

Summary of Main Variations

A. Performance

A1.1 The table below provides a summary of the projected outturn position for Council services based upon the four Commissioning areas.

Business Unit/Service	A 2011/12 Budget	B Spend to Date	D Projected Out-turn	E Variation at Out-turn
	£'000	£'000	£'000	£'000
Adults & Operations				
- Adult Social Care	41,937	29,218	43,591	1,654
- Business Services	2,615	1,784	2,338	(277)
- Chief Information Officer	3,999	3,296	3,879	(120)
- Commercial Services	2,586	1,933	2,525	(61)
- Finance	11,961	(4,862)	10,367	(1,594)
- Supporting People	6,379	5,229	6,282	(97)
	69,477	36,598	68,982	(495)
Children, Schools & Families	21,123	12,728	23,323	2,200
Communities & Local Democracy				
- Community Safety	2,864	1,269	2,519	(345)
- Community Engagement	1,427	1,017	1,347	(80)
	4,291	2,286	3,866	(425)
Place & Environment				
- Residents & Visitors	9,960	5,361	9,905	(55)
- Spatial Planning	5,565	4,119	5,848	283
- Torbay Development Agency	4,853	3,539	4,603	(250)
- Torbay Harbour Authority	0	(461)	0	0
- Waste & Cleaning	10,518	8,411	10,190	(328)
	30,896	20,969	30,546	(350)
Total	125,787	72,581	126,717	930

A2. Main Variations

- A2.1 The following paragraphs identify, within each Commissioning area, identified variations against the approved budgets or concerns about emerging issues and risks in that area. Service managers consider the sensitivity of budget variations and the projected outturn position which is based on the most likely position at the time of writing this report.

Environment

- A2.2 Services within the Environment portfolio are projecting to underspend their approved budget by £0.350m. There are a number of variations within the three main services including budget pressures within Spatial Planning which will need to be monitored closely over the last quarter of the financial year.

(a) Resident's and Visitors

This service is now projecting an underspend of £0.055m compared with a £0.065m overspend reported at quarter 2.

The previously reported overspend on Highways Street Lighting, due to the delay in introducing 'part night lighting,' has continued and accounts for £0.218m. This has been partly offset by vacancy management, service expenditure savings and improved income within Decriminalised Parking Enforcement which has partly offset this to the sum of £0.182m. However, further pressures have arisen as National Non-Domestic Rates bills have increased by £0.128m as a result of revised and new rating valuations (RV's). Officers are in the process of initiating a programme of RV investigations to determine whether reassessments are possible and if these new costs can be reduced.

As part of the in-year savings strategy, officers have implemented a recovery plan to offset the net effect of the above pressures which total £0.164m. A moratorium on service expenditure has delivered reductions which includes £0.085m within Highways, Parks & Illuminations maintenance and £0.040m within Libraries. Further vacancy management and associated administrative savings across a range of Environment services plus energy cost reductions within Car Parks have also delivered £0.104m in savings. This has helped deliver the net underspend of £0.055m now reported.

Potential Additional Savings

The Council agreed to implement a revision to its on and off street car parking tariffs from January 2012 and install on-street meters in new locations which is already delivering improved

income streams. It is difficult at this stage to quantify the full impact over the remaining quarter with only a limited number of week's information available, however this new income stream could assist in reducing the council's projected overspend.

Winter maintenance may deliver an underspend due to the mild winter so far. However, with two months remaining of this financial year and the current cold snap being experienced at the time of writing this report, it is felt prudent not to take account for this at this time.

(b) **Waste and Cleaning**

The previously reported underspend of £0.251m within this service area has increased to a predicted £0.328m as improvements in waste diversion and recycling continue to deliver savings in landfill tax, gate fee and transportation costs.

(c) **Spatial Planning**

The Concessionary Fares projected overspend of £0.060m reported at quarter 2 is unchanged. Members will be aware this is one of the Council's more volatile budgets and is subject to variation, being partly influenced by the number of local residents and visitors to the Bay who utilise the service. The increase in expenditure results predominantly from the full impact of a new bus service that commenced in 2010/11 and the increased usage this has generated as the service becomes more established. Increased demand and associated costs within this budget (which stands at £4.208m) continues to be monitored closely throughout the year.

