

Meeting: Overview & Scrutiny Board
Cabinet

Date: 10 June 2020
16 June 2020

Wards Affected: All Wards

Report Title: Budget Monitoring 2019/20 – Quarter Four – Outturn

Is the decision a key decision? No

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

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1. Purpose and Introduction

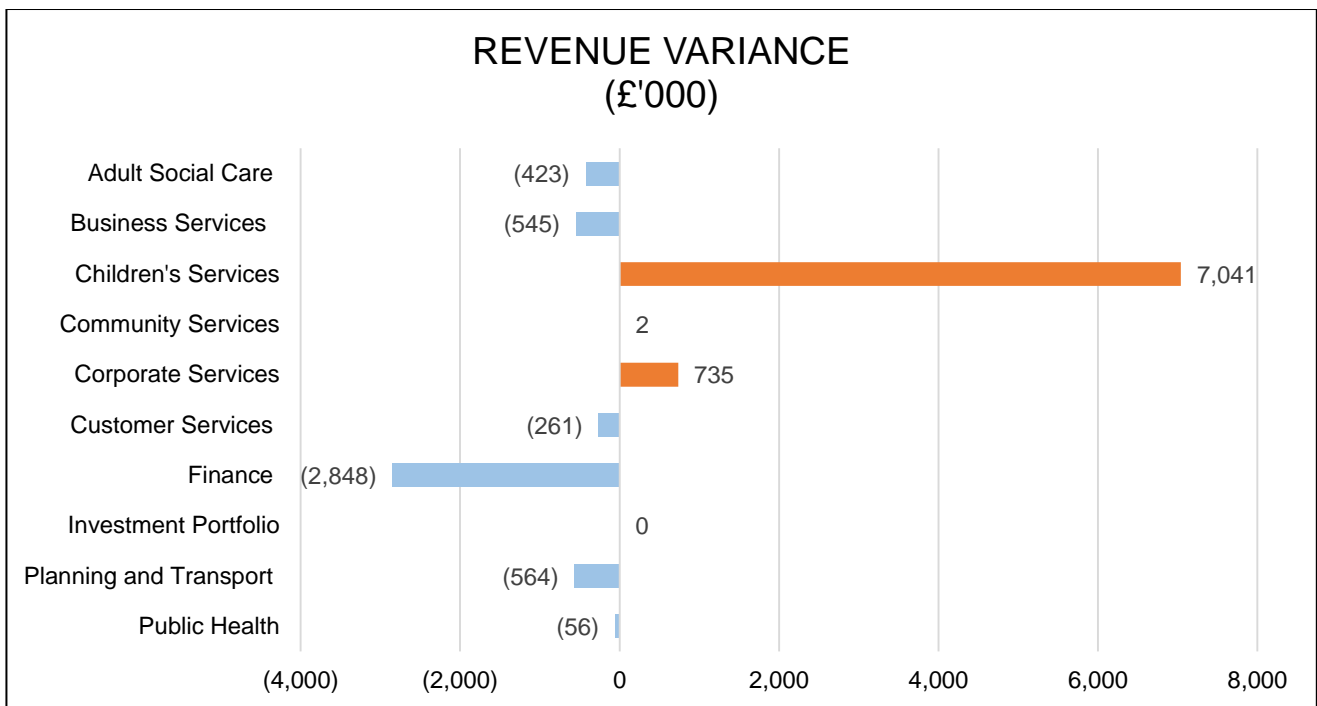
- 1.1. This report provides a **high level** budget summary of the Council's revenue and capital income and expenditure for the financial year 2019/20.
- 1.2. As at the end of 2019/20 the Council's **Revenue** budget is reporting an over spend of £3.08m for the financial year. This is an improvement from the quarter three position as year-end figures and the moratorium continued to deliver financial savings. This whole Council position is in the context of the overspend within Children's Services increasing to be £7.0m by the end of the year.
- 1.3. The Capital Plan Budget totals £395m over the 4 year period. Capital expenditure of £115m was incurred in 2019/20 of which £77m related to the Investment Fund.

2. Recommendation (s) / Proposed Decision

- 2.1. That Overview & Scrutiny Board notes the outturn position and makes any comments and/or recommendations for consideration by the Cabinet.

