

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 £115.8m.
- 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.

A.2 Financial Performance

A2.1 Table 1 below provides a summary of the projected outturn position for Council services. The 2014/15 budget has been revised to reflect changes to services within individual Business Units.

Table 1: Projected Outturn Position – Quarter 3

Business Unit/Service	2014/15 Budget	Net Spend to Date	Projected Out-turn	Variation at Out-turn
	£'000	£'000	£'000	£'000
Director of Adults				
Adult Social Care	41,733	32,553	42,286	553
Other Adult Care Services	1,878	1,041	1,780	(98)
	43,611	33,594	44,066	455
Director of Children's Services	25,333	20,737	28,120	2,787
Director of Operations and Finance				
Commercial Services	4,601	3,750	4,611	10
Finance	8,565	(53)	6,789	(1,776)
Information Services	3,273	2,141	3,209	(64)
	16,439	5,838	14,609	(1,830)
Director of Place				
Residents & Visitors	7,293	3,943	7,395	102
Spatial Planning	5,521	4,502	5,586	65
TDA - Clientside	2,206	1,393	2,206	0
TDA – TEDC	1,557	2,774	1,465	(92)
Torbay Harbour Authority	26	(73)	42	16
Waste & Cleaning	11,499	10,839	11,499	0
	28,102	23,378	28,193	91
Director of Public Health				
Community Safety	2,271	1,956	2,220	(51)
Public Health	0	1,305	0	0
	2,271	3,261	2,220	(51)
Total	115,756	86,808	117,208	1,452

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.

Adults

A2.3 This portfolio covers Adult Social Care, Joint Equipment Store and Other Adult Care Services and is projecting to overspend by £0.455m.

Adult Social Care

The provision of Adult Social Care is a commissioned service provided by the Torbay and Southern Devon Health and Care NHS Trust. The Trust are forecasting a £0.253m overspend for the year at the end of quarter 3 – a £0.240m reduction compared to quarter 2.

The Torbay Community Equipment Service is forecasting a projected overspend of £0.3m at the end of the third quarter. This is a jointly Commissioned Service with the CCG providing adaptations and equipment to clients. Unless the profile of spend reduces over the coming months there is a risk the outturn position could be an overspend of £0.4m.

Based upon latest projections from the Trust the budget pressures are within the Independent Sector where there is a forecast overspend of £0.196m and in – house Learning Disability of £0.057m.

The main pressures in the independent sector are within mental health services specifically related to expenditure pressures. For the under 65s client group the direct payments budget was set on approximately 15 clients per week receiving a direct payment. This figure has consistently been exceeded by an average of 13 clients.

When direct payment numbers increase normally you would anticipate a drop in clients elsewhere: preferably in long stay residential care. This has not been the case this financial year.

For the over 65s client group long stay residential care is overspending due to approximately 13 clients more in the system than budgeted for and long stay nursing care has 7 clients more in the system than budgeted for.

Domiciliary care is the final area experiencing budget pressures within this client group. Based on current commitments there are 6 additional clients in the system compounded by an increase in the average weekly cost.

Members will be aware there has been an extensive Cost Improvement Programme (CIP) managed by the Trust for Adult Social Care. The total CIP target was £2.888m of which £2.582m of estimated savings have been delivered to date. Key areas to note include.

1. under delivery against CIP Plan to date on Packages of Care (POC) under £70.
2. non-residential POC £70.01 to £606 is estimated to deliver 42% of its CIP target.
3. good progress has been made on the other main schemes including Residential Based under £606 and POC over £606 where the CIP has been exceeded.

The Trust has advised that as the latest forecast is based on 9 months data the overall financial challenges are becoming clearer. The forecast is based on the current client base and there could be further changes to the forecast outturn position due to the nature of the service, demands placed upon it as there are a number of volatile factors that could influence the forecast.

The Torbay Community Equipment Service is projecting an overspend of £0.300m due to increased demand for adaptations and equipment in the first half of the year. However pressures remain in the system and there is risk the forecast outturn position will increase.

Other Adults Social Care is projecting to underspend by £0.098m due to a combination of contractual and vacancy management savings.

A2.4 Children, Schools & Families

At the end of quarter one the Director of Children's Services was forecasting a projected overspend of £1.4m after the application of the £2m contingency for Children's Social Care and £1.5m from earmarked reserves which was agreed as part of the budget proposals in February 2014. The forecast position at the end of quarter 3 is a £2.787m overspend which is after the delivery of anticipated savings from their recovery plan. The forecast overspend has increased by £0.533m compared to the quarter 2 position.