The planning department has seen a significant reduction in its budgeted income this year due to a reduction in fee income, reflecting the continued weakness in the national and local economy, and a reduction in the Planning Delivery Grant. This has been exacerbated by a postponement in planned additional income generation due to a delay in the Government's introduction of 'full cost recovery' for planning fees and a delay in introducing charging for tipping at Torbay's civic amenity site. These overspends have been partly offset through vacancy management but overall Spatial Planning is projected to exceed its budget by £0.283m an increase of £0.097m from the £0.186m reported at quarter 2.

(d) **Economic Development Company (EDC) – Client Budgets**

In response to the overall projected overspend for the council, £0.2m of budget for the repairs and maintenance budget may not be committed. This will be kept under review over the

remainder of the financial year in particular in relation to any emergency works/repairs that may be required. Further facilities management savings have been identified which means the EDC is projecting a £0.250m underspend.

Children's Services

A2.3 Children's Services were projecting an overspend of £1.9m at the end of quarter 2. However, due to the increasing pressure of numbers of children in care and the continuing high level of activity within the Children's Services this figure has risen to £2.2m.

A2.4 Children's Services can be split into three main areas:

- Children's, Schools and Communities.
- Commissioning and Performance.
- Safeguarding and Wellbeing.

A2.5 As previously reported the overspend is within Safeguarding and Wellbeing, due to increasing numbers and costs for Children in Care and placements within the independent sector and the costs for the continued use of agency social workers within the Children in Need service.

A2.6 A breakdown of the projected position is summarised below:

- (i) Children's, Schools and Communities are projecting an under spend of £1.2m. These savings are as a result of not making a contribution to the services redundancy provision in 2011/12 as the existing provision is adequate to meet any expected costs. Savings have also been achieved within the Locality teams across the Bay due to vacancy management.
- (ii) Commissioning and Performance is projecting an under spend of £0.6m due to vacancy management and a reduction in training.

Safeguarding and Wellbeing is the most volatile budget within Children's and covers placements for vulnerable children and is projected to overspend by £4.0m. This is based upon current commitments and placement numbers and the projected duration of placements and related costs. The latest figures for the number of looked after children as at the end of December is 255 which have increased from 213 as at 31 March 2011.

The number of children on child protection plans currently stands at 285. The number of Children looked after has to be set in the context of the difficulties the Service has had in recruiting qualified staff and the need to cover this through the employment of agency social workers which is contributing £1m to the projected overspend and £1m is the additional costs for placement of children being looked after.

A2.7 Children's Services have updated their recovery plan to address the current position and this is shown in appendix 2.

Communities and Local Democracy

A2.8 Services within Communities and Local Democracy are projecting to underspend by £0.425m. The main variations are:

- Community Safety is projected to underspend by £0.345m an improvement of £0.118m on the £0.227m reported at quarter 2. This has been achieved through continued vacancy management as plans to bring forward and implement proposed savings for 2012/13 generate savings in the current financial year.
- Community Engagement is projecting a £0.080m underspend of which £0.070m is for vacancy management savings within the service and £10,000 due to savings within the Members allowances budget as a result of Members undertaking more than one special responsibility allowance which does not result in additional allowances.

Adults and Operations

A2.9 Services within Adults and Operational Support are projecting an overspend of £0.495m. However, there are a number of variations within this portfolio of services with the largest projected overspend within Adult Social Care which has been offset by a number of savings which are summarised below.

Adult Social Care

A2.10 Adult Social Care is a Commissioned service and is provided by the Torbay Care Trust. The partnership is managed through a pooled budget - a summary of the latest pooled budget is attached in appendix 3. The Pool budget comprises 3 elements, Community Based Teams, Commissioned Social Care and Management and Support Services.

A2.11 Within the Social Care Commissioned area, Older People, Learning Disabled and Mental health Services are all projecting overspends with the largest overspend within the Learning Disabled Service – the Torbay Care Trust have summarised the main budget pressures:

(a) Learning Disability

As reported at quarter two the budget pressures within this client group are personal budgets and domiciliary care (supported living). The personalisation agenda has meant costs have increased within this area over the last few years however, to date there has not been corresponding decreases in traditional care services such as residential care. This has meant it has not been possible to transfer budgets from residential care to fund these increased costs.

