



Meeting: **Overview and Scrutiny Board**
Council

Date: **8th September 2015**
Date: **24th September 2015**

Wards Affected: **All Wards**

Report Title: **Revenue Budget Monitoring 2015/16 – Quarter One**

Is the decision a key decision? No

When does the decision need to be implemented? **n/a**

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1. Proposal and Introduction

- 1.1. The revenue monitoring report provides a summary of the Council's revenue income and expenditure for the financial year 2015/16.
- 1.2. As at Quarter One the Council's revenue budget is predicting an overspend of £3.7m primarily as a result of expenditure pressures in both childrens' and adults social care.

2. Reason for Proposal

- 2.1 Report for review and information

3. Recommendation(s) / Proposed Decision

Overview & Scrutiny Board

- 3.1 That the forecast 2015/16 revenue budget position be noted.
- 3.2 That the Overview and Scrutiny Board be asked to report directly to Council on any recommendation it may have following its review of the current position.

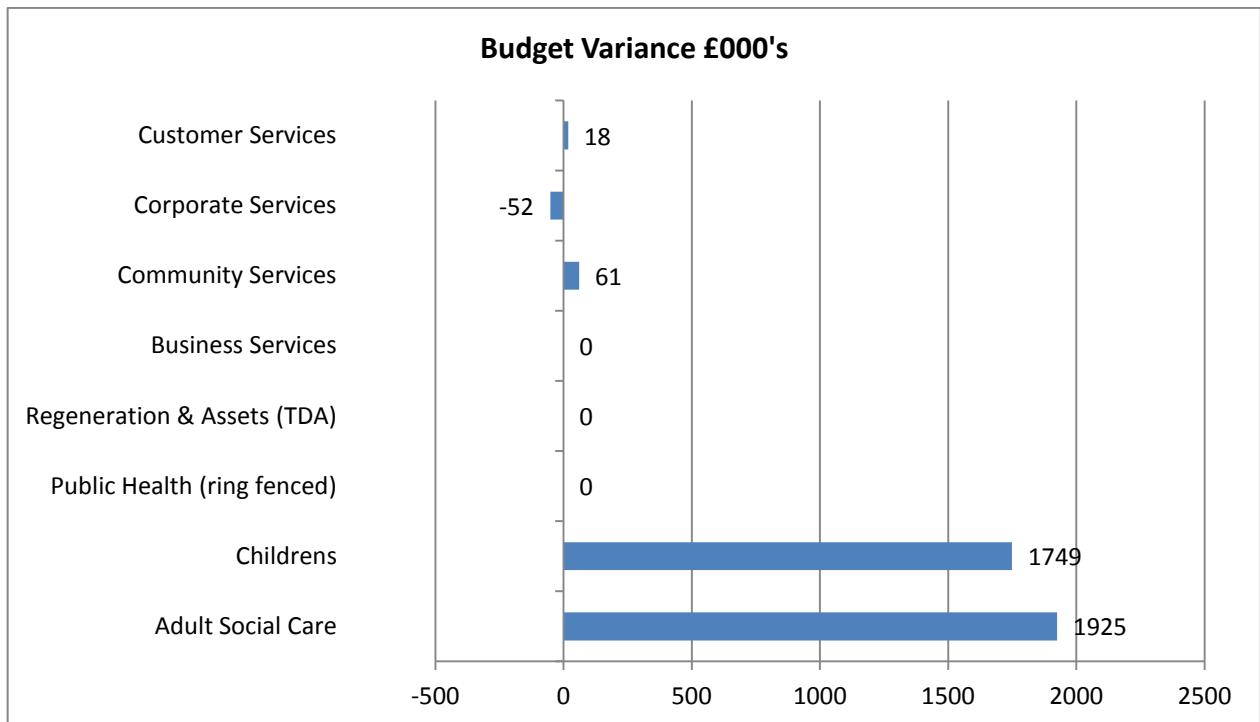
Council

- 3.3 That the forecast 2015/16 revenue budget position be noted.

