the variations are reflected in the key performance indicators for that service.

A1.3. Ongoing performance and financial monitoring will be provided to Members through the quarterly performance reports.

A.2 Performance

A2.1 Table 2 below provides a summary of the projected outturn position for Council services.

Table 2

Projected Outturn Position – Quarter 3

Business Unit/Service	2012/13 Budget	Spend to Date	Projected Out-turn	Variation at Out-turn
	£'000	£'000	£'000	£'000
Adults & Resources				
- Adult Social Care	42,905	37,426	43,646	741
- Commercial Services	3,798	2,743	3,768	(30)
- Information Services	3,863	3,264	3,863	0
- Supporting People	5,913	4,618	5,763	(150)
	56,479	48,051	57,040	561
Children, Schools & Families	20,456	19,402	23,556	3,100
Public Health				
Community Safety	2,628	744	2,357	(271)
Public Health	0	0	0	0
	2,628	675	2,357	(271)
Place & Resources				
- Business Services	1,986	1,192	1,728	(258)
- Finance	12,352	(5,912)	11,173	(1,179)
- Residents & Visitors	9,034	4,572	9,063	29
- Spatial Planning	5,311	3,658	5,598	287
- TDA - Clientside	2,639	2,102	2,639	0
- TDA - TEDC	1,720	1,725	1,720	0
- Torbay Harbour Authority	0	(126)	0	0
- Waste & Cleaning	11,142	9,813	10,869	(273)
	44,184	17,024	42,790	(1,394)
Total	123,747	85,083	125,743	1,996

Main Variations

A2.2 A summary of the main variances and the principal reasons for any underspends or overspends and any emerging issues within each directorate are explained below.

Place and Resources

A2.3 There is a projected underspend of £1.394m. A summary of the main variations are identified below:

Residents and Visitor Services is predicted to declare an overspend of £0.029m at year end.

Members will recall there has been a shortfall in car parking income during the year. Latest projections show this will be £0.410m which is thought to be primarily as a result of the poor weather during the summer season which has had an impact upon the number of visitors to the Bay. This relates primarily to off street parking. On-Street income is expected to meet its income target.

As previously reported to mitigate against the shortfall in income, Residents and Visitors have implemented a full moratorium on all discretionary spending, allowing only Health & Safety works, committed and contracted expenditure to take place. However it should be noted that this moratorium has meant there have been service reductions across this business unit.

The largest reductions are likely to be made in repairs and maintenance budgets across the services and therefore only essential works will be completed as a result. This will have service implications and will be kept under review.

As with all services, strict controls will be put in place to ensure that expenditure is controlled at the point of ordering, so all expenditure can be thoroughly challenged before approval is given.

Waste and Cleaning is projecting an underspend of £0.273m. As previously reported this is due to a continuation TOR2's introduction of various waste reduction and diversions initiatives which has generated savings in landfill tax and transportation costs. This has been partly offset by lower than expected income due to the non implementation of disposal charges at the Council's civic amenity site at Paignton.

Spatial Planning – is projected to overspend by £0.287m. This is after the application £0.225m from the Council's budget pressures reserve to fund the shortfall in the final negotiated payment to bus operators. £0.050m of the earmarked reserve for future Planning Inquiries has also been used to fund a statutory housing land assessment.

The projected overspend has arisen due to increased passenger numbers and therefore costs for Concessionary Fares and budget pressures within Planning. Although there has been relative stability in the projected shortfall in income levels from planning and building control to quarter 3 (helped further by the 15%

government approved increase in statutory planning application fees), more recent trends suggest the position is worsening and that a further reduction of £0.050m may be declared by year end.

Economic Development Company (Client side) – is projecting to spend within budget as at the end of quarter 3. Officers are considering the impact of the moratorium on expenditure and expect to identify savings at year end within the repairs and maintenance budget subject to there not being any emergency works required in the last quarter of the year.

Finance – is projected to underspend by £1.179m. The savings are primarily due to:

- savings within treasury management as a result of higher than budgeted cash balances (linked to the timing and profile of spend within the capital programme) combined with higher investment rates than budgeted leading to better investment returns.
- lower audit fees resulting from new arrangements for external audit of local authorities.
- additional housing benefit administration grant.
- reduction in discretionary pension costs.
- staffing savings due to vacancy management and a reduction in general administrative expenditure.