3. 2019/20 Revenue Budget Summary Position

- 3.1. As at year end the Council's revenue budget is reporting an over spend for 2019/20 of £3.08m after the application of one off funding. Within this position there is a £7.0m overspend in Children's Services, offset by under spends in other services and the application of one off funding. A bar chart summarising the budget variance by service for 2019/20 is as follows:



Children's Social Care

- 3.1. The overspend of £7.0m represents an increase of £0.3m since Quarter 3.
- 3.2. The main pressure area is the full year impact of the costs of Looked After Children (LAC). The overall LAC numbers remain between 355 – 360.
- 3.3. Residential placements as at the 31st March 2020 totaled 31. This is a decrease since September 2019 of 13 placements. This demonstrates that during the second half of the financial year there has been a significant and sustained focus on returning Children and Young people to family based settings.
- 3.4. Given the average placement cost of £4,700 this scale of reduction is expected to have a significant impact on the 2020/21 budget.
- 3.5. This is testament to the continued work of the Director of Childrens Services and all of the team's working to ensure the best possible outcome for Children and Young People in Torbay.

Higher Needs Block – Special Education Needs

- 3.6. The schools' higher needs block in the Dedicated Schools Grant (DSG) has been under financial pressure as a result of an increasing level of referrals from schools for higher needs support for children. For 2019/20 there was an in-year overspend of £1.12m, after the one off £1.4m "disapplication" transfer of funds between the funding blocks in the DSG. The Council does not receive any funding for schools therefore the over spend will remain in the DSG to be funded from DSG in future years and is therefore not a cost that the Council has to fund. This position is now confirmed by the School and Early Year Finance (England) Regulations 2020. As a result the DSG reserve is a £3.8m **deficit** at the end of 2019/20.

- 3.7. Representatives from the Council and the School Forum continue to work with the Education & Skills Funding Agency (ESFA) to discuss the proposed financial recovery plan that was submitted to the ESFA earlier in the 2019/20 financial year.

£300m Investment fund

- 3.8. Investment Fund has spent £155m in previous years, and has spent £77m in 2019/20. This brings the total spend on Investment properties to £231m.
- 3.9. This leaves £69m to be spent in future years. However HM Treasury issued a consultation on future PWLB borrowing terms in March 2020 which would, in effect, prohibit the use of PWLB to fund this type of purchase, known as “debt for yield”. At the same time CIPFA issued a statement that the intent of the consultation should be adhered to with immediate effect and applied to all forms of borrowing not just PWLB. As a result the Council is no longer seeking such assets to purchase.
- 3.10. At Cabinet on 1st October 2019 the criteria for use of the Economic Growth Fund was approved. Approval of projects brought forward has been delegated to Cabinet.
- 3.11. £17m has been spend on Regeneration Projects in 2019/20 and in early 2020/21 the Debenhams property in Torquay was purchased.

4. Service Budgets

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

Torbay Council Revenue Q4 2019/20	Budget £000s	Outturn £000's	Variance £000's	Variance reported at Q3 £000's	Movement £000's
1. Adult Social Care	38,103	37,680	(423)	(307)	(116)
2. Business Services	13,523	12,978	(545)	(614)	69
3. Children's Services	36,039	43,080	7,041	6,706	335
4. Community Services	1,824	1,826	2	(90)	92
5. Corporate Services	5,227	5,962	735	605	130
6. Customer Services	2,798	2,537	(261)	(576)	315
7. Finance	1,019	(1,829)	(2,848)	(2,300)	(548)
8. Investment Portfolio	(4,135)	(4,135)	0	0	0
9. Planning and Transport	7,282	6,718	(564)	(510)	(54)
10. Public Health	9,689	9,633	(56)	(40)	(16)
Revenue total	111,369	114,450	3,081	2,874	207

Mitigating Actions	£'000
11. Use of Reserves	(3,081)
Net Overspend / (underspend)	0

4.2 A narrative of the position in each service area is as follows;

1. Adult Social Care - Underspend £423k

The majority of this budget is spent against a fixed contract with the ICO. Within the remaining discretionary budgets there are a number of identified contractual savings as well as some savings associated with client budgets and impairment.