4 Supporting Information

- 4.1 **Summary Position**

- 4.2 As at Quarter One the Council's revenue budget is predicting an overspend of £3.7m primarily as a result of issues in both childrens' and adults social care.
- 4.3 The predicted overspend on adult social care of £1.9m is a combination of increased demand for services but primarily the non achievement of planned savings during 2015/16 by Torbay and Southern Devon Health and Social Care NHS Trust (TSD). However the savings are expected to be realised in future years.
- 4.4 The predicted overspend on childrens' social care of £1.7m is primarily the non achievement of planned savings linked to the childrens' services cost recovery plan and the continued high use of agency staff.
- 4.5 This level of overspend is a cause for concern. Recovery plans have been commissioned for both social care areas and the Council's senior leadership team have initiated action to limit uncommitted expenditure and to look to identify savings in other services with the aim of achieving a balanced budget position.
- 4.6 A bar chart summarising the projected budget variance by service for 2015/16 is as follows.



4.7 Detailed Position

4.8 The budget position for each service is shown in the table below:

Service	2015/16 Budget – revised as at August 2015			As at Q1 2015
	Expenditure £000s	Income £000's	Net £000's	Forecast Variance £000's
Adult Social Care	42,598	(802)	41,796	1,925
Childrens' Services	82,885	(54,140)	28,745	1,749
Public Health	9,853	(9,853)	0	0
Joint Commissioning	135,336	(64,795)	70,541	3,674
Community Safety	4,503	(2,440)	2,063	59
Residents & Visitors	27,817	(4,715)	23,102	2
Community Services – sub total	32,320	(7,155)	25,165	61
Customer Services – IT, Libraries & Exchequer & Benefits	73,861	(69,399)	4,462	18
AD Customer Services	106,181	(76,554)	29,627	79
Commercial & Business	5,893	(1,646)	4,247	196
Finance & Corporate	20,844	(16,012)	4,832	(268)
Spatial Planning	1,487	(1,130)	357	20
Corporate Services – sub total	28,224	(18,788)	9,436	(52)
Business Services - Harbours, resorts services & car parking	5,806	(9,957)	(4,151)	0
Regeneration and Assets (TDA)	6,891	(2,268)	4,623	0
AD Corporate Services	40,921	(31,013)	9,908	(52)
Total Expenditure	282,438	(172,362)	110,076	3,701
Sources of Funding	-	(110,076)	(110,076)	0
Net Expenditure	282,438	(282,438)	0	3,701

4.9 A narrative of the position in each service area is as follows:

Service	Variance to Budget £m	Main Variances in 2015/16
Adult Social Care	1.9	<ul style="list-style-type: none"> - Primarily the non achievement of planned savings in 2015/16 both in total and in terms of timing (+£1.5m). - Some increased demand pressures primarily in ordinary residency clients (+£0.3m). - continuation of the prior year pressures on the Joint Equipment Store but at a lower level following management action (+£0.2m) - lower than budgeted costs due to changes in the profile of some supporting people contracts.(-£0.1m) <p>The Director of Adult Services (DAS) has initiated an action plan</p>

		<p>to realise additional savings which may improve the position by up to £0.4m.</p> <p>This forecast in the current year is based on the current risk share with TSD. If the Integrated Care Organisation starts from 1st October then the Council's share of risk from that date will change to be a 9% risk share of the total position of the, then combined, TSD and South Devon Healthcare Foundation Trust (SDH) – a share of a total budget of £400m. This could improve the Council's outturn position. Financial performance of SDH is reported to its board – minutes are available on the link below:</p> <p>http://www.sdhct.nhs.uk/about-us/board-meetings</p>
Childrens Services	1.8	<p>- The overspend is primarily linked to the non achievement of the reductions identified in the Childrens' cost recovery plan. The number of children in residential care is not falling at the rate laid out in the five year plan. The Plan approved by Council in October 2014 projected that the service would require the use of £2.3m of reserves in 2015/16 to achieve a balance position. The overspend is currently in excess of that figure by a further £2.3m.</p> <p>The number of Children Looked After (CLA) is 309 (as at 30/6/15) which is similar to the level and costs in 2014/15. Due to the number of children (224 as at 30/6/15) in longer term placements ("legacy cases") the opportunity to reduce costs has been limited.</p> <p>The level of agency staff remains high with spend to mid August in excess of £1m to date, although this is partly offset by reduced salary costs.</p> <p>The Director of Childrens Services (DCS) has initiated an action plan to realise additional savings which have been included within the current forecast.</p> <p>In the light of the above issues the Chief Finance Officer and the DCS have requested that the Recovery Plan be updated both in terms of its assumptions and timing and likelihood of savings. The results of the revision will be reflected in the 2016/17 budget process.</p>
Public Health	0	Ring fenced budget
Community Services	0.1	Projected overspends on CCTV, Licensing, Housing Options Torre Abbey, Theatres, Toilets & Sport partly offset by salary savings.
Corporate Services	(0.1)	Expected saving on "corporate" pension payments offset by the target of increasing income within Commercial Services is proving challenging. In addition use of agency staff to support workload in legal services has increased costs.
Total	3.7	

