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 £127m.

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 financial monitoring will be provided to Members quarterly and performance reporting will be provided to Members on a 6 monthly basis.

A.2 Financial Performance

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

Table 1

Projected Outturn Position – Quarter 2

Business Unit/Service	2013/14 Budget	Spend to Date	Projected Out-turn	Variation at Out-turn
	£'000	£'000	£'000	£'000
Adults				
- Adult Social Care	43,756	20,866	43,375	(381)
- Supporting People	4,418	2,200	4,318	(100)
	48,174	**23,066**	**47,796**	**(481)**
Children, Schools & Families	**28,455**	**20,999**	**31,455**	**3,000**
Public Health				
Community Safety	1,982	435	1,855	(127)
Public Health (ring fenced budget - £7.150m)	0	2,713	0	0
	1,982	**3,148**	**1,855**	**(127)**
Place				
- Residents & Visitors	7,807	4,074	7,807	0
- Spatial Planning	5,671	2,667	5,571	(100)
- TDA - Clientside	2,393	2,002	2,293	(100)
- TDA - TEDC	1,677	1,246	1,650	(27)
- Torbay Harbour Authority (ring fenced budget - £4.928m)	0	71	0	0
- Waste & Cleaning	11,826	9,731	11,826	0
	29,374	**19,791**	**29,147**	**(227)**
Operations and Finance				
- Commercial Services	3,539	1,514	3,424	(115)
- Information Services	3,516	2,074	3,466	(50)
- Business Services	1,655	756	1,655	0
- Finance	10,255	(3,637)	9,666	(589)
	18,965	**707**	**18,211**	**(754)**
Total	**126,950**	**67,711**	**128,361**	**1,411**

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

A2.3 There is a projected underspend of £0.227m. A summary of the main variations are identified below:

Residents and Visitor Services is projecting a balanced position at year end. The service is subject to a number of pressures including a shortfall in car parking income of £0.300m. Other pressures reported in the last monitoring report still exist i.e. TOR2 timing and implementation of 2013/14 savings. operational costs at Torre Abbey, additional costs for Events. However the Executive Head for Residents and Visitors has implemented a strict moratorium on all discretionary spend allowing only Health & Safety works, committed and contracted expenditure to be taking place to ensure the service delivers a balanced budget at year end.
Waste and Cleaning is projecting to remain within its approved budget. Members will recall that underspends have been achieved within this budget over the last few years due to TOR2's introduction of various waste reduction and diversions initiatives and a fall in the tonnages of waste. As at the end of September tonnages are in line with forecast levels and will be monitored closely over the next quarter to assess if a balanced budget position can be declared.
Spatial Planning – is projected to declare an underspend of £0.1m. There are a number of volatile income budgets within this service i.e. planning, building control which are closely monitored throughout the year. The Concessionary Fares Budget - is projected to underspend by £0.1m due to a lower number of passenger journeys than forecast at the start of the financial year.
Economic Development Company is projecting to declare an underspend of £0.127m of which £0.1m relates to a reduction in planned repairs and maintenance spend in response identifying savings to reduce the corporate overspend and £0.027m due to a reduction in staffing costs within the EDC**.**

A2.4 **Public Health**

Public Health is a ring fenced account and is expected to spend within its overall allocation of £7.150m for 2013/14. **Community Safety** is projected to underspend by £0.127m. The main reason is due to additional income within the Crematoria budget. Other savings include vacancy management and a moratorium on spend to help reduce the corporate overspend.

A2.5 **Children, Schools & Families**

Children's are projecting an overspend of £3.0m after the use of a £1m from the budget pressures reserve and after the application of savings proposals from their recovery plan and underspends reported primarily within Family Services.

The projected overspend is primarily due to budget pressures within Safeguarding and Wellbeing where, based upon current commitments the budget is overspending by £4.5m an increase from £3.8m reported at the end of quarter one.

In overall terms the overspend is due to the costs for children in care and placements within the independent sector and continued use of agency social workers primarily as a result of cover for maternity leave.

The overspend represents 11% of the net budget for Children's Services.
The number of looked after children at the end of September 2013 is 299 a decrease of 1 since the end of March 2013. The number of children on Child Protection Plans at the end of September was 157 a decrease of 23 since the end of March 2013.