Business Services is projected to underspend by £0.258m due to:

- savings within the recruitment budget due to the freeze on recruitment within most of the Council.
- the receipt of additional income for services to schools.
- administrative and staffing savings within the business unit.

A2.4 **Community Safety.**

Community Safety is projecting an underspend of £0.271m due to:

- additional contract income derived from the Cemeteries and Crematorium Service.
- vacancy management savings and a moratorium on spend within the Business Unit.

A2.5 Children, Schools & Families

Children's are projecting an overspend of £3.1m - this is after the application of £0.275m from the budget pressures reserve to fund the costs of the recruitment and retention initiative to reduce social care agency costs and a further £1.106m from the CSR reserve to fund the increased costs within Residential Care.

This remaining overspend reflects the ongoing budget pressures and volatility faced by this service, primarily within Safeguarding and Wellbeing due to the numbers and costs for children in care and placements within the independent sector.

Whilst the "Make an Impression" recruitment campaign has been successful with the recruitment and retention policy of social workers there is still continued use of agency social workers which has a significant impact upon the projected overspend for the year. The vacancy rate within social care has fallen from 46% to 20%. This will result in reduced expenditure next financial year as there will be a full year effect for this cost reduction.

The overspend has been partly offset by savings within Children's, Schools and Communities and Commissioning and Performance budgets.

The number of looked after children at the end of December was 279 and the number of children on Child Protection Plans was 220.

Children's Services Response to the projected overspend

Children's Services is continuing its process of remodelling the service that aims to reduce the dependency on statutory provision by creating a targeted Early Help Service and Child in Need Service. This will systematically reduce the number of Looked After Children and the amount of time they spend in care. It will also reduce the number of children subject to a Child Protection Plan, thus reducing budget pressures in relation to statutory activity and placement costs.

Children's Services are also in the process of developing a more robust and assertive Fostering Strategy, which is designed to increase the number of in-house foster carers via a focused recruitment campaign which has been re-launched and a reduction in the time required to train foster carers. The success of the new training program should result in an additional 15 in house foster carers from April 2013. This will reduce the council's dependence upon Independent Sector Placements (ISP) for fostering which cost 50% more than in house foster carers. As a consequence this will reduce the growing dependency on external independent fostering placements and residential care and associated costs.

Members will be aware of the Children's Services dependence upon Agency staff for social workers. This is being addressed by the Make an Impression Campaign and the approved Recruitment and Retention Strategy. This has resulted in a reduction in the number of vacancies for Social Workers from 46% to 20% with reduction in agency costs. A further two social workers were appointed on the 6th

of Feb and interviews are currently being arranged for additional posts in two weeks (8 candidates short listed). This will bring children's services in line with the 10% target by the 1st April.

As an invest to save model, by September 2013, the investment to the Recruitment and Retention Strategy will achieve an overall saving of approximately £0.664m. This will result in a permanent staff team without any ongoing dependency on agency staff beyond the national average and the need to provide initial support to newly qualified staff.

As a result of the continual appointment of permanent staff this will have a significant effect on the child's journey through social care which will enable more effective long term planning and care arrangements for vulnerable young people.

The reliance upon ISP residential placements over the last 18 months has put considerable strain upon the budget. Children's have in place a robust placement review and approval process via the Access to Resources and Permanency Panels. Regular reviews are expected to reduce placement costs in the next three months.

As part of the Service Review Process, other savings have been identified and are in the process of being formalised as part of the overarching budget strategy. These will result in a remodelling of the non safeguarding element of Children's Services.

These changes are part of an ongoing plan to manage the budget over the next 2 years and will be incorporated as part of the business plan currently being developed which will review current processes and structures together with any management information requirements which are needed to inform decision making around service delivery and performance management.

Adults and Operations

- A2.6 This portfolio covers a range of services with budget pressures of £0.561m projected to year end.

Adult Social Care – net overspend of £0.741m. As reported previously this is due mainly to the number of ordinary residency cases within the Council i.e. movement of 22 adult social care clients from other local authorities. This is a volatile area resulting in increased cost pressures for the Council. The issue of Adult Social care clients changing their residence has been recognised nationally but is currently having a detrimental impact upon Torbay as a net importer of clients. This area has been monitored closely throughout the year but it is recognised that it is difficult to actively manage this cost pressure. The full year effect of these additional costs have been recognised within the approved 2013/14 budget for Adult Social Care. Council approved on 6 February 2013 revised Care Home Fees and these are reflected within the overall projected outturn position.