4.10 2015/16 Savings

4.11 The 2015/16 budget relied on the achievement of £11m of approved savings. The Council's senior leadership team have been monitoring the achievement of these savings as part of the current year budget monitoring. The majority of savings are being achieved. The main areas of variance are, as identified above, within social care and the achievement of additional income targets over a number of services is proving a challenge. Services have been asked to identify other savings within their services to cover any shortfall.

4.12 Recovery Plans

4.13 This forecast level of overspend is a cause for concern. Recovery plans have been commissioned for both social care areas and the Council's senior leadership team have initiated action to limit uncommitted expenditure and to look to identify savings in other services with the aim of achieving a balanced budget position.

4.14 Emergency Budget

4.15 The Chancellor in his Emergency Budget in June 2015 announced a £200m cut in public health budgets. This is equal to a 6.4% national reduction in public health funding. A 6.4% cut in the Council's public health grant would be a £0.6m in-year reduction, however at the time of writing the exact financial implication to the Council has yet to be confirmed as central government is currently consulting on options for the actual calculation of the reduction.

4.16 In the Emergency Budget the Chancellor did not "open" the 2015/16 local government finance settlement therefore there are no other in-year funding reductions for the Council.

4.17 Risk & Sensitivity

4.18 The predictions for the full year outturn in this report are based on three months of financial information and will be subject to changes in both assumptions and demand.

4.19 There are a number of financial risks facing the Council. Key risks were identified in the Revenue Outturn report to Council in July and some of these are now having an impact on the current financial year.

Risk	Impact	Mitigation
Achievement of £11m of approved savings for 2015/16	High	15/16 Budget monitoring and "saving tracker" monitored by senior staff.
Potential impact and costs of judicial review for care home fees	High	Balance of CSR reserve and 2015/16 social care contingency to fund if required.
Achievement of Childrens' Services cost reduction plan	High	Regular monitoring of performance and recovery plan
Identification and achievement of £33m of savings for 2016/17 to 2018/19	High	Issue identified in Medium Term Resource Plan and 2016/17 budget timetable to include future years.
Additional demand for services particularly in both adults and childrens' social care	High	15/16 Budget monitoring, use of service performance data and recovery plan.
Additional Costs associated with	High	15/16 Budget and performance monitoring in

4.20 Implications on future years & reserves

4.21 The implications of the current forecast of an overspend of £3.7m on future year budgets and reserves are as follows:

- Where the overspend is linked to increased demand, additional resources may need to be allocated to these services in future years which will have to be funded from additional savings elsewhere.
- Where the overspend is linked to delays in achieving the childrens' services recovery plan, this has two consequences: firstly any increased funding needed for this service will have to be funded from additional savings in other Council services or by the use of earmarked reserves currently allocated to other Council services. Secondly the childrens' service recovery plan estimated a future financial position which enabled the service not only to reduce its costs, but also repay £4.6m of reserves to other services. Non repayment of these reserves will cause a financial issue for the other services.
- Any overspend in-year will have to be funded from reserves. Options could include using:
 - o Comprehensive Spending Review Reserve – current balance £2.9m. This reserve has been earmarked for the estimated costs of the Judicial Review on care home fees if the Council's appeal is refused - expected to be determined in spring 2016.
 - o General Fund Reserve – current balance £4.4m. This reserve is the Council's core unallocated reserve and the target balance for this reserve is 4.2% of net revenue budget (currently 4%).
 - o Use of reserves earmarked for other services – current balance £24.9m (excluding schools). Potential to use these reserves is limited as £4.6m has already been allocated for childrens' services due to be repaid in future years.

