



Title: **Revenue Budget Monitoring 2014/15 – Quarter 1**

Wards Affected: **All Wards in Torbay**

To: **Priorities and Resources Review Panel** On: **1 September 2014**

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1. Key Points and Summary

- 1.1 At this early stage of the financial year, a number of budget pressures have been identified which Torbay Council must manage in order to deliver a balanced budget. The latest projected outturn position at the end of the first quarter is a £2.138m overspend.
- 1.2 The two main pressures are within Children's - Safeguarding and Wellbeing and Adult Social Care. As in previous years Members were advised of the financial challenges that would be faced when the 2014/15 budget was set in February 2014. The inherent risks the Council faced, when the budget proposals were approved, were set out in the budget report and these risks were accepted by Members and arise from the ongoing austerity measures from the coalition government and demand pressures across a number of services.
- 1.3 Due to the continued service pressures and the impact of previous budget reductions the significance of this projected overspend, at such an early part of the financial year, should not be underestimated. The Senior Leadership Team and Executive Lead Members are working hard to address the pressures and take corrective action where appropriate.
- 1.4 The key variations within services are summarised below:
 - Children's Services: The Director of Children's Services is forecasting a projected overspend of £1.4m at the end of the year. However, the headline overspend within Safeguarding and Wellbeing is £6.2m on an approved budget of £21m. This is before the application of the earmarked contingency and delivery of the recovery plan. The overspend is due primarily to pressures within the Safeguarding and

Wellbeing service arising from the number and costs for looked after children and the costs for the continued use of agency social workers.

- Adult Social Care: £0.8m projected overspend due primarily to delayed and non delivery of the Cost Improvement Programme managed by the Torbay and Southern Devon Care and Health NHS Trust.
- Waste: £0.2m projected overspend due to increased costs primarily arising from increased tonnages and the delayed opening of the Energy for Waste Plant.
- Residents and Visitors: projected overspend of £0.490m due to lower forecast income against the approved budgets for, Parking Services, Sports, Torre Abbey and Corporate Security.

1.5 In addition to the pressures identified above, at this early stage of the year other Business Units will be monitored closely over the next quarter to ensure any other financial pressures are identified and managed.

1.6 In response to the projected outturn position within Children's Services, a 5 year Cost Reduction Plan has been developed to manage existing and future pressures and identify work packages as part of a cost reduction programme. This work is supported by Social Finance and will be presented to Council in September for approval.

1.7 If the 5 year plan and recovery plan is not considered robust enough and deliverable to reduce or contain the overspend in the short and medium term the Senior Leadership Team and Executive Leads will have to consider all options for addressing the projected overspend including strict controls on the recruitment to any vacant posts and curtailment of all non essential expenditure. Due to the size of the overspend in the first quarter of the financial year, it proposed that some uncommitted budgets are held to offset and reduce the current overspend.

1.8 With respect to Adult Social Care, the Trust has produced a recovery plan which has been appended to this report which sets out the actions that are being taken to reduce spend.

1.9 At the time of writing this report Members are scrutinising the 2015/16 savings proposals. Part of the strategy to reduce the current projected overspend will be to bring forward as many of those savings proposed for 2015/16 into the current financial year to deliver in-year savings.

1.10 Members will be aware that the Council must achieve a balanced budget at year end. This will be achieved by either:

- a) those services overspending producing in-year recovery plans which reduces or removes the projected overspend;
 - 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.
- 1.11 Members will be aware the Council does hold reserves. These should only be used for one off purposes and are not a solution to supporting ongoing financial commitments. Members should be aware that unless action is taken to reduce the existing overspends there is a possibility that the council will have to draw down monies from the Comprehensive Spending Review Reserve in 2014/15 to ensure a balanced position is achieved.

Strategy for in Year Budget Management

- 1.12 As in previous years' the Council will continue with its adopted ongoing Strategy in response to the coalition government's austerity programme and to address its own financial challenges. Fundamentally the Senior Leadership Team and Executive Lead Members must maintain strict financial management and control over all services areas. This will have to include some or all of the following measures:
- 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.
 - a review of budgeted expenditure that could be ceased and an assessment of the service consequences including reshaping of services where possible.
 - bringing forward any savings proposals for 2015/16 and implementing these to derive in-year savings.
 - Redeployment of staff directly affected by any restructuring proposals where vacancies exist.
 - identification of any invest to save schemes that will have immediate cost savings in 2014/15 and beyond.
- 1.13 In terms of delivering the requisite amount of savings required based on the quarter one forecast position, bringing forward proposed 2015/16 savings will probably result in the greatest value of savings. That said there must be a recognition that due to the scale of the financial challenge faced, drawing down on reserves may be needed to reach a balanced position in 2014/15.

- 1.14 The effective implementation and delivery of the 5 year financial strategy for Children's Services and the recovery plan for Adult Social Care are essential to ensure the council's financial position is robust both in this and future years. Members of the Overview and Scrutiny Board will have an opportunity to discuss the recovery plan for Adult Social Care and the Cost Reduction Plan for Children's Services. The Cost Reduction Plan will be presented to Council in on 25 September for approval.

Paul Looby
Executive Head of Finance and Chief Finance Officer

Appendices

Appendix 1 Summary of Main Variations

Appendix 2 Torbay and Southern Devon Health Care Trust Recovery Plan

Exempt Appendix 3 Write offs above £5,000

Documents available in Members' rooms

None.

Background Papers:

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

None.