A summary of the budget pressures within Children's Services are shown below:

	£'m
Children's Services Projected Overspend	6.287
Less:	
Use of Contingency	2.000
Use of one off PFI sinking reserve (approved by Council Feb 14)	1.500
Forecast Outturn Position	2.787

The projected overspend is primarily due to budget pressures within Safeguarding and Wellbeing due to the number, length of placements and cost of independent sector placements (ISP) and residential placements and increased staffing costs due to the ongoing use of agency social workers within the Safeguarding and Wellbeing service.

The headline position for Safeguarding and Wellbeing after the application of the contingency, reserves and the recovery plan is a forecast overspend of £3.0m. The overall forecast position for Children's Services is partly offset by a projected underspend within Schools Services of £0.2m and a small projected underspend within the Commissioning and Performance service.

The number of looked after children at the end of December 2014 is 302, an increase of 8 since the end of quarter 2 but a decrease of 12 since the end of March 2014. The number of children on Child Protection Plans at the end of December is 170, an increase of 33 since the end of quarter 2 and a decrease of 3 since the end of March 2014.

Members approved a 5 year cost reduction plan to address the budget pressures within Children's Services in October 2014. This report set out the work undertaken by Social Finance who have been supporting Children's Services in the delivery of new operational working practices to ensure the costs for the service are brought in line with the average cost when compared to other local authorities.

The plan requires investment over the next three years which will be funded from earmarked reserves as set out in the Review of Reserves report which Council approved in October 2014. These reserves will have to be replenished from the forecast savings achieved within the service. If these savings are not delivered this will impact upon all other services within the council as the reserves are earmarked for specific purposes in the future.

As previously mentioned the programme of activities currently in place and being developed will continue to remodel the service and are required to reduce the number of Looked After Children and the amount of time they spend in care. The programme will include embedding a more robust and assertive Fostering Strategy, which will have to increase the number of in-house foster carers and move Children from Independent Sector Placements without affecting outcomes if savings are to be delivered. The implementation of a residential migration project must be achieved if it is to be a cost effective alternative to residential care.

Council approved that the Director of Children's Services bring separate monitoring reports on progress of the programme of activities which will deliver the Cost Reduction Plan. The Director of Children's Services provided an update to the Overview and Scrutiny Board on progress against the plan in December 2014. Members of the Board will continue to receive regular quarterly reports from the Director of Children's Services to review and assess the costs reductions required for this service.

Place

A2.5 There is a projected overspend of £0.091m a fall of £0.119m compared to quarter 2. A summary of the main variations are identified below:

Residents and Visitor Services is projecting an overspend of £0.102m at the end of the third quarter, a fall of £0.108m compared to quarter 2.

This is due primarily to:

- spending pressures within Parking Services where there is a projected budget pressure of £0.2m. This is a combination of on and off street parking and a reduction in enforcement income.
- Torre Abbey is reporting a projected overspend of £0.075m due to lower than anticipated visitor numbers and operational pressures.
- Sports Services are projected a shortfall in income of £0.110m.
- Corporate security costs (CCTV) are projected to overspend by £0.03m due to a shortfall in forecast income partly offset by vacancy management savings.
- These overspend have been partly offset by administrative savings and vacancy management across Residents and Visitors service, strict financial control across all services and a moratorium on spending to maintain spend within the approved budget and receipt of additional income e.g. engineering team.

Waste and Cleaning is projecting to spend within its approved budget. The impact of waste tonnages and recycling is a volatile area and will continue to be monitored closely in the last quarter of the financial year.

Spatial Planning – is projected to overspend by £0.065m. This is primarily due to lower than budgeted building control income.

Economic Development Company is projecting a £0.092m underspend due to a return of unspent funds for regeneration projects.

Torbay Harbour Authority – includes the management of beach services is projecting an overspend of £0.016m due to budget pressures within the beaches service.

A2.6 Public Health

Services within Public Health and Community Safety are projecting an underspend of £0.051m. This relates to Community Safety where budget pressures within the Housing Options service, due to increased costs for temporary accommodation, have been offset by savings within Environmental Health and other services due to vacancy management.

A2.7 Operations and Finance

Operations and Finance is projected to underspend by £1.830m.

Commercial Services is projecting a small overspend of £0.01m due to a delay in realising savings from the new combined Coroner area.

Finance is projected to underspend by £1.776m. The main variations are summarised below.

Financial Services is projecting to underspend by £0.2m due to vacancy management savings within Financial Services and lower external audit inspection fees.

A number of corporate budgets are “accounted for” within the Finance budget. Due to the council projected overspend where possible any potential underspend from these have been identified and will be used to offset the overspend and include a council contingency (£0.5m).

In addition savings have been identified with, reduced pensions costs (£0.3m) and the forecast surplus for Torbay’s share of the Devon Wide Business Rates Pool (£0.4m) and higher than budgeted for NNDR section 31 grant income (£0.2m).

Information Services is projecting an underspend of £0.064m due to vacancy management.

