

Meeting: Overview & Scrutiny Board/Cabinet/Council

Date: 5 July /11 July/20 July 2023

Wards affected: All Wards

Report Title: Budget Monitoring – Outturn 2022/23 – Revised Officer Report (revisions shown in bold)

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 2022/23 which commenced on 1st April 2022. This report is based on the budget and final outturn position for the year ended 31st March 2023.
- 1.2. The Council has delivered an underspend of £0.4m. It is proposed that this underspend is transferred to an earmarked capital reserve to assist with delivery of the Capital Investment Programme. This is an improved position on the breakeven forecast at Quarter 3 and the £1.7m overspend initially forecast at Quarter 2.
- 1.3. A total of £33m has been spent in this financial year against the revised Capital Plan budget of £44m. This spend is part of an overall 4-year programme totalling £305m, funded from capital receipts, grants and contributions, reserves and revenue budget contributions, and long-term borrowing.

2. Recommendation(s) / Proposed Decision

Recommendations for Overview & Scrutiny Board

- 2.1 That the Overview & Scrutiny Board notes 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 Council's Capital outturn position and make any comments and/or recommendations to the Cabinet.

Recommendation for Cabinet/Council

2.3 That Cabinet notes the report.

2.4 That the Cabinet Recommends to Council:

That the Council notes the revenue outturn position and approves:

A) the transfer of the £0.4m carry forward into earmarked capital reserves.

B) the addition of the Torre Valley North project to the current Capital Programme.

3. 2022/23 Budget Summary Position

3.1 As the Council continues to recover from the financial impact of the pandemic, it has instead had to manage the national “cost of living” issues, arising from inflationary pressures including utility and fuel increases and escalating housing rent costs.

3.2 The financial pressures on services and providers are the highest they've been for many years, with CPI inflation at 10.1% in Sept 2022 and an average impact from pay awards of over 6% on 2022/23 pay costs. Whilst the Bank of England forecasts inflation to reduce, these financial pressures will continue and have been reflected within the Council's Medium Term Resource Plan.

3.3 Despite the continued uncertainty faced throughout the year, the approved budget set by the Council for 2022/23 effectively reallocated resources to meet the demands from these additional cost pressures, and through robust challenge and monitoring, Officers have managed to deliver a balanced budget with a small overall underspend.

3.4 The table below provides a summary of the Outturn position across Council Services, along with the movement from the figures reported in Quarter 3.

Service	Budget £m	Final Outturn £m	Variance £m	Movement since Q3
Adult Services	45.6	46.4	0.8	0.6
Executive	3.3	3.6	0.3	0
Children's Services	45.9	47.8	1.9	0.1
Corporate Services	7.2	7.9	0.7	(0.1)
Finance	-8.3	-12.3	(4.0)	(0.3)
Investment Portfolio	-4.6	-4.6	0	0
Place	21.6	22.5	0.9	(0.3)

Public Health	10.1	10.1	0	0
Revenue sub-total	120.8	121.4	0.6	0
Sources of Finance	120.8	121.8	1.0	1.0
Revenue Over/Under spend	0	0.4		

- 3.5 At this summary level the outturn for the council in 2022/23 was broadly in line with the in-year monitoring, particularly the last forecast made at Quarter 3. Variances across services were fairly small, with increasing pressures on Temporary Accommodation accounting for the movement in Adult Services. The slightly improved position is primarily down to an increase in 'Sources of Funding' and the levels of NNDR income received on cash balances being greater than the levels forecast, due to interest rate increases.
- 3.6 The Council recognises that this has offset several overspends during the year, which are being managed to ensure a balanced budget and outturn position in 2023/24.
- 3.8 The cost of service delivery has continued to increase within Torbay and, like most Councils, significant increases have also been seen in the prices of services from third parties, such as children's and adult placements, transport, housing etc.
- 3.9 The continuous improvement journey within Children's Services remains crucial to the Council's medium term financial stability and will be required to mitigate national issues around increasing demand as well as increasing prices.
- 3.10 Our integrated Adult Social Care arrangements with Health continue to provide fair value for Torbay. However, the contract has increased in price for the 2-year extension and further work is planned to agree a longer-term sustainable partnership.
- 3.11 Funds carried forward from 21/22 and held in specific reserves have been deployed effectively to support the reduction of long-term costs, as well as providing a pathway to deliver on the approved 2023/24 budget and help address the budget gap in the Medium-Term Finance Plan.