2. Business Services – Underspend £545k

The forecast for Business Services has continued to improve.

Overall car parking income achieved a surplus of £133k. This represents a £130k movement from the Quarter 3 position due to the changes to the public behavior and restrictions on movement during March.

There are also savings from waste collection and disposal, amounting to £471k as a result of reduced household waste being sent to the Energy from Waste plant and payments due under the contract.

3. Children's Services – Overspend £7.041m

There was an overspend of £6.6m associated with placements. At the end of March, there were 38 FTE vacant within the Children's Safeguarding service which resulted in use of agency staff. As a result the total spend on agency and temporary staff was £3.8m which is offset, in part, by savings in the permanent staffing.

4. Community Services – On budget

5. Corporate Services – Overspend £735k

Legal services also made use of Agency staff, with a spend of £264k. These staff required so that the service is able to meet the caseload requirements of the organisation, namely Children's and Adult Social work.

As a result of the merging of Coroners districts in 2018 the Torbay's Coroner service is administered by Plymouth City Council. This service is currently more expensive and as a result there is an £105k overspend. In line with the corporate position, all non-essential spend has been ceased.

Within Corporate Services there are shortfalls of income in a number of areas. The Print & Post service has a shortfall of £202k. In order to address the future sustainability of this service there is a tender opportunity currently advertised seeking a delivery partner. There is also a shortfall of £80k on income targets associated with work of the transformation team.

6. Customer Services – Underspend £261k

Revenues and Benefits have a number of staff vacancies and have received one-off funding resulting in an underspend of £268k. Within IT there is a forecast underspend of £276k brought about by revised recruitment and spending plans this year and further savings identified with software licenses. The movement within this service area compared to Quarter 3 relates to the final level of Housing Benefit payments and eligible subsidy as more recipients move from Housing Benefit over to Universal Credit there is a change in the level of subsidy that is received.

7. Finance – Underspend £2.8m

A number of “corporate” budget changes are being reported under the Finance service, these include;

- the transfer from the Comprehensive Spending Review Reserve released in 2019/20 for issues in Children’s Social care
- savings associated with Treasury Management activities including MRP and effective capital management resulting in savings on interest.
- additional monies from the Devon wide business rates retention pool
- the release of the contingency set aside during the 2019/20 budget process to be used to fund known pressures
- savings based on the actual payments to the Devon County Pension Fund for both the secondary pension rate and for historic pension payments.

8. Investment Properties – Breakeven £0k

Overall Investment properties is met its income target.

9. Planning & Transport – Underspend £564k

A reduced contribution for concessionary fares of £471k has been achieved. Due to the increased level of capital work delivered and therefore increased recharges to capital there is a saving of £137k within Highways.

10. Public Health – Underspend £56k

No material variances

11. Use of Reserves –£3.08m

In order to fund the net in year projected overspend a number of reserves will be applied or drawn down in year. This does not require use of the General Fund reserve which stands at £4.6m.

5 Statement of Accounts 2019/20

- 5.1 The Council’s statutory accounts for 2019/20 are being prepared and will be available on the Council’s website. The Accounts will be audited by the Council’s external auditor, Grant Thornton. Linked to COVID resource pressures the deadlines for the issuing of the Council’s 2019/20 statutory accounts is now end of August 2020 with the external audit to be completed by end of November 2020, (due to be stated in October 2020).

Council Subsidiary Companies

- 5.2 The Council has interests in a number of companies. The financial performance for 2019/20 will be included in the Council's statement of accounts once published.
- 5.3 All of these companies form part of the Council's group boundary, therefore Members should be aware of the assets and liabilities of these companies.

6 Debtor – Write offs

6.1 The total value of debtor "write offs" for the quarter will be reported in the quarter one budget monitoring report in July 2020.

6.2 For the full year, the total percentage of the current year liability collected was:

Collection Fund	2018/19	2019/20	movement
Council Tax	96.3%	95.7%	-0.7%
NNDR	96.6%	95.1%	-1.5%

7 Capital Plan Summary Position

- 7.1 The Capital Plan Budget totals £395m over the 4 year period. Capital expenditure of £115m was incurred in 2019/20 of which £77m related to the Investment Fund
- 7.2 Appendix One shows the expenditure on each scheme in 2019/20 compared to level of spend estimated at quarter three. The final column shows the balance that will be carried forward as capital expenditure budget in future years.

