

**Meeting:** Overview & Scrutiny

**Date:** 15 March 2023

**Meeting:** Cabinet

**Date:** 21 March 2023

**Wards Affected:** All Wards

**Report Title:** Budget Monitoring 2022/23 – April to December 2022, 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 2022/23 which commenced on 1<sup>st</sup> April 2022. This report is based on the budget and forecasts as at 31<sup>st</sup> December 2022.
- 1.2. The Council's outturn for 2022/23 is forecast to be **breakeven** which is an improvement of **£1.7m** since the Quarter 2 / Period 7 report.
- 1.3. This is a welcome improvement albeit to deliver a balanced budget requires ongoing oversight and scrutiny from the Council's Section 151 Officer, all the Directors and their respective teams.
- 1.4. The Capital Plan budgets to spend a total of **£305m** on capital projects over the 4-year programme, with **£43m** currently scheduled to be spent in 2022/23. The Capital Plan is funded from capital receipts, capital grants and contributions, reserves and revenue budget contributions, and long-term borrowing to ensure a balanced budget over the life of the Plan.

## **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 and capital outturn position and make any comments and/or recommendations to the Cabinet.

## Recommendations for Cabinet

- 2.2. That the Cabinet notes the latest position for the Council's revenue and capital outturn position.

### 3. 2022/23 Budget Summary Position

- 3.1 The Council's outturn for 2022/23 is forecast to be **breakeven** which is an improvement of **£1.7m** since the Quarter 2 / Period 7 report.
- 3.2 The improvement is primarily due to latest the forecast of interest received on cash balances following the interest rate increases in the past few months and no borrowing to fund capital projects has been undertaken in 2022/23. In addition, further NNDR income has been released following the receipt of revised financial forecasts.
- 3.3 The Dedicated Schools Grant and in particular the Higher Needs Block which is forecast a **£2.9m** deficit in year, with a cumulative deficit of **£11.9m**.

### Capital

- 3.4 The Council is seeing extreme cost inflation in respect of Capital projects. As a result of this pressure several schemes that are in progress are facing rising costs. The viability of schemes supported by prudential borrowing are further impacted from the recent rises in borrowing rates.
- 3.5 As part of the 2022/23 budget a capital contingency of £4m was established, however based on latest scheme cost forecasts this was increased at Full Council by £8m with a specific allocation for the Harbour View project and revised governance arrangements established. In 2022/23 allocations have been made to progress Harbour View, Edginswell enabling works, Edginswell retail unit and Lymington Road.
- 3.6 The pressures outlined above could result in some capital projects no longer being viable or revised. In these cases, there is then the risk that costs incurred to date are not able to be accounted for as capital expenditure and are therefore chargeable to the revenue budget. At year end all capital projects will be reviewed for any such costs and these will be charged to revenue.

### 4. Wholly Owned Companies

- 4.0. SWISCo. remains under financial pressure in terms of operational delivery due to higher costs. The pay award has been agreed, which is a fixed £1,925 per full time employee. This has a disproportionate percentage impact on SWISCo given the average salary. As a result, the Council has agreed an additional £0.6m of funding to meet the shortfall in the pay award. As at Quarter 3, this funding remains sufficient to ensure SWISCo. delivers a balanced budget after applying this support.
- 4.1. Within the TDA Group, TorVista continues to operate with a higher level of deficit compared to their business plan. The accumulated deficit in the company to March 2022 was £0.8m with a further deficit of £0.3m forecast for the current year. Based on the forecast trading performance a request to extend TorVista Home's working capital

loan facility from £1.0m to £1.5m was approved on 13 October 2022 at Full Council. The net surplus on the remainder of the TDA group is a forecast surplus of £0.7m.

## 5. Statement of Accounts – 2020/21 and 2021/22

- 5.0. The Council’s auditors, Grant Thornton, presented their Audit Findings for 2020/21 at the Audit Committee on 6th December 2021. At the time of writing this report the 2020/21 accounts remain unsigned by Grant Thornton although CIPFA have now issued updated guidance on infrastructure assets. The 2021/22 audit started in January 2023 but will not be completed until Summer 2023.
- 5.1. The Council's 2021/22 accounts can be accessed on the following link:
- 5.2. <https://www.torbay.gov.uk/council/finance/statement-of-accounts>
- 5.3. The ongoing protracted statement of accounts process continues to put significant pressure on the finance team, for whom most of the last year have been working concurrently on four separate financial years (2020/21, 2021/22, 2022/23 and 2023/24).