4. Collection Fund

- 4.1. The establishment of the Collection Fund reserve formed part of the Budget 2022/23 to meet the future impact of carrying forward the shortfall from 2021/22.
- 4.2 Performance in 2022/23 was in line with forecast collection levels, namely a 1% reduction on pre Covid-19 collection rates. The impact of the rising cost of living, inflation and utility prices forms the majority of the reason for this reduction of collection rates in 2022/23. We will continue to explore opportunities to increase our overall collection rates moving forwards.

- 4.3 Revised NNDR bills incorporating the new 2022/23 reliefs were issued at the start of the year. The Covid-19 Additional Relief Fund also provided rate relief to businesses that had not qualified for the other mandatory rate relief schemes in 2022/23.

5. Wholly Owned Companies

- 5.1 This section contains an overview of the financial position for the Council's wholly owned companies.
- 5.2 SWISCo. continues to experience financial pressure in terms of operational delivery, mainly due to inflation related higher material and fuel costs and a decrease in the value and therefore income of recyclable materials. The pay award of a fixed £1,925 per full time employee has had a disproportionate percentage impact on SWISCo given the higher proportion of staff below average salary rates. As a result, as per the agreement at the beginning of the year, the Council provided an additional £0.565m of funding specifically to meet the shortfall in the pay award. Despite the additional pressures, the generation of external revenue sources and ongoing efficiency improvements produced a final 2022/23 position of £0.022m surplus.
- 5.3 The TDA Group profit and loss reported an unaudited net surplus of £0.485m for 2022/23, which included a reported loss in the subsidiary company, TorVista Homes of (£0.371m).
- 5.4 TorVista Homes has now accumulated a deficit in the TDA group accounts to March 2023 of £0.791m. Based on the forecast trading performance, a request to extend TorVista Homes' working capital loan facility from £1.0m to £1.5m was approved on 13 October 2022 at Full Council. The losses in TorVista Homes are not unexpected until such times as the number of properties it manages increases to the levels within its business plan.
- 5.5 More detailed financial reporting about the Council's wholly owned Companies will form part of the final statement of accounts when presented to Audit Committee.

6. Statement of Accounts – 2020/21 and 2021/22

- 6.1 The Council's Statement of Accounts for 20/21 were only signed off by Grant Thornton in April 2023, despite their findings being presented to Audit Committee in Dec 2021.
- 6.2 The Council's Statement of Accounts for 21/22 remain unaudited by Grant Thornton and not signed off by the Government's Statutory deadline. This is a national audit issue, partly due to lack of capacity in the market.
- 6.3 The protracted statement of accounts process has put significant pressure on the finance team, who continue to work concurrently on multiple financial years.
- 6.4 This has had an impact on preparation of the 2022/23 accounts and a number of Councils, including Torbay, were unable to publish their unaudited accounts for public inspection by 31 May. A notice was published on the Torbay website explaining the delay.

7. Service Budgets

Adult Services

Service	Budget £'000	Final Outturn £'000	Variance £'000	Movement since Q3
Adult Social Care	43.4	43.2	0.2	0
Community and Customer Services	2.2	3.2	1.0	0.6
Total	45.6	46.4	0.8	0.6

- 7.1 Overall Adults Services overspent by £0.8m, mainly due to increasing costs in the provision of temporary accommodation to individuals and families.
- 7.2 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). Currently due to these financial arrangements with the ICO there is no impact on the Council budget, despite the increasing pressures within the sector. Members should however be aware of the financial position of this key partner, delivering a statutory council service.
- 7.3 The current financial arrangement with the ICO has been “renewed” for two years from April 2023 - at an increased price to better reflect the cost of care and the current levels of demand. Collaborative work is underway between Council & NHS colleagues on the Adult Social Care Improvement Plan (ASCIP) to manage these pressures. however there remains significant pressures within the Adult Social Care system.
- 7.4 Within Community Services there was an overspend of £1m, mainly due to cost pressures within Temporary Housing. There remains considerable demand pressure in the local housing market and lack of affordable accommodation, which continues to increase with the 'cost of living' crisis. The number of people at risk of homelessness continues to rise, currently associated with loss of accommodation in the private rented sector, but a changing picture related to mortgage repossession is likely to emerge. The low availability of temporary options for individuals and family groups in need of temporary accommodation (TA) is currently resulting in cost increases and likely pressures into 2023/24 as the lack of affordable move on accommodation for households is difficult to obtain. At the end of Q4 there were 166 households in TA being accommodated.
- 7.5 Work is underway on directly procuring and leasing property to increase the stability and cost of accommodation options available to the Housing Options team. This stability will allow more work to be done to prevent homelessness and support households to find more permanent housing. Of the 36 homes planned to be purchased, a total of 21 homes have now been acquired, with a further 11 having offers accepted. This will ensure a more traditional 'home' setting for individuals currently in Temporary Accommodation which is predominantly spot purchased B&B type accommodation.