7.3 Protecting Children

- 7.4 Nearly £3m was spent in 2019/20 including ongoing repairs and maintenance for schools, enhancements at Brunel and Paignton Community and Sports academies and relocation of the Medical Tuition Service to Parkfield.

The Council's contribution towards the provision of a new Free School in Paignton was not required in the year but is expected to be spent in 2020/21 with the school now planned to open in September 2021.

7.5 More Prosperous Torbay

- 7.6 There was expenditure of over £10m in 2019/20 on these schemes. Work commenced on the Claylands site redevelopment and work was finalised on the completion of the EPIC building at White Rock which became operational during the year. Each of these schemes incurred costs of over £1m in 2019/20. The Oxen Cove Jetty was completed with expenditure of £1.8m. There were ongoing major highway works at Western Corridor (£1.9m) and other highways spend (£2.3m) including payments in relation to the South Devon Highway.

- 7.7 A loan of £1.5m agreed by Council to the TDA to acquire a further industrial unit in Paignton was drawn down in year.

There was a significant variation in the payment due to Devon County Council for payments in relation to South Devon Highway compared to previous forecasts supplied. The remaining costs are expected to be in respect of compensation claims but these have been slow in progressing.

- 7.8.1 Spend in year was lower than forecast on a number of schemes including some delays in Highways expenditure which was hampered towards year end by adverse weather.

7.8.2 Attractive and Safe Place

- 7.9 Spend of £3.5m was incurred on a wide range of schemes including £2.5m on a number of projects to enhance facilities at the Harbours.

- 7.8.3 A significant number of other schemes continued in the year including toilet refurbishment, CCTV system replacement, Princess Pier and Flood Defence work. Work to protect Brixham Victoria breakwater was completed with further expenditure of £1.25m in the year and the redevelopment of Harbour Light restaurant at Paignton Harbour was also finished.

7.15 Supporting Vulnerable Adults

- 7.16 Spend of £1.2m in 2019/20 including spend of £0.9m on Disabled Facilities Grants and £0.25m on enhancements to care homes. Expenditure on these schemes will continue in 2020/21.

- 7.17 There was some further expenditure towards the provision of extra care housing and affordable housing in the Bay however this is likely to become more significant in coming years. In addition although the actual spend on disabled facilities grants was close to the 2019/20 allocation, there remains an underspend carried forward from previous years was not fully spent in the year and is available in addition to a further Government allocation for 2020/21. Details of the 2020/21 allocation £1.876m are shown below (para. 9.1 f) but £1.235m of this, the adult social care element, has previously been earmarked by Council for the Crossways redevelopment.

7.18 Corporate Support

- 7.19 Spend of £3.8m including a further £1m on IT investment and £2.6m on replacement waste collection vehicles.

7.20 Investment Properties

- 7.21 Spend of £76.5m in the year. The expenditure reflects the acquisition of investment properties at Chippenham, Exeter (2 properties), Didcot and Taunton.

- 7.22 Some of the expenditure represents loans including for the hotel development in Torwood Street which was drawn down in 2019/20 and a loan to a local company to enable it to remain in the area.

7.21 Regeneration projects

7.22 In addition to the schemes under paragraph 7.5 above (More Prosperous Torbay) the Council has committed specific allocations of future borrowing to fund particular Regeneration (£25m) and Economic Growth (£100m) in the area.

7.23 In 2019/20 the Council spent £16.7m on related schemes.

7.24 There have been delays at Harbour View project resulting in the recent approval of a higher level of borrowing for the project. There are also works in progress to redevelop the Old Toll House on Torquay seafront.

