

Meeting: Overview & Scrutiny Board

Date: 9 March 2022

Cabinet

22 March 2022

Council

N/A

Wards Affected: All Wards

Report Title: Budget Monitoring 2021/22 – Period 10 (April – January) Revenue Outturn Forecast & Quarter 3 (Period 9, to December) Capital Outturn Forecast

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 position for the financial year 2021/22 which commenced on 1st April 2021. This report is based on the budget and forecast revenue spend as at 31st January 2022 and Capital budget and forecast spend as at 31st December 2021.
- 1.2. Whilst the majority of the Covid-19 restrictions have now been lifted, the financial impact of the health pandemic remains a significant risk to the Council's finances. So far 2021/22 continues to see continued high demand for frontline services as well as advocacy and support in response to the impact on individuals and households.
- 1.3. As at Quarter 3 the Revenue budget shows a slight overspend of £0.02m which represents a variance of 0.02% against the 2021/22 budget. This shows an improved position since the Quarter 2 report.
- 1.4. The Capital Plan budget totals £282m for the 4 year programme, with £43m currently scheduled to be spent in 2021/22, including £18m on a number of Regeneration projects and £5m on major Transport schemes. At this point (31 Dec 2021) the Capital Plan now requires £6.6m from new capital receipts and capital contributions over the life of the Plan in order to be able to deliver all that is planned.

2. Recommendation (s) / Proposed Decision

Recommendations for Overview & Scrutiny Board

- 2.1. That the Overview & Scrutiny Board notes the latest position for the Council's revenue outturn position and mitigating action identified and make any comments and/or recommendations to the Cabinet.
- 2.2. That the Overview & Scrutiny Board notes the latest position for the Council's Capital outturn position and make any comments and/or recommendations to the Cabinet.

Recommendation for Cabinet

- 2.3. That Cabinet notes the report.

3. 2021/22 Budget Summary Position

- 3.1. Overall Torbay is still seeing the continued financial impact of Covid-19. The impact is both directly and indirectly on the Council's income and expenditure in the year.
- 3.2. Despite the continued uncertainty of the Covid-19 financial impact the approved budget set by the Council in for 2021/22 appears to have effectively reallocated resources to meet the cost pressures faced. As a result, there is a very small forecast variance of 0.02%. This demonstrates that, based on current levels of activity, additional funding for pressures such as the provision of Temporary Accommodation and the impact on Collection fund are sufficient to effectively meet the pressures and challenges anticipated for 2021/22.
- 3.3. However, there are a number of areas upon which officers remain focussed and are closely monitoring given their potential impact:
 - 3.3.1. The continued costs of Covid-19 response including local test, track and trace work alongside the work to support communities and businesses in response to outbreaks.
 - 3.3.2. Variations to income, including car parking and collection fund where the changes to the behaviour of individuals and households affects key funding for local service delivery.
 - 3.3.3. The improvement journey within Children's Services which remains crucial to the Council's medium term financial stability.
 - 3.3.4. The effective deployment of carried forward or one-off funds which are being deployed as part of the Council's recovery. In a number of areas such as Housing, the use of these funds is imperative to ensure the reduction of long term costs as well as providing a pathway to balance the 2022/23 budget.
- 3.4. The areas above are expected to remain a prominent feature of the 2022/23 budget monitoring.

Collection Fund

- 3.2. The establishment of a Collection Fund reserve formed part of the Budget 2021/22 was established in order to meet the future impact of carrying forward the shortfall from 2020/21. This reserve funds the 2020/21 impact of the shortfall for the period 2020/21 – 2023/24.
- 3.3. So far 2021/22 monitoring seems to be in line with forecast collection levels, namely a 2% reduction on pre Covid-19 collection rates.
- 3.4. The impact of the rising cost of living, inflation and utility prices increases may impact negatively on collection rates in 2022/23.
- 3.5. Revised NNDR bills incorporating the new 2021/22 reliefs were issued at the start of the year. There is also a new Covid-19 Additional Relief Fund which will provide rate relief to businesses that so far have not qualified for the other mandatory rate relief schemes.

4. Grant Support

- 4.1. During 2021/22 there are two key schemes which continue to provide funding to offset increased expenditure and income losses. This support has been received through un-ring-fenced grants as well as the income reimbursement scheme.
- 4.2. The un-ringfenced grant funding of £4.1m was included in the approved 2021/22 budget.
- 4.3. The Sales Fees & Charges reimbursement scheme which ran until the end of June 2021 will provide £0.2m of funding.
- 4.4. In addition to the un-ring fenced grants and the Income reimbursement Grant, Central Government have issued a number of other grants related to Covid-19.