4.22 At its meeting on February 26th 2015 Council approved the following:

The Overview and Scrutiny Board is concerned about the possible calls on the General Fund balance of £4.4 million given the high probability that the Comprehensive Spending Review reserve will be depleted due to the estimated level of redundancy costs, the current projected overspend at year end and the possible outcome of the current Judicial Review.

Therefore the Council requests the Executive Director of Operations and Finance to undertake a further Review of Reserves to identify whether there is spare capacity within the Reserves to replenish the Comprehensive Spending Review reserve.

4.23 As noted above the Comprehensive Spending Review reserve balance is £2.9m which is higher than forecast as in 2014/15 the Council achieved a break even

financial position and redundancy costs in 2014/15 were £0.5m. However this reserve still has to fund any impact of the Judicial Review of care home fees.

- 4.24 The 2016/17 Review of Reserves is due to be updated by October 2015 which will include options for increasing the level of this reserve.

4.25 Amendments to Budget

- 4.26 The budget has been amended to account for changes within services linked to the senior management restructure that commenced in May 2015. In addition the budget will have been updated for any new funding in-year such as allocations from Better Care Fund for adult social care.

4.27 2016/17 Budget Process

- 4.28 The Mayor intends to present his budget proposals for 2016/17 and future years 2017/18 and 2018/19 in the autumn. At this point consultation on significant proposals can proceed along with the budget scrutiny process.
- 4.29 Based on the Council's medium term resource plan the Council is planning savings to meet an estimated £33m funding gap which will inevitably have a significant impact on services.
- 4.30 The Chancellor in July 2015 in announcing the Spending Review 2015 released a document called "A country that lives within its means". In that document it states that "HM Treasury is inviting government departments to set out plans for reductions to their Resource budgets. In line with the approach taken in 2010, HM Treasury is asking departments to model two scenarios, of 25% and 40% savings in real terms, by 2019/20".
- 4.31 The results of the 2015 Spending Review will be announced on 25th November 2015. This will identify spending totals for local government; therefore the local government finance settlement that sets out individual allocations to councils will be a few weeks after that, probably announced in late December.
- 4.32 The Government in the Summer Budget also announced some national changes that will lead to increased costs to the Council. There is a minor financial impact from the increase in the insurance premium tax from 6% to 9%. A more significant impact is the introduction from April 2016 of a national living wage for those aged 25 and over that will increase the current national minimum wage of £6.50 an hour to £7.20 an hour and to over £9.00 an hour by 2020.
- 4.33 These issues will be included in the next update to the Medium Term Resource Plan, due to be updated by end of September.
- #### **4.34 Balance Sheet issues**
- 4.35 In the first quarter no long term borrowing was taken or repaid so the Council's long term borrowing remained at £138m which was within the Council's approved Operational Boundary and Authorised Limit (for debt and long term liabilities as set by Council In February 2015).

- 4.36 Apart from a finance lease for a minibus within a school the Council's long term liabilities did not increase in the quarter. The Energy from Waste Plant became operational in April 2015. If this is assessed as an asset that the Council and its two partners has control of it will be accounted for as "on balance sheet". This requires the Council to reflect its share of the asset and liability to the contractor on its balance sheet. The impact will be to increase both Council assets and long term liabilities by approximately £34m.
- 4.37 The Council has interests in a number of companies. The financial performance for 2014/15 of these companies is included in the Council's statement of accounts (link below). The 2014/15 accounts have now been approved, the external auditor's unqualified opinion issued and the accounts published.
- 4.38 Write offs above £5,000 have been circulated to Members of the Overview and Scrutiny Board as an exempt annex to this report and are available to all other Members upon request on a confidential basis.

Appendices

Appendix 1 – exempt annex Write Offs Quarter One 2015/16

Background Documents

2015/16 Budget Digest & supporting reports including 2015/16 Review of Reserves.

<http://www.torbay.gov.uk/DemocraticServices/ieListDocuments.aspx?CId=574&MId=6261&Ver=4>

Medium Term Resource Plan

<http://www.torbay.gov.uk/index/yourcouncil/financialservices/budget/budget2016-17.htm>

2014/15 Statement of Accounts

<http://www.torbay.gov.uk/statementofaccounts>.