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. Its main purpose is to fund the costs for restructuring and for invest to save initiatives. As a last resort it may be called upon to fund unforeseen events and any overspend to ensure a balanced budget can be delivered at year end.
- A3.2 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 2013/14 outturn report the balance for the CSR reserve was £3.8m as at April 2014.
- A3.3 Council approved budget savings proposals at its meeting on 30 October 2014. These will form the basis of the 2015/16 budget. It is too early to confirm the final costs for restructuring arising from these proposals but based upon previous years costs it was prudent to assume these could be approximately £1m – for comparative purposes redundancy and associated costs for the 2014/15 budget round was £0.8m. As any decisions with respect to the 2015/16 savings proposals will be made in the current financial year all associated restructuring costs will be a charge in 2014/15. To date restructure costs of £0.1m have been incurred but this is expected to rise in the last quarter of the financial year.

- A3.4 As part of the approved budget savings proposals, transitional funding was approved to support services in 2015/16 which will be funded from the CSR reserve.
- A3.5 The Council must declare a balanced budget at year. If after the application of uncommitted budgets and savings the current forecast overspend cannot be resolved 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 future years.
- A3.6 Members will note there has been a small fall in the forecast overspend in the current financial year. However due to increasing demands upon services and increased costs (in particular within Children's Safeguarding and Wellbeing), the use of earmarked reserves for invest to save initiatives within Children's Safeguarding and Wellbeing and the affect of reduced budgets for all Business Units, there is a risk that the CSR reserve may be required to balance the budget in 2014/15.
- A3.7 Members will be aware that the council lost a Judicial Review (JR) on Care Home Fees. Due to the complexity of the case and at the time of writing this report the council was considering its approach and response. Members will be aware that the JR is effective from April 2014 and therefore any costs associated with the final outcome for the JR will be a call upon the CSR reserve.
- A3.8 Due to the issues outlined above there is a significant risk the CSR will be reduced at the end of March 2015 by a larger amount than previously forecast and there is a risk the balance could be zero from April 2015.
- A3.8 A summary of the Council's uncommitted reserve is shown below in table 2.

Table 2 - Uncommitted Reserves

Comprehensive Spending Review Reserve	Working Balance £'m
Balance as at 1 April	3.8
Transitional Funding (14/15 and 15/16)	0.4
	3.4
Potential Calls on CSR Reserve	
Estimated Redundancy Costs arising from 2015/16 budget	1.0
2014/15 Budget Pressures (current overspend £1.5m)	tbc
Judicial Review	tbc
Estimated Balance	tbc

A3.8 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 3.8% of the Council's net budget.

A3.9 Members will be aware that 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 the minimum level required 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. This will be monitored closely over the remaining months of the financial year taking into account the forecast overspend and the delivery of recovery plans within Children's and Adult Services. Members should note the Council's external auditors will have a view as to the level of the Council's General Fund Balance and the implications upon the council's short term financial position.

A.4 Dedicated Schools Grant (DSG)

A.4.1 DSG funded activities is currently reporting an underspend of £0.185m. The DSG is a ring fenced grant and can only be used to fund schools and education related activities.

A.5 Debtors

A5.1 This section of the report provides Members with an update for the third quarter in 2014/15 in respect of council tax and business rate collection.

Council Tax

A5.2 The targets for the collection of Council Tax in 2014/15 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 £66.0m after the granting of statutory exemptions and reductions and Local Council Tax Support in the period April 2014 to March 2015. To date the Council has collected £52.4m which is 79.4% of the Council Tax due in year. The collection level is lower than last year when 81.96 was collected.

A5.4 The total arrears outstanding at 31 March 2014 were £4.89m and this has been reduced by £1.57m which is about 32.2% of the total arrears due. At the equivalent time last year the Council had collected £1.3m of arrears of £3.67m, which equates to around 35.5%.

A5.5 The Council has written off in this quarter 298 accounts with a value of £0.077m. There are no Council Tax write off's over £5,000 to report

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 £36.1m after the granting of mandatory relief in the period April 2014 to March 2015. To date the Council has collected £28.5m which is 83.1% of the business rates due in year. In the equivalent period last year the Council had collected £32.0m which equates to 88.6%.

A5.8 The total arrears outstanding at 31 March 2014 were £1.53m and this has been reduced by £0.7m which is about 45.6% of the total arrears due. Last year the Council had collected £0.6m off arrears of £1.55m which equates to around 38.7%

A5.9 The Council has written off with a value of £0.195m and there are nine write offs above £5,000.

Housing Benefit Overpayments

A5.11 There are five write off's over £5,000 which have been written off on the Benefits Debtors System.

A5.12 The total debt written off in quarter 3 on the Benefits Debtors system is £31,815.82 relating to 71 records.