Children's Services Response to the projected overspend

The latest forecast spend indicates the challenges faced by Children's Services. As reported previously the service is continuing to be remodelled to 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. However, the changes are based on a long term sustainable strategy e.g. the process of developing a more robust and assertive Fostering Strategy, which is designed to increase the number of in-house foster carers and move Children from ISP placements without affecting outcomes.

As previously reported Members will have been advised of the Children's Services dependence upon Agency staff for social workers. This dependence was reduced by the successful Make an Impression Campaign and the approved Recruitment and Retention Strategy. However, due to a number of social workers taking maternity leave it has been necessary to increase expenditure on agency staff to maintain caseloads at acceptable levels.

The reliance upon Independent Sector residential placements in the past has put considerable strain upon the budget. Children's have introduced a robust placement review and approval process via the Access to Resources and Permanency Panels, however whilst there has been some success the increased demand has negatively skewed any gains.

The Children's Services Management team are fully aware of the financial challenges faced by the Council and importance of strict financial management and control. The management team have already started to implement a number of changes which will retain the projected overspend. These measures include:

- undertaking a restructure of the Children's Services Management team;
- a comprehensive review of all budgets across the service to deliver savings and efficiencies;
- implementation of a residential migration project as a cost effective alternative to residential care. An experienced organisation will be used to support officers in moving children in to foster placements from residential care by using a comprehensive matching process and targeted support to enable children to live in a family environment;
- development and implementation of a new strategic approach for Foster carers by increasing the number of in-house foster carers and reduce the reliance upon the costly independent sector;
- review and analysis of services and costs with disabilities service;
- initiate a new brokerage system to reduce the costs of residential care.
- embed the successful recruitment and retention strategy

Additional proposals are now under development to provide 'in house' specialist carers, community based parent and child assessments, intensive youth support (including the social impact bond proposal) and a new targeted early childhood service. Where possible each of these proposals will be developed from within existing resources, however there may be elements of 'invest to save' to secure the long term benefits to both the budgetary situation and outcomes for children and families.

These changes are part of an ongoing plan to manage the budget to ensure expenditure is contained and runs alongside existing business plans which will be continuingly developed and reviewed. They are an integral part of a two year budget reduction plan for Children's Services.

Adults

A2.6 This portfolio covers Adult Social Care and Supporting People and is projecting an underspend of £0.481m.

Adult Social Care

Adult Social Care provides services to some of the most vulnerable adults within the Bay. As at the end of September Adult Social Care is projecting an underspend of £0.381m. This is due to a reduction in care home placements for residential care and nursing care numbers and continues a recent trend which started at the end of the last financial year and Ordinary Residency costs have been below budgeted levels during the first 6 months of the financial year.

Whilst the position half way through the year is encouraging Members are reminded of the volatility of placements and increased costs for Ordinary Residency which could put pressure on the Council's largest area of expenditure in the second half of the financial year.

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 currently projected to underspend by £0.1m due to vacancy management and savings derived from contractual changes since April 2013.

A2.7 Operations and Finance – are projected to underspend by £0.754m.

Finance – is projected to underspend by £0.589m due to:

- savings within treasury management primarily due to savings on interest payments due to the repayment of loans at the end of 2012/13 and as a result of a further £10m loan repayment in August 2013. The annual interest saving is £0.4m. The payment of advance interest to exit these loans was £0.8m – a payback period on interest costs saved is under 3 years.
- staff savings arising from a restructure and administrative savings within the department.
- additional receipt of housing benefit administration grant.
- lower than budgeted for external audit fees.

Commercial Services – is projected to underspend by £0.115m due to savings within the Members Allowances budget and a reduced contribution to the insurance reserve.

Business Services – is projected to spend within its allocated budget. Savings have been achieved due to vacancy management, implementation of a restructure and addition income from bought back services. These savings have been offset by additional costs with respect to the implementation of the Council's new payroll system.

Information Services is projected to underspend by £0.050m due to vacancy management savings and IT infrastructure savings.

A3. Reserves

A3.1 The Comprehensive Spending Review (CSR) 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.

The Chief Finance Officer has advised that where possible reserves should only be used to support one off initiatives as it is not sustainable to use reserves to support ongoing commitments. As identified within the 2012/13 outturn report the balance for the CSR reserve was £3.1m.

A3.2 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 2014/15 budget round (£1.6m last year) and will be a cost in 2013/14. In addition, if the Council is unable to declare a balanced budget at year end after the application of other uncommitted budgets and savings any overspend will have to be funded from reserves. This will reduce the Council's uncommitted reserves and impact upon how the Council manages further reductions in government grant in 2014/15 and 2015/16.