The Torbay and Southern Devon Health and Care NHS Trust have a Cost Improvement Programme (CIP) which is used to monitor and deliver the savings as required when the 2012/13 budget was approved. As highlighted previously the main risks to not achieving the cost reduction package include the achievement of a number of reviews within domiciliary care, and any changes to care home fees settlement.

At the end of the third quarter the Trust continues to make progress in delivering these savings. However, the full year effect of some of these savings will not be achieved due to the timing of the CIP.

The Trust has advised the Council that it will manage any shortfall in the delivery of its CIP in year savings target by utilising section 256 monies.

Appendix 2 shows the pooled budget for the partnership as managed by the [Torbay and Southern Devon Health and Care NHS Trust](#).

Supporting People – is projecting an underspend of £0.150m due to contractual savings and effective commissioning. This projected underspend may increase further over the remaining quarter.

Commercial Services – is projecting a small underspend of £0.030 due to savings within the Members Allowances budget and a projected underspend on the Coroner's budget.

All other services within this portfolio are projected to spend within their budget allocation as at the end of quarter 3.

A3. Reserves

A3.1 The Comprehensive Spending Review reserve is the Council's uncommitted reserve which was set up to meet the financial challenges it faces over the next few years. These challenges include:

- any unforeseen events or pressures that emerge during the year;
- invest to save initiatives where demonstrable savings can be delivered in future years;
- making provision for any costs of restructuring Council services.

Where possible reserves should only be used to support one off initiatives as it is not sustainable to use reserves to support ongoing commitments.

A3.2 As reported in the last monitoring report, the CSR reserve was projected to be significantly reduced by the end of the financial year. It was stated that the Council needed to consider how this reserve can be replenished to ensure it has sufficient

one off resources to support the council in addressing the financial challenges it faces in the next few years. This has been considered and at the budget meeting on 13 February 2013 Council supported the recommendation contained within the Review of Reserves report which approved the release of £1.4m of reserves to the CSR reserve. Due to the financial challenges the Council faces in delivering a balanced budget next year, this transfer to reserves will support the Council in meeting these challenges.

A3.3 The Mayor has agreed to release the following monies from reserves during 2012/13:

- £1.106m to Children's Services to fund the increased costs within Residential Care.
- £0.1m to fund an initiative for Housing Enforcement with respect to landlords.
- £0.050m for Arboriculture Services for the maintenance of trees due to the unseasonal wet summer.
- £0.020m to undertake a land review at Hollicombe.

In addition, to date £0.7m has already been incurred to fund the costs arising from council reorganisations and restructuring and will be funded from the CSR reserve.

A3.4 A summary of the Council's uncommitted reserve is shown below in table 3.

Table 3 - Uncommitted Reserves

Reserve	Working Balance £'m
Comprehensive Spending Review Reserve	
Balance as at 1 January 2013	3.300
Contribution arising from Review of Reserves	1.400
Possible calls upon reserves	tbc
Balance as at 13 February 2013	4.700
Redundancy Costs arising from 2013/14 budget	1.000m (estimated)
Projected overspend – 2012/13	tbc

A3.5 The Council is faced with a number of other cost pressures which will further reduce the level of reserves it holds. These include redundancy costs which will arise from the 2013/14 budget proposals and will be a liability in 2012/13. In addition, if the Council is unable to declare a balanced budget at year end any overspend will have to be funded from the CSR reserve.

A3.6 The Council also has its General Fund balance which is £4.0m and represents 3.2% of the Council's net budget which I consider to be a prudent level. It should be

noted that the General Fund reserve should only be called upon in emergencies.

A.4 Dedicated Schools Grant (DSG)

A.4.1 The DSG is currently reporting an underspend of £0.238m. The DSG is a ring fenced grant and can only be used to fund schools related activities.

A.5 Debtors Monitoring

A5.1 This section of the report provides Members with an update for the third quarter in 2012/13 in respect of council tax and business rate collection.

Council Tax

A5.2 The targets for the collection of Council Tax in 2012/13 are:

- (i) collect 96.5% of the Council Tax due within the 12 months of the financial year (i.e. April to March); and
- (ii) collect 50% of the arrears brought forward from previous years.

A5.3 The Council is due to collect £60.2m after the granting of statutory exemptions and reductions and Council Tax Benefit in the period April 2012 to March 2013. To date the Council has collected £50.4m which is about 83.8% of the Council Tax due in year. The collection level is in line with last year's performance.