Underpinning the cost pressures within this client group are a number of factors such as transitional cases from children services, ordinary residency issues, older family carers and costs relating to clients at risk of offending. Specifically this financial year the main pressure has come from ordinary residency issues with Torbay being a net importer of cases.

(b) Older People and Physical Disability

As reported previously, the main budget pressure is within non-residential services such as domiciliary and day care and personal budgets. Whilst the Trust over the last five years has been successful in reducing traditional residential and nursing placements it has seen a movement of clients and cost to domiciliary care. Underpinning this cost pressure and older people in general is the demographic pressures of an ageing local population.

(c) Mental Health

The projected overspend is due to over spends on residential and domiciliary care. In 2011/12 budgets were reduced in both areas but unfortunately savings have not materialised with expenditure levels in these areas remaining at 2010/11 levels.

A2.12 The Torbay Care Trust's recovery plan to mitigate the overspend is shown in appendix 4.

A2.13 The main variations within the remaining services are summarised below.

1. Business Services are projecting an underspend of £277,000. This is due to a reduction in recruitment costs due to the reduction in the number of posts advertised, savings as a result of bringing forward a restructure of the service, (which was identified as a 2012/13 budget saving) and additional income achieved from services provided to schools.
2. Commercial Services are projecting an underspend of £61,000 due to vacancy management within the Information Governance and Legal Services teams.
3. The Chief Information Officer is projecting a £120,000 underspend due to reduced costs for IT licenses and by reducing the annual contribution to the IT renewals reserve.
4. Supporting People is projected to underspend by £97,000 due contractual negotiations with service providers and vacancy management.

5. Finance, which includes corporate budgets, are projecting an underspend of £1.594m. The variations are:
- £0.204m of this saving is due to reduced staffing costs arising from reduced hours worked and vacancy management within the Business Unit.
 - Treasury Management is projected to underspend by £350,000 due to higher than expected cash balances leading to better investment returns.
 - the costs of Audit fees and external inspection costs are projected to be £60,000 less than budgeted for due to a reduction in external audit fees.
 - the council has a contingency of £270,000 which is currently uncommitted. Due to the latest financial position it is recommended this contingency is released to offset the projected overspend.
 - the council received New Homes Bonus of £305,000. This budget is uncommitted and due to latest financial position it is recommended this budget is released to offset the projected overspend.
 - The council received a Local Services Support Grant of £380,000 after the budget was set in February 2011. This grant is un-ring fenced and is currently not committed. Due to the size of the current projected overspend it is recommended that this money is used to offset the overspend.
 - A £0.025m saving due to lower than expected discretionary pension costs to Devon County Council.

Strategy For in Year Budget Management

A2.14 The main budget pressures identified are for services provided to the most vulnerable residents within the Bay and these are some of the council's most volatile budgets. Due to the level of commitments, Torbay Care Trust and Children's Services have been unable to reduce the projected overspends but continue to address the key issues through the implementation of their recovery plans.

A2.15 The Strategy of all services identifying in-year savings and the identification of uncommitted budgets has continued during the third quarter and has resulted in a continued fall in the projected overspend and all Executive Leads and their respective managers continue to work hard to ensure the measures set out in the recovery plans will

address, where possible, the budget pressures identified to date.

A2.16 As previously identified a number of initiatives have been acted upon in the last quarter which has resulted in the savings identified within this report which included:

- what areas of budgeted expenditure could be ceased and an assessment of the services consequences.
- a review on all non front line expenditure to identify whether any expenditure in these areas could be reduced and the implications of any reductions are assessed.
- The Establishment Control Panel to ensure further vacancy management controls are in place.
- Identification of any invest to save schemes that will have an immediate or cost savings in 2012/13.

A2.17 With confirmation of the 2012/13 grant allocation from government, the Council is already faced with an extremely challenging financial outlook in the context of reducing government grant and increasing service demands over the next few years. Therefore, all services must contain their expenditure and deliver savings where possible otherwise the financial challenge will become harder in 2012/13 and beyond. There is limited time available to address the projected overspend but the continued implementation of the action plans and spending freeze must continue to support the Council in addressing the in-year pressures.

A4. Reserves

A4.1 At the beginning of the financial year the Council had some uncommitted reserves of £4.6m, that largest being the Comprehensive Spending Review (CSR) Reserve which was £3.1m. The purpose of the CSR reserve is to support the council in managing the financial challenges over the CSR period and making provision for any costs of restructuring council services and provision for any invest to save projects.