- 7.6 There was also an overspend of £140k on Licencing, due to a combination of income shortfalls and additional agency costs.
- 7.7 Within Customer Services additional staff costs to support administration of several key grant schemes (in addition to the usual support and advice provided by the service) were offset by additional income from Household Support Fund. Implementation of the Council's Customer Relationship Management (CRM), system is expected to see more self-service options available for customers, which will help to streamline process in the future.

Children's Services

Service	Budget £'000	Final Outturn £'000	Variance £'000	Movement since Q3
Safeguarding Services	43.2	44.6	1.4	(0.5)
School Services	2.7	3.2	0.6	0.2
TOTAL	45.9	47.8	2.0	(0.3)

- 7.8 Overall Children's Services overspent by circa £2m.
- 7.9 Within Children's Safeguarding there is a net overspend of £1.376m, despite the continued oversight, challenge and support from colleagues within this area. Driving this forecast are high placement costs, that can average £20k – £25k per week. This serves as a reminder of the significance of the need for continued and rigorous whole Council support for this service given the financial impact of these placements.
- 7.10 Across the southwest Councils are seeing increased numbers of Cared for Children, reliance on agency staff and number of children and young people placed out of area. There are significant shortages of suitable placements available, meaning children & young people are unable to step down from residential to family-based settings such as fostering placements. This increased pressure is also driving up overall costs within the market. The legislation on unregulated placements changed in September 2022 and will result in further pressure on this budget into 2023/24.
- 7.11 Agency costs have been a significant financial pressure in recent years, but following successful recruitment and retention within the service, the total agency costs were at £2.3m this year compared with spend in 2021/22 of £4.9m. This demonstrates that Torbay Council has achieved significant improvements to influence spend where it can, including investment in newly qualified social workers. We are now seeing significantly increased salary expectations within the agency market and stiff competition from other Councils that are offering increased hourly rates to stabilise their own workforces.
- 7.12 Within Schools Services, Local Authority funded activities reported an overspend, mainly due to pressures within the provision of Home to School transport, with increasing fuel costs for transport providers as well as children and young people needing more bespoke arrangements to get to and from school.

- 7.13 The Nest nursery has been closed since Aug 22, and there is a potential overspend of £100k within 2023/34.
- 7.14. PFI costs for Homelands Primary & The Spires College continue until 2027/28, with an unfunded pressure each year estimated at £600k. It is intended that this, time limited, pressure is funded through a comprehensive review of Torbay Council reserves which will be reported back in the next reporting cycle.
- 7.15 Outside of Local Authority funded activities, the schools' higher needs block in the Dedicated Schools Grant (DSG) remains under financial pressure because of the level of referrals from schools for higher needs support for children. The pace of demand over recent years has been outstripping increases in dedicated funding.
- 7.16 For 2022/23 the DSG overspent by £2.732m, increasing the DSG cumulative deficit to £11.731m. Until the end of 2025/26 additional legislation has been passed that, for accounting purposes, reclassifies the deficit on the Council's balance sheet.
- 7.17 The Council is part of the Education and Skills Funding Agency (ESFA) and Department for Education (DfE) Safety Valve programme, which supports councils in achieving future financial sustainability in this area - with a write off by Government of the cumulative DSG deficit. If the council can deliver on its recovery plan and achieve a balanced higher needs budget, all of the historic deficit will be written off, through additional funding by ESFA. Torbay Council has already received £5.160m from the ESFA in response to its recovery plan. It is of importance to the Council's future budget position that the Council delivers its recovery plan.

Corporate Services & Executive

Service	Budget £'000	Final Outturn £'000	Variance £'000	Movement since Q3
Executive Support	3.3	3.6	0.3	0
Corporate Services	7.2	7.9	0.7	(0.1)
Total	10.5	11.5	1.0	(0.1)

- 7.18 The Executive Support unit shows an overspend of £0.3m due to continued income shortfalls in traded services such as Human Resources which also have overspends on staffing costs.
- 7.19 Within Corporate Services there is an overspend of £0.7m. This is caused by significant continuing pressures within Legal Services from both challenges to recruit and retain suitably qualified staff and also reduced fee-earning work. Other pressures include increased IT spend on cyber security and historical pressured of the print service, which has since started a new service delivery model. The Divisional Director for Corporate Services is working closely with the Head of Legal to mitigate the ongoing impact of these pressures in 2023/24.