A5.4 The total arrears outstanding at 31 March 2012 were £3.9m and this has been reduced by £1.65m which is about 41.5% of the total arrears due.

A5.5 There are no Council Tax write-offs over £5,000 to report.

Non-Domestic Rates

A5.6 The targets for the collection of NNDR (business rates) re:

- (i) collect 96.5% of the business rates due within the 12 months of the financial year (i.e. April to March); and
- (iii) collect 50% of the arrears brought forward from previous years.

A5.7 The Council is due to collect £36.59m after the granting of mandatory relief in the period April 2012 to March 2013. To date the Council has collected £31.4m which is about 86.1% of the business rates due in year.

A5.8 The total arrears outstanding as at 31/3/12 were £1.49m and this has been reduced by £0.643m which is about 43.1% of the total arrears due.

A5.9 There are five write offs above £5,000 which have been circulated to Members of the Overview and Scrutiny Board and are available to all Members upon request.

A5.10 Total write-offs in respect of NNDR debts over £5,000 amount to £0.086m. In addition there are write offs of £0.015m for housing benefits, £0.007m for sundry debts and £0.110m in relation to social care debts.

A.6 **Financial Performance of External Companies**

A6.1 For completeness a summary of the financial performance of the companies that Torbay Council has an interest in is included. Attached as appendix 3 is a list of those companies which summarises their projected outturn position.

Appendix 2

MANAGEMENT ACCOUNTS YEAR TO DATE TO 31 DECEMBER 2012 AND YEAR END FORECAST

SERVICE AREA	NET EXPENDITURE YTD				NET EXPENDITURE YEAR END FORECAST			
	BUDGET £'000	ACTUAL £'000	VARIANCE £'000	VARIANCE %	BUDGET £'000	ACTUAL £'000	VARIANCE £'000	VARIANCE %
HOSPITAL SERVICES	17,341	17,432	92	0.5%	23,119	23,271	152	0.7%
SOUTHERN DEVON COMMUNITY	7,723	7,660	(63)	-0.8%	10,311	10,249	(62)	-0.6%
TCT COMMUNITY SERVICES	10,432	10,340	(92)	-0.9%	13,923	13,817	(106)	-0.8%
NHS TORBAY - HEALTH IND SECTOR	9,403	9,403	0	0.0%	12,537	12,537	0	0.0%
PROVIDER HQ CORPORATE SERVICES	11,675	11,727	52	0.4%	15,414	15,395	(19)	-0.1%
PROFESSIONAL PRACTICE	7,008	6,996	(12)	-0.2%	9,347	9,344	(3)	0.0%
PUBLIC HEALTH								
MEDICAL DIRECTORATE	750	742	(8)	-1.1%	1,001	996	(5)	-0.5%
RESERVES	762	687	(75)	-9.8%	1,631	1,583	(48)	-2.9%
SUB TOTAL HEALTH	65,093	64,987	(106)	-0.2%	87,283	87,192	(91)	-0.1%
SOCIAL CARE	22,551	22,694	143	0.6%	30,068	30,809	741	2.5%
IN HOUSE SERVICES BAY WIDE	501	471	(30)	-6.0%	668	629	(39)	-5.8%
IN HOUSE SERVICES LEARNING DISABILITIES	2,016	2,016	0	0.0%	2,688	2,688	0	0.0%
SUB TOTAL ADULT SOCIAL CARE	25,068	25,181	113	0.5%	33,424	34,126	702	2.1%
TOTAL EXPENDITURE	90,161	90,168	7	0.0%	120,707	121,318	611	0.5%

CONTRACT AREA	SURPLUS (-) / DEFICIT YTD		SURPLUS (-) / DEFICIT YEAR END FORECAST	
NHS		(136)		(130)
LOCAL AUTHORITY		143		741

Appendix 3

Budget Monitoring of Council Subsidiaries & Associates

Budget Monitoring of Council Subsidiaries & Associates 2011/12 - Quarter Three	Council Ownership	Gross Income to Date £m	Gross Spend to Date £m	Surplus or (Deficit) to date £m	Projected Outturn £m
Subsidiaries					
Torbay Economic Development Company	100%	3.8	3.4	0.4	0
English Riviera Tourism Company	100%	0.8	0.6	0.2	0
Associates					
TOR2	19.99%	13.7	13.4	0.3	0.5
South West Careers	25%	6.1	6.0	0.1	0.1
PLUS	25%	14.1	14.0	0.1	0.1