A3.4 A summary of the Council's uncommitted reserve and monies approved by the Mayor to be released from the CSR reserve in 2013/14 are shown below in table 3.

Table 2 - Uncommitted Reserves

Comprehensive Spending Review Reserve	Working Balance £'m
Balance as at 30 September	**2.9**
Potential Calls on CSR Reserve	
Redundancy Costs arising from 2014/15 budget	1.5m (estimated)
Budget Pressures in 2013/14 (current projected overspend of £1.4)	To be confirmed

A3.5 The Council also has its General Fund balance. Since Torbay became a Unitary authority in 1998 there has not been a call on the general fund balances. The current balance is £4.4m and represents 3.5% of the Council's net budget.

A3.6 There has been significant media attention as to the level of reserves held by Council's. The Audit Commission in December 2012 issued a report "Striking a Balance" seeking to improve Council's decision making on reserves.

http://www.audit-commission.gov.uk/wp-content/uploads/2012/12/strikingabalance.pdf

The report found that many Councils had been setting aside funds as a response to funding reductions and financial uncertainty. CIPFA welcomed the report and made the following response:

“*We have to be extremely careful about using one-off reserves to fund shortfalls in recurring funding. Reserves are not a long term solution. At best they buy time to enable service changes to be planned and implemented in an orderly way.*

A3.7 It should be recognised that the general fund balance is uncommitted (unlike other earmarked reserves) and provides funds that would only be used for any unforeseen or unexpected expenditure that could not be managed within service budgets or earmarked reserves. With this in mind and in light of the difficult financial climate faced by the Council and reduction to the Council's net budget, the Chief Finance Officer believes that a cash balance of £4.4m is a prudent and sustainable level to protect the Council from the increased risks it faces with respect to the ongoing grant reductions from Government and increased demand for some services. In addition the Council's external auditors will have a view as to the level of the Council's General Fund Balance.

A.4 Dedicated Schools Grant (DSG)

A.4.1 DSG funded activities is currently reporting an underspend of £0.855m. This is primarily due to receipt of additional DSG after the budgets were approved. The DSG is a ring fenced grant and can only be used to fund schools related activities.

A.5 Debtors

A5.1 This section of the report provides Members with an update for the second quarter in 2013/14 in respect of council tax and business rate collection.

Council Tax

A5.2 The targets for the collection of Council Tax in 2013/14 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 £64.5m after the granting of statutory exemptions and reductions and Council Tax Support in the period April 2013 to March 2014. To date the Council has collected £34.9m which is 54.3% of the Council Tax due in year. The collection level is lower than last year when 55.95% was collected.

Following the introduction of the Local Council Tax Support Scheme the Council is monitoring closely the impact of the changes upon collection rates. The collection rate for accounts where last year there was no Council Tax liability in 2012/13 is 30.77%. The collection rate where the account was not entitled to maximum Council Tax Benefit is 38.38% compared to 38.14% for last year.

A5.4 The total arrears outstanding at 31 March 2013 were £3.67m and this has been reduced by £1m which is about 26.9% of the total arrears due. At the equivalent time last year the Council had collected £1.1m off arrears of £3.97m, which equates to around 29.3%.

A5.5 There are no Council Tax write-offs over £5,000 to report. 298 council tax accounts with a value of £0.077m have been written off in the second quarter.

Non-Domestic Rates

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

(i) collect 97% of the business rates 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.

A5.7 The Council is due to collect £36.6m after the granting of mandatory relief in the period April 2013 to March 2014. To date the Council has collected £22.3m which is 61.1% of the business rates due in year. In the equivalent period last year the Council had collected £22.1m which equates to 60%.

A5.8 The total arrears outstanding were £1.55m and this has been reduced by £0.553m which is about 35.7% of the total arrears due. Last year the Council had collected £0.469m off arrears of £1.49m which equates to around 31.4%

A5.9 There are nine 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 The Council has written off 38 accounts in quarter two with a value of £0.086. There are 7 write offs above £5,000.

A5.11 There are two benefits and two sundry debtor write off's over £5,000. The total amount written off in quarter two is £65.8k and £65.9k respectively for these debtors.

A5.12 Latest projections is there is a reduction in the council's net yield for business rates as a result of increased reliefs for SBR, mandatory and empty property exemptions. Implications of these changes will continue to be reflected in future budget projections.

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.