Finance

Service	Budget £'000	Final Outturn £'000	Outturn Variance £'000	Movement since Q3
Finance	(8.3)	(12.3)	(4.0)	(0.3)

7.20 Within Finance (including Central Government Grants), there is an underspend forecast as a result of the following:

7.21 Significantly increased interest rates in the second half of the financial year, the Council received additional interest on its cash balances and investments. In addition, given the current levels of spend on Capital projects, there is also a saving on interest payable as the Council has not had to borrow in 2022/23.

7.22 There is a £0.4m gainshare declared from the arrangements within the Devon-wide Business Rates Pool.

7.23 Improved NNDR income as a result of Business Rate relief & resultant Section 31 Grants enabled the release of £0.6m further NNDR income.

Investment Portfolio

Service	Budget £'000	Final Outturn £'000	Outturn Variance £'000	Movement since Q3
Investment Portfolio	(4.6)	(4.6)	0	0

7.24 The Council's Investment Portfolio reported a net revenue contribution, after the use of the investment property reserve to cover lost rent, holding costs of vacant premises and landlord' works.

7.25 This means the Council's investment portfolio has contributed £4.6m towards Council activity and has maintained its Investment Fund Reserve which will help offset future pressures as and when they arise.

7.26 Any tenants with arrears are actively engaging with colleagues in TDA and repayment plans have been agreed and adhered to throughout the 2022/23 year.

Place

Service	Budget £'000	Final Outturn £'000	Variance £'000	Movement since Q3
Place Operations	13.1	13.9	0.8	0.2
Place Commissioned	3.3	4.3	1.0	(0.2)
Planning & Transport	5.2	4.3	(0.9)	(0.3)
Total	21.6	22.5	0.90	(0.3)

7.27 Within the Place directorate there is a £0.90m overspend, due to a combination of factors that include the following:

7.28 Place Operations has a net cost pressure of £0.8m.

- a. Within Torre Abbey income, there was a £0.2m shortfall as a result of visitor numbers being lower than anticipated.
- b. Additional support for Torbay Coast and Countryside Trust has been provided totalling £0.3m, to support the Trust with spend pressures.
- c. Net overspend on Highways of £0.25m, due mainly to increased energy costs for Streetlighting and Traffic signals.
- d. Additional financial support was made available to SWISCo of £0.6m. This was a result of services being affected by the financial implication of the 22/23 pay award.
- e. The pressures within Place Operations are partially offset by a £0.5m underspend within Parking Services and £0.1m underspend for Resort Services.

7.29 Place Commissioned services overspent by £1m, mainly due to increased utility and other property related costs totalling £0.6m. Contract fees were £0.2m over budget, partially impacted by rising costs due to increased commissioned work and inflationary uplifts.

7.30 Within Planning and Transport there was a net underspend of £0.9m, due mainly to reduced costs for Concessionary Fares (£1.1m). This is in part contributed to by fewer journeys being taken by concessionary fare passengers after the pandemic. Overspends across Development Control of £0.2m were as a result of falling income, from the current economic climate.

Public Health

Service	Budget £'000	Final Outturn £'000	Outturn Variance £'000	Movement since Q3
Public Health	10.1	10.1	0	0

7.31 Overall Public Health is reporting a balanced position within its ring-fenced grant. There was an underspend of £517k in 2022/23, which will be carried forward to continue to fund Public Health priorities in future years.

7.32 A significant amount of spend relates to the provision of 0-19 services, which is expected to see increased spending pressures in future years, because of inflation and pay awards.

8. One off allocations and ring fenced reserves

- 8.1 At year end the Chief Finance Officer transferred unspent “one off” budget allocations to reserves to be spent in future years. In addition, funds unspent from other earmarked or ring-fenced funding streams were also carry forward such as funds held for Adult Social Care and Public Health.
- 8.2 The net 2022/23 underspend across the council enables the £0.4m out-turn surplus to be transferred to reserves to support future budget pressures. It is proposed that this is moved into a specific earmarked Capital Reserve which will assist the Council in the re-prioritisation, and ultimate delivery, of the Capital Investment Programme. Revenue costs will be required to continue with design and feasibility work for specific schemes alongside bolstering capacity, and skills, in project delivery.
- 8.3 The Section 151 Officer presented an update report on Reserves to Council, in March 2023, as part of the 2023/24 budget setting papers. These Reserves will be reviewed in more detail over the coming months and be reported back to Committee through budget monitoring ultimately feeding into the budget setting process for 2024/25.