5. Wholly owned companies

- 5.1. This section contains an overview of the financial position for the Council's wholly owned companies.
- 5.2. SWISCo which has now been trading for over a year, remains under financial pressure. Day-to-day staffing levels have also been significantly impacted by covid cases, the need for staff to self-isolate as a result of being "pinged" or close-contacts of someone who has tested positive for Covid-19.
- 5.3. A Summer response strategy working group which is made up of partners from across Torbay have been working together to prepare for the 2022 Visitor season.
- 5.4. As part of the 2021/22 budget additional financial support was approved for SWISCo totalling £1.2m. The Council has received a request for additional support of £0.6m which will be required in-year during 2021/22.
- 5.5. TDA group are expected to report a surplus for 2021/22, although within that position Torvista will continue to incur losses until it increases its number of properties and its rental income.

5.6. More detailed financial reporting about the Council's Wholly owned Companies will be presented to Audit Committee on a regular basis.

6. Statement of Accounts – 2020/21

- 6.1. The Council's auditors, Grant Thornton, presented their Audit Findings for Torbay Council at the Audit Committee on 6th December 2021. Grant Thornton advised that by the Government's Statutory deadline of September only 30% of audits were signed off increasing to 40% in November 2021. This was partly due to lack of capacity in the market and the increase in the amount of work required for external audit compared to two years ago by between 30% to 50%. The representative from Grant Thornton advised the final Report would be issued in the New Year.
- 6.2. The protracted statement of accounts process has put significant pressure on the finance team. For whom the majority of the last year have been working concurrently on 2020/21, 2022/22 and 2022/23 financial years.

7. Service Budgets

- 7.1. The table below contains the forecast spend for the financial year 2021/22. The reporting hierarchy reflects the current Senior Leadership Team (SLT) Structure.

Service	Budget £'000	Projected Outturn £'000	Outturn Variance £'000	Movement since Q2
Adult Services	44,460	44,560	99	(33)
Executive	3,120	3,107	(13)	(258)
Children's Services	45,493	45,493	0	0
Corporate Services	5,867	6,909	1,042	154
Finance	(9,215)	(10,733)	(1,518)	(470)
Investment Portfolio	(4,639)	(4,639)	(0)	(0)
Place	20,738	21,151	413	(211)
Public Health	9,825	9,825	0	0
Total	115,650	115,673	23	(817)

- 7.2. The Overall council position shows an improvement of £0.8m resulting in an overspend of £0.02m (0.02%). More information on the service variances is contained below.

7.3. **Adult Services**

- 7.4. The Director for Adults Services, now covers the three service areas shown below.

Service	Budget £'000	Projected Outturn £'000	Outturn Variance £'000	Movement since Q2
Adult Social Care	41,519	41,356	(163)	(87)
Community Services	2,493	2,682	189	54
Customer Services	449	522	73	0
Total	44,460	44,560	99	(33)

- 7.5. Overall Adults Services directorate shows a slight overspend representing 0.22% of the budget.
- 7.6. Within Adult Social Care the majority of spend is against a fixed price financial arrangement (contract) for the delivery of services provided by the Integrated Care Organisation (ICO). There is a slight underspend in Local Authority contracted activities.
- 7.7. The current financial arrangement with the ICO is due for renewal on 1st April 2023. Collaborative work is underway between Council & NHS colleagues on the Adult

Social Care Improvement Plan (ASCIP). This includes attendance at a fortnightly budget oversight meetings.

- 7.8. The ICO has experience severe operational challenges this year and some savings activities have been delayed due to covid. However, the ASC Improvement Plan has delivered £2.3million of a target of £2million this year. The overall ASC budget remains overspent due to the rapidly increasing cost of care, the increasing volume of demand and the requirement to discharge people quickly from hospital into a supply based severely reduced by Covid. This overspend is significant, but included in the financial arrangements, thus there is no impact on the Council budget. However, Members should be aware of the financial position of this key partner, delivering a statutory council service.
- 7.9. The Joint Community Equipment Store (JCES) is forecasting an overspend of £763k which is split equally between each of the three partners, CCG, ICO and Torbay Council. As a result, there is no impact to the Council's General Fund.
- 7.10. Community Services has a shortfall on income. This represents the continued impact of Covid-19 on income generating activity within the service including Licensing and the Environmental crime team.
- 7.11. Following the investment of an additional £1m to meet additional demand for Temporary Accommodation, this service is forecast to be on budget. This position is monitored fortnightly by officers to ensure progress in the provision of suitable and stable temporary accommodation options whilst individuals and family groups find permanent accommodation.
- 7.12. There remains considerable pressure in the local housing market which is affecting this service significantly. This scenario is almost a "perfect storm" of staycationers, and landlords opting to sell-up and exit the market as a result of local property prices increasing in the wake of the Stamp duty tax-relief. All of which culminates in the low availability of temporary options for individuals and family groups in need of temporary accommodation. With the end of Furlough and reductions to Universal Credit the team are expecting to see further increases in demand for support.
- 7.13. There are also anecdotal reports of the impact the local housing market is also impacting on the ability for local businesses to attract staff to come and live and work in Torbay due to the lack of available housing.
- 7.14. Customer services continues to see increased costs from staffing, including agency staff and print & postage costs as a result of the increased demand for support throughout Covid-19. Upon implementation of the Councils "CRM" system in future years more self-service options will be available for customers which will help to streamline straight-forward contact.