A4, 2 The Council also has its general fund balance which is £4.0m. In response to concerns raised by our external auditors as to the level of the general fund balance, the Council set an internal target to reach 3% of its net revenue budget. As a result of the contribution to the general fund balance as approved by Council on 14 July 2011, the current level is 3.2% which I consider to be a prudent level. It should be noted that the general fund reserve should only be called upon in emergencies.

A4.3 Members will be aware that all reserves are earmarked for specific purposes with the exception of the General Fund Reserve which remains the only fund the Council holds to meet emergency costs. The

government has focused its attention on the level of Council reserves held within councils. It should be noted that any release of monies from reserves should only be used for one off purposes and cannot be used to sustain ongoing expenditure.

A4.5 The Mayor has agreed to release the following monies from reserves during 2011/12:

- £0.5m to support Children's Services to develop an Intensive Family Support Service.
- £0.250m to support the Bay's tourism sector.
- £0.1m to support revenue costs associated with the Princess Promenade repairs (Council decision).
- £0.025m to support the Olympic and Golden Jubilee celebrations

A4.6 In addition the council has been able to confirm the final housing benefit subsidy award monies. These have been added to reserves as approved by Council when it considered the outturn report for 2010/11.

A4.6 After taken these into account the level of reserves is £4m. However, as previously reported there are a number of other cost pressures which will further reduce the level of reserves the council holds. These include sunk costs arising from the redesign of the Office Accommodation Review estimated at £0.5m, redundancy costs which will arise from the 2012/13 budget round (£1.5m last year) and will be a cost in 2011/12. In addition, if the council is unable to declare a balanced budget at year end any overspend will have to be funded from these reserves. This will reduce the council's uncommitted reserves and impact upon how the council manages further reductions in government grant in 2013/14 and 2014/15.

A4.7 A summary of the council's uncommitted reserves is shown below:

Reserve	Working Balance £'m
Comprehensive Spending Review Reserve	3.100
Budget Pressures Reserve	0.443
Financial Strategy and Change Management Reserve	0.500
Balance at 31 September 2011	4.043
Possible calls upon reserves	
Sunk Costs – Office Accommodation Review	0.5 (estimated)
Redundancy Costs arising from 2012/13 budget	1.5 (estimated)
2011/12 overspend	0.930 (latest position)

A.5 Dedicated Schools Grant (DSG)

A.5.1 The Dedicated Schools Grant in 2011/12 is £84.2 and is used to fund all Schools Related Expenditure. The DSG is currently reporting to spend within its allocated budget. The DSG is a ring fenced grant and can only be used to fund schools related activities.

A.6 Debtors Monitoring

A6.1 This section of the report provides Members with an update for the third quarter of 2011/12 in respect of council tax and business rate collection.

Council Tax

A6.2 The targets for the collection of Council Tax 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.

A6.3 The Council is due to collect £59.6m after the granting of mandatory relief and Council Tax Benefit in the period April 2011 to March 2012. To date the Council has collected £49.2m which is about 82.44% of the Council Tax due in year. The collection level is in line with last year's performance.

A6.4 The total arrears outstanding at 31 March 2011 were £3.7m and this has been reduced by £1.6m which is about 42.67% of the total arrears due.

A6.5 There are no Council Tax write-offs over £5,000 to report.

Non-Domestic Rates

A6.6 The targets for the collection of NNDR (business rates) re:

- (i) collect 98.0% of the business rates due within the 12 months of the financial year (i.e. April to March); and
- (iii) collect 50% of the arrears brought forward from previous years.

A6.7 The Council is due to collect £35.9m after the granting of mandatory relief in the period April 2011 to March 2012. To date the Council has collected £30.1m which is about 83.7% of the business rates due in year. The collection level down on last year's performance.

A6.8 The total arrears outstanding were £1.49m and this has been reduced by £0.7m which is about 47.5% of the total arrears due.

A6.9 The write-offs in respect of debts over £5,000 are listed in Appendix A

A.7 Financial Performance of External Companies

A7.1 The council's external auditor has recommended that in the Council's quarterly financial reporting to Members, a summary of the financial performance of the companies that Torbay Council has an interest in is included. Attached as appendix 6 is a list of those companies which summarises their projected outturn position.