9. Capital Outturn 2022/23

- 9.1. In 2022/23 the Council spent £33m on capital projects, compared with a revised budget of £44m. This spend is part of a wider 4-year capital programme totalling £305m. The Capital Plan is funded from capital receipts, capital grants and contributions, reserves and revenue budget contributions, and long-term borrowing to ensure a balanced budget over the life of the Plan.
- 9.2. The spend for each project compared to the last reported budget is shown in Appendix 1 to this report.
- 9.3. There were over 30 separate projects that incurred spend over £100k This demonstrates the breadth and scale of projects a unitary council like Torbay is involved with, over a wide range of services including highways, schools, housing and regeneration. Nine projects incurred spend greater than £1m, with the largest spend of £4.1m relating to the purchase of housing to relieve the pressures in Temporary Accommodation.
- 9.4. The level of cost inflation on construction contracts is significant - as high as 100% increase in some areas. This pressure combined with a significant increase in the costs of future borrowing will require original business cases for capital projects to be reassessed to ensure financial viability.
- 9.5. These re-assessments, along with supply chain issues have impacted on the “pace” of spend and capital expenditure in the year was less than originally forecast. The balance on unspent capital budgets will be transferred into future years. The additional ongoing revenue costs relating to these projects have also been included within the 2023/24 budget.

- 9.6. In 2022/23 the Council established a capital contingency fund, that was increased to £12m to enable four capital projects to proceed - Harbour View, Edginswell enabling works, Edginswell retail unit and Lymington Road.
- 9.7. The funding of the capital spend on 2022/23 was in line with forecasts - primarily funded from capital grants (£18m) and from unsupported borrowing (£14m). These were supplemented by capital receipts, external contributions such as s106 payments and the use of reserves.
- 9.8. The Council, due to its cash flow did not borrow any additional funds during the year and remained within both its operational and authorised (borrowing) limits. Further detail will be included within a separate Treasury Management outturn report to Audit Committee.
- 9.9. The Capital and Growth Board have recently approved the use of Section 106 monies to deliver a new sports pavilion, with changing rooms and a social area at Torre Valley North (TVN - a priority within the Torbay Playing Pitch Strategy. The robust modular unit will encompass the needs of differing sports clubs including athletics, cricket and rugby, as well as being vandal tolerant. Project costs are estimated at £425k, funded primarily from S106 monies, as well as other strands including contributions from Paignton CC and Torbay Athletics Club. It is proposed that this project is added to the current Capital Programme.**

10. Risks & Sensitivity

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

Risk	Impact	Mitigation
Financial sustainability and write off of the DSG Deficit	High	The Council has a recovery plan approved with the Department for Education's Safety Valve programme.
Adult Social Care funding is not sufficient to meet forecast costs	High	The Director of Adult Social Care is developing a range of intervention activity and savings plans, in collaboration with Health Trust colleagues
High inflation rates have major impact on both revenue and capital costs.	High	The 23/24 budget includes a higher than usual allowance for inflationary pressures, with contingencies also held for revenue and capital.
The "cost of living" economic impact on the Council's residents from higher fuel and utility costs is likely to impact on both	High	The Council will continue to mitigate where possible the impact on council services and support/signpost residents to support.

demand for council services and may result in reduced income from council tax.		The council will continue to administer payments under both the Household Support Fund and Council tax Rebates.
Collection Fund shortfall	High	Additional resources allocated to support the Revenues & Benefits team and a review of debt recovery will be undertaken.
Unable to recruit staff and need to use agency staff.	High	Work continues to identify solutions to these challenges which seem to be on a national scale. Recruitment & retention of Social Work staff, particularly in safeguarding is still one of the core priorities for the Senior management team within Children's Services.
Delivery of Children's Services cost reduction plan	High	Meetings continue to monitor the current rate of delivery against the identified actions from the Sufficiency Strategy.
Investment Property Income changes	High	The Investment Board will continue to review future leases and manage any potential break clause implications – maintaining appropriate balances within the Investment Reserve
Temporary Accommodation – increasing demand and cost pressures within the local housing market.	High	Work is underway on directly procuring and leasing property to increase the stability of accommodation options available to the Housing Options team

11. Appendices.

11.1. Appendix 1 – Capital Plan Summary – Outturn position for 2022/23