7.15. Children's Services

Service	Budget £'000	Projected Outturn £'000	Outturn Variance £'000	Movement since Q2
Schools Services	3,516	3,634	118	270
Children's Safeguarding	41,977	41,859	(118)	(270)
Total	45,493	45,493	(0)	(0)

- 7.16. Within **Schools Services** Local Authority funded activities are expected to be on budget.
- 7.17. There remains pressure with the provision of Home to School transport as a result of rising costs as transport providers have to adapt their operating models in light of Covid-19 and as children and young people adjust & readjust to the changes to schooling and as a result, may need a different level of support to get to and from school.
- 7.18. Outside of Local Authority funded activities, the schools' higher needs block in the Dedicated Schools Grant (DSG) remains under financial pressure because of an increasing level of referrals from schools for higher needs support for children. The pace of demand is far outstripping increases in dedicated funding and has been for several years.
- 7.19. For 2021/22 the Schools Forum set a deficit budget of £2.6m for 2021/22. Based on the latest monitoring, the forecast in-year deficit is now £3.3m.
- 7.20. As a result, the DSG cumulative deficit is now forecast to exceed £9.0m by the end of 2021/22.
- 7.21. The Council does not receive any funding for schools therefore the overspend will remain in the DSG to be funded from DSG in future years. The School and Early Year Finance (England) Regulations 2020 confirm that this is not a cost that the Council must fund. However, for how long this position is sustainable is not certain. At some point the deficit will need to be funded therefore it is essential that officers and members continue to focus on this key issue.
- 7.22. In 2020/21 and the following two financial years additional legislation has been passed that, for accounting purposes, reclassifies the deficit on the Council's balance sheet. There is currently uncertainty as to what will happen after the end of the three year period.
- 7.23. 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. So far, the external scrutiny and review carried out has not identified any new initiatives that are over and above the

work already progressed by Torbay Council and the Schools Forum to address this position.

- 7.24. Most recently, engagements with the Education and Skills Funding Agency (ESFA) have indicated that a central government funding solution is unlikely.
- 7.25. Within **Children’s Safeguarding** there is a slight underspend forecast of £0.2m (0.28%).
- 7.26. Whilst this is an improved position compared to Quarter 2, the service has seen some exceptionally high emergency placement costs at £2,500 per day in January 2022. This serves as a reminder of the significance of the need for continued and rigorous whole Council support for this service given the financial impact if the number and cost of care rises.
- 7.27. In previous years reports the increased spend was perceived to be “within the control” of the Council and the improvements seen in the last 18 – 24 months has been as a result of robust measures put in place to increase the accountability for how resources were deployed in order to meet the needs of children and young people.
- 7.28. The current picture is one of national level issues having a local impact. There are significant shortages of placements meaning children & young people are unable to step down from residential to family-based settings such as fostering placements. The local housing market means that a number of the accommodation options for 16+ have now converted their larger properties to self-catering holiday units in order to take advantage of the increased demand from holiday makers. This has seen the cost of 16+ accommodation increasing from £600 per week to £2,400 in some cases. Other Councils are also reporting placing children as young as 3 years old in residential placements as a result of the inability to find suitable family-based alternatives.
- 7.29. Across the south west other Councils are seeing increased numbers of Children Looked After (CLA), reliance on agency staff and number of children and young people placed out of area. This increased competition also drives the overall market up.
- 7.30. All of this means that despite the continued oversight, challenge and support from colleagues, external factors are significantly influencing spend.
- 7.31. Key measures;

Placement types	Aug'20	Dec'20	Apr'21	Sep'21	Jan'22
Residential Placement	26	23	21	21	24
IFA Fostering Placement	92	89	81	81	79
Total Children Looked After (CLA)	330	322	321	306	291