## 6 Service Budgets

- 6.1 The table below contains the forecast spend for the financial year 2022/23.
- 6.2 Please note all figures in the tables rounded to the nearest £100,000.

Service	Current Budget £'000	Projected Outturn £'000	Outturn Variance £'000	Movement since Q2 £'000
Adult Services	45.9	46.1	0.2	0.2
Executive	3.2	3.6	0.4	0
Children’s Services	45.9	47.7	1.8	0.2
Corporate Services	7.0	7.7	0.7	0.2
Finance	(8.3)	(12.6)	(4.3)	(2.7)
Investment Portfolio	(4.6)	(4.6)	0	0
Place	21.6	22.8	1.2	0.4
Public Health	10.1	10.1	-	-
	<b>120.8</b>	<b>120.8</b>	<b>0</b>	<b>(1.7)</b>

- 6.3 After mitigation the overall Council position shows a **breakeven position**. More information on the service variances is contained below.

### Adult Services

- 6.4 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).

- 6.5 Community and Customer Services is reporting an overspend of £0.4m. The main cause of this is a significant increase in the costs of providing temporary accommodation to individuals and families.
- 6.6 Work is underway to directly procure and lease property to increase the stability of accommodation options available to the Housing Options team. This stability will allow more work to be done to prevent homelessness and support households to find more permanent housing. 37 homes are expected to be purchased. This will ensure a more traditional 'home' setting for approximately half of the individuals currently in Temporary Accommodation which is predominantly spot purchased B&B type accommodation. The low availability of temporary options for individuals and family groups in need of temporary accommodation is resulting in cost increases.
- 6.7 Customer services continues to see increased demand as staff are involved in the administration of several key grant schemes in addition to all the usual support and advice provided by the service. The current staffing overspend may be later offset depending on the actual level of new burdens funding received for the Council Tax Rebate and Household Support Fund schemes.

### **Corporate Services & Executive**

- 6.8 The Executive support unit shows an overspend of £0.4m due to continued income shortfalls in traded services such as Human Resources which also have overspends on staffing costs.
- 6.9 Within Corporate Services there is a forecast overspend of £0.7m. This is caused by significant continuing pressures within Legal Services from both challenges to recruit and retain suitably qualified staff result and reduced fee-earning work, increased IT spend on cyber security and the costs of the print service which has now began its first phase of their new outsourced service delivery.

### **Children's Services**

- 6.10 There is an overspend of £0.6m because of continued pressure with the provision of Home to School transport. Rising costs are due to rising fuel costs for transport providers as well as children and young people needing more bespoke arrangements to get to and from school.
- 6.11 Within Children's Safeguarding there is a net forecast overspend of £1.2m. Driving this forecast are high placement costs at £25 – 30k per week. 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.
- 6.12 Across the southwest Councils are seeing increased numbers of Cared for Children, reliance on agency staff and number of children and young people placed out of area. This increased competition also drives the overall costs within the market even higher. This means that despite the continued oversight, challenge and support from colleagues, external factors are now significantly influencing spend.
- 6.13 As at December 2022 the above table includes 29 placements as part of Torbay's support for Unaccompanied Asylum-Seeking Children (UASC) which increases the

figures in 2022/23 as compared to previous years.

- 6.14 Following successful recruitment and retention within the service, the total number of agency staff employed has reduced from 49FTE in April 2021 to 22 FTE in December 2022. Again, the reduction seen has been steady over the last few financial years and helps provide stability within the workforce and therefore consistency when working with children and young people and their families.
- 6.15 As a result of the continued improvement, total agency costs are forecast to be £2.3m. This is compared with a total spend in 2021/22 of £4.9m. This demonstrates that Torbay Council has achieved significant improvements to influence spend where it can, but we are now seeing significantly increased salary expectations within the agency market and stiff competition from other Councils that are offering higher and higher hourly rates to stabilise their own workforces.
- 6.16 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 as has been the case for several years. For 2022/23 the DSG is forecasting an overspend of **£2.9m**. As a result, the DSG cumulative deficit is forecast to be more than **£11.9m** by the end of the financial year. However, until end of 2025/26 additional legislation has been passed that, for accounting purposes, reclassifies the deficit on the Council's balance sheet.
- 6.17 The Council is part of the Education and Skills Funding Agency (ESFA) and Department for Education (DfE) Safety Valve programme. Formal discussions commenced in October, and we have submitted a final recovery plan in February 2023 with the outcome of this expected in March 2023. Agreements made with other councils suggest that if the council can deliver a balanced higher needs budget within a defined period, all or some of the historic deficit may be funded by ESFA. However, this is dependent on the council being able to deliver a recovery plan that results in a balanced budget.