8 Funding

8.1 A summary of the funding of the 2019/20 Capital Plan is shown in the Table below:

2019/20 Funding	Totals @ Q4 £m
Unsupported Borrowing	99
Grants	12
Contributions	1
Revenue	1
Reserves	1
Capital Receipts	1
Total	115

9. Grants

9.1 The Council has been notified of the following new capital grant allocations, since the last monitoring report.

- a) Department for Education – School Condition Allocation 2020/21 - £417,887. Provided to authorities for major repairs and maintenance of school estates.
- b) Department for Education– Devolved Formula Capital Grant 2020/21 - £83,309. This is a ring-fenced grant and will be paid to appropriate schools as required.
- c) Department for Education – Basic Need allocation 2021/22 - £8,609,731. Note this is a future year allocation to enable planning for future demands for school places. Part of this grant has already been earmarked and agreed for ongoing expansion at Paignton Community and Sports Academy and further proposals are in development to increase pupil capacity at St Cuthbert Mayne.
- d) Department for Transport – Highways Grants – Potholes Action Fund and Challenge Fund 2020/21 allocation - £1,212,000. This allocation incorporates two funding pots from DfT including the Challenge Fund which invited bids from Council's for specific projects but because of the Covid-19 issues it has been decided to distribute the funds on a formulaic basis.
- e) Department for Transport – Incentive Element 2020/21 - £244,000. Grant paid to authorities following effective asset management and adopting efficiency and best practice principles for local highway maintenance

- f) Department for Transport – Active Travel Fund 2020/21 - £276,000. Grant to be used to quickly capitalise on changes to modes of travel following Covid-19, in particular to support walking and cycling routes. The funding is dependent on the Council providing meaningful plans of how the funds will be used to reallocate road space to cyclists and pedestrians.
- g) Ministry of Housing Communities and Local Government – Disabled Facilities grants 2020/21 £1,876,070. This grant allocation is used to support our DFG expenditure but also includes the former Adult Social Care capital grant. In recent years £1m has been allocated by members to DFGs with the balance to Adult Social Care which will be used to support the proposed Crossways redevelopment.

9.2 As well as the above new grant allocations the Council received confirmation of previously announced indicative allocations:

- a) Department for Transport – Structural Maintenance 2020/21 allocation £1.174m and Integrated Transport Block 2020/21 allocation £1.063m. Confirmation of indicative amounts of grant (£1.174m and £1.063m respectively) has also been received. The previously announced indicative figures are already included in the Council's approved Capital Plan.

9.3 All the above grants will be included in the Council's 20/21 capital budget and have been allocated to the intended services.

10. Capital Receipts

10.1 In 2019/20 just under £0.5m of capital receipts have been generated from asset disposals, with a further £0.25m from right to Buy Clawback and £0.9m from capital loan repayments, giving total receipts of £1.6m. The RTB Clawback and repaid loans are earmarked resources and are not available to fund the general Capital Plan. Currently, primarily linked to the expenditure on the surrender of land from the TCCT and future extra care housing provision, the approved Plan relies upon the generation of a total of £7.4 million additional capital receipts from asset sales.

10.2 Capital receipts of £1.033m were used to finance capital expenditure in 2019/20.

11. Capital Contributions – S106 & Community Infrastructure Levy

11.1 In 2019/20 £1.8m of capital contributions were generated. Of this value, £0.8m was from Section 106 Planning agreements with nearly £0.5 from Community Infrastructure Levy and the balance £0.5m being contributions to specific schemes by other partners.

11.2 The Council's Community Infrastructure Levy (CIL) scheme came into effect in 2017/18. The main capital project identified for funding from CIL receipts is the South Devon Highway. The Council used £0.18m CIL receipts to fund its South Devon Highway expenditure in 2019/20. The "neighbourhood proportion" of CIL receipts has been allocated to an earmarked reserve.

12 COVID 2019 Implications

- 12.1 The COVID 2019 pandemic started to impact on the UK during March 2020 with the full impact on 2020/21, future years longer term impact and the final level of central government funding still unknown. Aside from car parking income there was limited (financial) impact on the 2019/20 revenue and capital budgets, however the provision for the level of impairment of outstanding debt as at 31st March 2020 was increased and there was an impact on the final two weeks of collection of NNDR. In addition the first tranche of central government COVID grant funding of £5.4m was received in late March and carried forward in an earmarked reserve.
- 12.2 The impact on 2020/21 along with the level of central government report announced to date will be reported in the Quarter 1 monitoring report in July 2020.