- 7.32. Overall placement numbers remain stable and the number of Children Looked After (CLA) continues to reduce gradually. Residential Placements has increased by 3 since Quarter 2, but it should be recognised that such fluctuations will occur.
- 7.33. The latest forecast for Agency staff costs is £5m and the number of agency staff has reduced from 49.3 FTE to 36.9 FTE since April 2021.
- 7.34. Within Agency costs £1m of this is associated with the improvement journey of Children's Services and is therefore only expected to be required for a fixed period of time. Similarly there are a number of agency posts which are supporting through managing the caseloads of the newly qualified Social Workers during their first year of employment. Again, these posts are time-limited and scheduled to cease as new staff progress through the Learning Academy and increase their caseloads.
- 7.35. Based on the volatility within recent years at this stage in the year this forecast represents a balance of prudence and realism for 2021/22. The continued stability within placements and continued success of the Learning Academy in recruiting and retaining staff remains integral to delivering a balanced budget in 2022/23.

7.36. **Corporate Services & Executive**

Service	Budget £'000	Projected Outturn £'000	Outturn Variance £'000	Movement since Q2
Executive	3,120	3,107	(13)	(258)
Corporate Services	5,867	6,909	1,042	154

- 7.37. Within the Executive unit an improved financial position results in a £0.01m underspend.
- 7.38. Within Corporate Services there are significant, continued pressures within Legal Services:
- 7.38.1. Challenges to recruit suitably qualified staff result in forecast agency costs of £0.4m.
- 7.38.2. Reduced fee-earning work provides a further cost pressure of £0.2m on income.
- 7.39. The Divisional Director for Corporate Services is working closely with the Head of Legal to address both of these pressures.
- 7.40. Elsewhere in Corporate Services a result of reduced income for the Printing & Post Service, there is a further pressure of £0.4m. Again, the Divisional Director for Corporate Services is working with the team to address this shortfall.

7.41. Finance

Service	Budget £'000	Projected Outturn £'000	Outturn Variance £'000	Movement since Q2
Finance	(9,215)	(10,733)	(1,518)	(470)

7.42. Within Finance, which is where a number of Central Government Grants are shown, there is an underspend forecast as a result of applying a number of contingencies & Government Grants.

- 7.42.1. Sales Fees & Charges grant £0.2m
- 7.42.2. Release of specific earmarked contingencies £0.7m
- 7.42.3. Gainshare from Devon-wide Business Rates Pool £0.1m
- 7.42.4. Improved NNDR income relating as a result of the Business Rate relief & resultant Section 31 Grants improving the overall % collection rates. Which has a positive impact of £0.5m reported for Quarter 3.

7.43. Investment Portfolio

Service	Budget £'000	Projected Outturn £'000	Outturn Variance £'000	Movement since Q2
Investment Portfolio	(4,639)	(4,639)	(0)	(0)

7.44. The Council's Investment Portfolio is forecast to be on budget after the use of the Investment Fund reserve to meet any in year shortfall. Within the portfolio there are some pressures as a result of the Covid-19 impact on commercial tenants.

7.45. Any tenants with arrears are actively engaging with colleagues in TDA and repayment plans have been agreed. Based on the level of arrears outstanding at the end of the Financial Year there may be an accounting adjustment to release some of the bad debt provision made at the end of 2021/22.

Place

Service	Budget £'000	Projected Outturn £'000	Outturn Variance £'000	Movement since Q2
Place Operations	11,978	12,610	632	(26)
Place Commissioned	3,969	4,009	41	40
Planning, Housing and Climate Emergency	4,792	4,532	(260)	(225)
Total	20,738	21,151	413	(211)

- 7.46. Within Place there is a £0.4m overspend which represents 1.99% of the budget.
- 7.47. **Place Operations** has a cost pressure of £0.6m.
- 7.48. This includes the additional financial support requested by SWISCo of £0.6m.
- 7.49. Within Torre Abbey income, there is a forecast £0.2m shortfall as a result of reduced visitor numbers. This reflects the continued hesitancy to return to indoor visitor attractions even as the Covid restrictions have changed.
- 7.50. The pressures within Place Operations are partially offset by the declaration of a £200k underspend forecast within Parking Services. This is in part due to the service having a number of vacancies across the service. The Head of Parking Services is currently co-ordinating an enhanced Recruitment and Retention offer for staff to boost staffing levels which is vital to ensure safe and compliant parking across the bay.
- 7.51. Despite starting the financial year in a lockdown, and summer weather that could have been better, car parking income over the summer has remained on budget. There remains uncertainty over how the winter season will impact parking income, so at this stage income is forecast to be on budget.
- 7.52. **Place Commissioned** is forecasting an overspend as a result of delays to the implementation of the solar farms which were expected to generate a surplus for the Council in 2021/22.
- 7.53. **Planning, Housing and Climate Emergency**
- 7.54. Planning income is forecast to be slightly better than budget as a result of continued high demand in the wake of the stamp duty relief.
- 7.55. Within Strategy & Project Management an underspend of £0.2m is forecast as a result of reduced costs for Concessionary Fares which is due to lower passenger journeys.