## **Finance**

- 6.18 As part of setting the 2022/23 budget there were some specific centrally held contingencies established which were linked to inflation risks and held under finance. These have been released to contribute toward the known cost pressures faced such as utility costs and the 2022/23 pay award.
- 6.19 As a result of significantly increased interest rates in the second half of the financial year, the Council is expecting to receive additional interest on its cash balances and investments. In addition, given the current levels of spend on Capital projects, there is also a saving on interest payable as the Council has not had to borrow in 2022/23.
- 6.20 There is a £0.2m gainshare declared from the gainshare arrangements from the Devon-wide Business Rates Pool. In addition, NNDR income of £0.6m has been released following the receipt of revised financial forecasts.

## **Investment Portfolio**

- 6.21 The Council's Investment Portfolio's mitigated position is balanced after the use of the investment property reserve to cover lost rent, holding costs and landlord works associated with the empty retail unit at Wren Park where a new tenant has now signed a lease.
- 6.22 This means the Council's investment portfolio will still contribute £4.6m towards Council activity and maintain its Investment Fund Reserve which will help offset future pressures as and when they arise.
- 6.23 Council officers will continue to monitor existing loans made on commercial terms for any evidence of a required impairment where there is a risk that the loan will not be repaid.

## **Place**

- 6.24 The full impact of the announced 'cap' on non-domestic tariffs on the Council will be finalised later in the year as the calculations are monthly in arrears. Increased utility costs within this directorate are forecast to result in an overspend of £0.7m.
- 6.25 Waste & Recycling is forecasting an overspend of £0.6m because of SWISCo's request for additional financial support due to the implication of the 2022/23 pay award.
- 6.26 Within Torre Abbey income, there is a £0.1m income shortfall because of reduced visitor numbers.
- 6.27 Additional support for Torbay Coast and Countryside Trust has been requested, which adds a pressure of at least £0.3m for deficit funding.
- 6.28 Currently Parking Services is forecast to return a surplus of £0.3m.
- 6.29 There are increased security and health & safety related works carried out at Oldway which are forecast to cost £0.1m.
- 6.30 Contract fees are forecast to be £0.2m over budget based on the latest figures, this is partially impacted by rising costs due to increased commissioned work as well as inflationary uplifts. There are also continued pressures because of delays to the implementation of the solar farms costing £0.1m which were expected to generate a surplus for the Council.
- 6.31 Within Planning there is a forecast underspend of £0.6m is reported because of reduced costs for Concessionary Fares. The reduced costs are in part contributed to by fewer journeys being taken by concessionary fare passengers after the pandemic.
- 6.32 Elsewhere income across planning, development and building control is worsening, totalling circa £0.1m.

## Public Health

6.33 Overall Public Health is forecast to deliver a balanced budget, with spend being funded by the ringfenced grant.

### 4 Capital Plan Summary Position

9.1 The Capital Plan budgets to spend a total of £305m on capital projects over the 4-year programme, with £43m currently scheduled to be spent in 2022/23. The Capital Plan is funded from capital receipts, capital grants and contributions, reserves and revenue budget contributions, and long-term borrowing to ensure a balanced budget over the life of the Plan.

9.2 The spend and funding profile for the Capital Plan is included in Appendix 1.

9.3 Of the £7.6m capital receipts budgeted for in the Capital Plan, £1.2m has been received so far in the 2022/23 financial year. This leaves a balance of £6.4m still to be realised from both capital receipts and capital contributions. It is only after this £6.4m has been achieved that any capital receipts can be applied to new schemes. This prioritisation ensures the Capital Plan remains fully funded.

9.4 The movements in the estimate of expenditure in 2022/23 on the Capital Plan between the last monitoring report of £39.2m and the current forecast budget for 2022/23 of £43.3m are shown below.