7.56. Public Health

Service	Budget £'000	Projected Outturn £'000	Outturn Variance £'000	Movement since Q2
Public Health	9,825	9,825	0	0

- 7.57. Public Health colleagues continue to lead on the Council's response to Covid-19 and co-ordinate and deliver a number of key and continuing strands of the response and recovery work.
- 7.58. This includes the spend of the Contain Outbreak Management Fund Grant, the delivery a number of Testing Programmes as well as the management of the Local Contract tracing work.
- 7.59. As the majority of this work is directly grant funded, there is no forecast variance on Local Authority funded activity within Public Health. There is a slight underspend forecast within the ringfenced grant, which will be carried forward to continue to fund vital local Covid-19 response work once the current Government funded grants end on the 31st March 2022.

8. Future mitigating actions

- 8.1. Service pressures continue in a number of services;
- 8.1.1. Council Tax & Business Rates Collection
 - 8.1.2. Demand for Council Tax Support Scheme
 - 8.1.3. Support for individuals and families requiring Temporary Accommodation
 - 8.1.4. Income pressures across Car Parking, Investment Properties
 - 8.1.5. Support for the Leisure Centres & SWISCo
 - 8.1.6. Growing pressure within Children's Safeguarding due to National issues
 - 8.1.7. Increasing spend on the Higher Needs Block within the DSG.
- 8.2. Officer groups continue to work in "Incident Management Teams" focussing on each of these issues to identify and deploy interventions to manage these pressures.
- 8.3. During 2021/22 budget focussed senior Officer groups continue to meet monthly for each Directorate. This allows the Chief Executive, Chief Finance Officer & the service Director & support staff to have focussed time managing the budgetary position.
- 8.4. Looking ahead, the financial impact for the Council remains contingent on the level of recovery in Torbay. This recovery is in terms of both the local economic recovery and

collection of Council Tax and NNDR which is vital to fund the delivery of local public services. The summer was a very busy visitor season which gave encouragement in terms of the economic recovery, albeit present pressures on other services due to the influx of visitors.

- 8.5. The Chief Financial Officer and his team are closely monitoring the Council's cash flow, although at this stage there remains no concern about cash flow. As in 2020/21 central government have advanced a number of grants.

9. Risks & Sensitivity

- 9.1. There are a number of financial risks facing the Council as shown below:

Risk	Impact	Mitigation
Future funding of DSG Deficit	High	Recovery meetings have been convened by the Chief Finance Officer to review any and all opportunities to locally influence this area of spend.
Continued loss of income	High	Recovery meetings have been convened by the Chief Finance Officer for all the Council's main areas of income. Each group is tasked with developing an action plan to influence income where possible
Collection Fund shortfall	High	Additional resources allocated to support the Revenues & Benefits team and a review of debt recovery will be undertaken.
Fair Funding Formula	Medium	Development of a robust MTRP to address the expected impact on Torbay's funding. Timing of this funding change is now 2022/23 at the earliest.
Identification, and delivery, of savings for 2022/23 to 2024/25 per Medium Term Resource Plan	High	Star Chambers for the 2022/23 Budget setting process commenced in June. Options will be reviewed by Senior Leadership Team in collaboration with Cabinet to consider options for future years.
Delivery of Children's Services cost reduction plan	Medium	Meetings continue to monitor the current rate of delivery against the identified actions from the Sufficiency Strategy.

Unable to recruit staff and need to use agency staff.	High	<p>Recruitment & retention of Social Work staff, particularly in safeguarding is still one of the core priorities for the Senior management team within Children's Services.</p> <p>This pressure is also being seen across a number of front line services which are integral to the Council's "Summer Response Team" Work continues to identify solutions to these challenges which seem to be on a national scale.</p>
Additional demand and cost pressures for services, particularly in children's social care	Low	2021/22 Budget monitoring, use of service performance data and recovery plan.
Delivery of approved savings for 2021/22	Medium	Further to regular budget monitoring for all budget holders, the Council's Senior Leadership Team receive monthly updates on the 2021/22 position.
Investment Property Income changes	High	There are ongoing discussions with tenants about recovery plans