### 10 Updates to Capital Plan

Scheme	Variation in 2022/23	Change £m	Reason
<b>Estimate as at Q2 2022/23</b>		<b>39.2</b>	<b>Capital Plan Update – 2022/23 Quarter 2 (Cabinet 13<sup>th</sup> Dec 2022)</b>
<b>Budget Changes since last report (Q2 2022/23)</b>			
<b>Thriving People and Communities</b>			
IT replacement - Children's Case Management System	Additional Resources	0.7	Revenue contribution of £669,490 made to cover implementation cost (total cost of £771,165)
Torre Marine	Rephased budget	0.5	£546,7347 from 23/24 reprofiled to 22/23.
Adult Social Care	Rephased budget	0.7	£754,000 from 23/24 reprofiled to 22/23.
Paignton Comm & Sports Academy Expansion	Resources transfer	-0.2	£187,361 underspend on project transferred back to Education Review Projects, future years, for investment in further schemes.
Brunel Academy Ph 2 Vocational Classrooms	Resources transfer	-0.2	£168,078 underspend on project transferred back to Education Review Projects, future years, for investment in further schemes.
Sixth Day Provision	Resources transfer	-0.1	£105,425 underspend on project transferred back to Education Review Projects, future years, for investment in further schemes.

Polsham Centre Development	Resources transfer	-0.1	Project cancelled - resources transferred back to High Needs capital provision, future years, for investment in further schemes. £149,462 from 22/23, £100,000 from 23/24.
Affordable Housing	Budget adjustment	0.2	Adjustment to correct budget returned from ceased project.
	Rephased budget	-0.2	Budget rephased to future years
Devolved Formula Capital	Additional Resources	0.1	£154,275 additional capital funded provided by Dept for Education for schools to improve energy efficiency.
Changing Places Toilets	Rephased budget	-0.2	£180,000 reprofiled to 23/24.
	<b>Total</b>	<b>1.2</b>	
<b>Thriving Economy</b>			
Edginswell Enabling Works	Additional Resources	0.2	Additional grant award from LEP to help with increased costs on project. £249,900 added to project.
	Rephased budget	-0.2	£249,900 reprofiled to 23/24.
SWISCO Loan - Vehicle & Equipment Replacement	Rephased budget	-0.5	£462,000 reprofiled to 23/24 as per spend projection.
SWISCO Loan - Buildings	Rephased budget	-0.4	£400,000 reprofiled to 23/24 as per spend projection.
Old Toll House (Econ Growth Fund)	Rephased budget	-0.1	£90,000 from 22/23 (and £413,726 from 23/24) reprofiled to 24/25.
Flood Alleviation - Monksbridge	Rephased budget	-0.1	£115,000 reprofiled to 23/24.
Paignton Coastal Defence Scheme	Rephased budget	-0.2	£150,000 reprofiled to future years.
Haldon & Princess Pier	Rephased budget	-0.1	£50,000 reprofiled to 23/24.
Torquay Town Deal - Union Square Ph.1	Rephased budget	4.0	£4,000,000 from 23/24 reprofiled to 22/23 re the acquisition of Union Square.
Paignton Future High Streets Fund - Torbay Road	Rephased budget	-0.1	£62,417 reprofiled to 23/24.
Paignton Future High Streets Fund - Victoria Centre Phase 1	Rephased budget	0.1	£50,000 from 23/24 reprofiled to 22/23.
Paignton Future High Streets Fund - Victoria Centre Phase 2	Rephased budget	0.6	£550,000 from 23/24 reprofiled to 22/23.
Edginswell Station	Rephased budget	1.0	£1,000,000 from 23/24 reprofiled to 22/23.

Lymington Road Business Park	Rephased budget	-1.6	£1,587,430 reprofiled to 23/24
Transport Highways Structural Maintenance	Rephased budget	0.5	£540,000 from 23/24 reprofiled to 22/23.
Transport Integrated Transport Schemes	Rephased budget	0.1	£75,941 reprofiled to 23/24.
Transport - Western Corridor	Rephased budget	-0.3	£280,273 reprofiles to future years.
	<b>Total</b>	<b>2.9</b>	
<b>Tackling Climate Change</b>			
	<b>Total</b>	<b>0.0</b>	
<b>Council Fit for the Future</b>			
	<b>Total</b>	<b>0.0</b>	
<b>Council Approvals with No Plans</b>			
	<b>Total</b>	<b>0.0</b>	
<b>Estimate – Quarter 3 2022/23</b>		<b>43.3</b>	

## 11 Receipts & Funding

- 11.1 The funding identified for the latest Capital Plan budget is shown in Appendix 1. This is based on the latest prediction of capital resources available to fund the budgeted expenditure over the next 4 years. A summary of the funding of the Capital Plan is shown in the Table below:

Funding	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	Totals @ Q3 22/23 (£m)
Unsupported Borrowing	17	38	152	1	208
Grants	24	45	15	1	85
Contributions	1	1	0	0	2
Revenue	1	1	0	0	2
Reserves	0	0	0	0	0
Capital Receipts	0	2	6	0	8
<b>Total</b>	<b>43</b>	<b>87</b>	<b>173</b>	<b>2</b>	<b>305</b>

## 12 Capital Receipts

- 12.1 The approved Plan relies on the generation of a total of £7.6m capital receipts from asset sales by the end of 2025/26. On 1 April 2022 the Council held a balance of £1.2m with nothing significant received by the end of January 2023, leaving a target of £6.4m still to be achieved.

## 13 Capital Grants

- 13.1 Since the last Capital Plan update (Quarter 2 2022/22) reported to Cabinet in December 2022, the Council has been notified of the following capital grant allocations:

- 13.2 Department for Education – additional devolved formula capital grant funding of £154,275 provided for schools to improve energy efficiency. Budget has been profiled for spend in 22/23.
- 13.3 UK Shared Prosperity Fund - new capital grant funding from DLUHC (Dept for Levelling Up, Housing & Communities) of £405,585 over 3 years for investment in community and place, supporting local businesses, people and skills. (£44,523 for 22/23.)
- 13.4 Capital grant funding from Youth Investment Fund for the creation, expansion and improvement of local youth facilities. £528,447 funding profiled to be spent in 23/24 and 24/25.

**14 Capital Contributions – S106 & Community Infrastructure Levy**

- 14.1 The Council’s Capital Strategy states that capital contributions are applied to support schemes already approved as part of Capital Plan and are not allocated to new schemes unless the agreement with the developer is specific to a particular scheme outside the Capital plan. No Section106 capital contributions have been received in 2022/23 to date. The Council’s Community Infrastructure Levy (CIL) scheme came into effect from 1 June 2017. The main capital project identified for funding from CIL receipts is the South Devon Highway.

**15 Borrowing and Prudential Indicators**

- 15.1. The Council has continued its policy of using internal cash resources to temporarily fund capital spending and as such, no new borrowing was undertaken during the quarter. As at 31<sup>st</sup> December 2022 the Council’s total borrowing was £385m. The Operational Boundary has not been breached being set at £530m in the approved Treasury Management Strategy. This limit is based on the expected maximum borrowing the Council would undertake to meet its Capital Financing Requirement.

**16 Risks & Sensitivity**

- 16.1 There are several financial risks facing the Council as shown below:

Risk	Impact	Mitigation
Adult Social Care funding	High	The Director of Adult Social Care is developing a range of intervention activity and savings plans.
Future funding of DSG Deficit	High	The Council is engaged in the Department for Educations Safety Valve program.
CPI at a 40 year high at 10.1% is having a major impact on both revenue and capital costs. The exact impact is still uncertain, e.g. actual cost of utililites. Some council capital projects will no longer be affordable.	High	Inflation contingencies in both the 22/23 revenue and capital budgets.  23/24 budget “build” includes a higher than usual allowance for inflationary pressures.

Rise in borrowing rates	High	The council current portfolio is at fixed rates, so the recent rises do not impact, however all new borrowing is likely to be higher than forecast in the original scheme business cases.
The “cost of living” economic impact on the Council’s residents from higher fuel and utility costs is likely to impact on both demand for council services and may result in reduced income from council tax.	High	The Council has established a cross council “cost of living” group to mitigate where possible the impact on council services and support/signpost residents to support.  The council will continue to administer payments under the Household Support Fund
Collection Fund shortfall	High	Resources allocated to support the Revenues & Benefits team
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 expected to be 2025/26 at the earliest.
Identification, and delivery, of savings as per Medium Term Resource Plan	High	2023/24 budget agreed March 2023.  Revised MTRP to be issued May 2023
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	Recruitment & retention of staff across all council services is an increasing issue which the council’s human resources team are developing options.
Additional demand and cost pressures for services, particularly in children’s social care	Low	2022/23 Budget monitoring, use of service performance data and recovery plan.
Delivery of approved savings for 2022/23	Low	Further to regular budget monitoring for all budget holders, the Council’s Senior Leadership Team receive monthly updates on the 2022/23 position.
Investment Property Income changes	High	The investment board will continue to review future leases and manage any potential break clause implications.

## 17 **Appendices:**

### 17.1 Appendix 1 - Capital Plan summary – Quarter 3 2022/23