TORBAY COUNCIL

Meeting: Overview & Scrutiny Board/Cabinet/Council **Date:** 6 Sept /19 Sept/20 Sept 2023

Wards affected: All Wards

Report Title: Budget Monitoring 2023/24 – April to June 2023 Revenue and Capital Outturn Forecast.

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 2023/24, comparing budgets with year-end forecasts.

1.2. The Council is facing significant external pressure due to the wide-reaching implications of the current economic situation. The levels of cost inflation are impacting the Council across almost every single service. We are also seeing an impact on the levels of income received, with projections being below those budgeted. This pressure is resulting in an initial year end forecast for 2023/24 of **£1.5m overspend**.

1.3. The Capital Plan is currently under review and the profile of spend will be updated accordingly and presented within the Q2 report.

2. Recommendations

Recommendations for Overview and Scrutiny Board

2.1. That the Overview & Scrutiny Board notes the Council's forecasted 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 Council's Capital budgeted position, including the addition of new schemes, and make any comments and/or recommendations to the Cabinet.

Recommendations for Cabinet/Council

2.3. That the Cabinet notes the forecasted revenue outturn position and recommends that Council approves:

2.3.1. The underwriting arrangements for Combe Pafford School as detailed in paragraphs 4.17-19; and

2.3.2. The addition of the following projects (as set out in paragraphs 8.4) to the current capital programme:

- Refurbishment of the changing rooms at Armada Park sports facilities at Torquay.
- Scaling up the delivery of local charge points for electric vehicles.
- Shiphay Lane Active Travel works.
- Renovation of tennis courts at St Marys, Oldway and Abbey Park.

3. 2023/24 Budget Summary Position

3.1. The table below contains the forecast spend for the financial year 2023/24. Budget monitoring has identified a number of spending pressures and is initially forecasting a total overspend at year end of £1.5m, broken down between Council Directorates as follows.

Service	Current Budget £m	Projected Outturn £m	Outturn Variance £m
Adult Services	51.444	52.464	1.020
Children's Services	50.179	51.912	1.733
Corporate and Executive Services	12.245	12.446	0.201
Finance	-11.941	-13.541	-1.600
Investment Portfolio	-4.134	-4.134	0
Place	22.728	22.851	0.124
Public Health	10.430	10.430	0
TOTAL	**130.950**	**132.428**	**1.478**

3.2. Delivering a mitigated and reduced overspend by the end of the year will require robust financial management and control from all services across the Council. Overspend recovery plans have been completed by each Director and will continue to be reviewed by the Senior Leadership Team.

3.3. The following areas will require particular focus over the rest of the financial year due to the level of overspends being forecast.

- Increasing costs associated with homelessness prevention activity and the provision of Temporary Accommodation.
- The increasing costs of Childrens Services Placements, including Unaccompanied Asylum-Seeking Children (UASC).
- The Dedicated Schools Grant and in particular the Higher Needs Block, which is not currently shown within the table above. Spend continues to be monitored as part of the safety valve agreement and this continues to be a priority in order to facilitate the future write off of accumulated deficits of over £12m.

4. Service Budgets

4.1. The table below summarises the most material variances (over £100k) currently being forecast at the end of June 2023.

Service	Current Budget £m	Projected Outturn £m	Outturn Variance £m
Adults Service - Housing (Temporary Accommodation)	1.565	2.585	1.020
Corporate and Exec Service - Legal services	1.327	1.645	0.318
Children’s Services – Care placements incl. UASC	20.400	22.462	2.062
Childrens – Net staffing underspend across various CS teams/services.	19.200	18.779	-0.421
Finance – Investments and borrowing	-1.927	-3.527	-1.600
Place - Income below target across services (*N.b figures relate to income only)*	-2.096	-1.722	0.374
Place - Waste disposal	4.453	4.203	-0.250
			-1.503

Adult Services (incl. Community and Customer Services)

4.2. 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). This agreement was uplifted by £5m in 2023/24, with a further £1.1m agreed for the following year. A new arrangement will need to be negotiated for 2025/26 onwards and activity is well underway with partners to identify actions that can reduce spend and enhance financial sustainability for the future.

4.3. The **£1.020m** overspend currently forecast at Q1 is within our Housing Service and predominantly relates to increasing costs for both homelessness prevention activity and the provision of Temporary Accommodation. There continues to be considerable demand in this service, fuelled by the cost of living, which is impacting significantly on clients both financially and emotionally. The main reasons for homelessness is the loss of private rented accommodation and breakdown in family relations.

4.4. Since 2020, there has been a 64% increase in people presenting to the local authority as homeless and a 66% increase in those being provided temporary accommodation.

Compared to this point in time in 2022 there has been a 40% increase in presentations. Increasingly, families are approaching the service, and overall complexity is increasing.

4.5. This is combined with low availability of temporary options for individuals and family groups in need of temporary accommodation. As at the end of July 2023 there were 143 households living in Temporary Accommodation, with a significant amount of prevention activity underway to mitigate the risk of numbers significantly increasing.

4.6. Work is well underway to directly purchase and lease property to reduce costs and increase the stability of accommodation options available to the Housing Options team. This will help to stabilise costs and allow more work to be done to prevent homelessness and support households to find more permanent housing.

Corporate Services & Executive

4.7. An overspend of **£0.318m** is currently being forecast within Legal Services. This is a result of the difficulties the service faces in recruiting permanent staff to meet levels of demand. This has meant the service have had to use more expensive agency staff to continue delivering legal support to services across the Council.

4.8. The council have struggled to compete with the salaries paid by other organisations – both within the private and public sector. The service has recently had approval to apply additional market factors and hope this will make a difference to their ability to recruit and replace agency workers. Further recruitment activity is underway to achieve this.

4.9. Within Corporate and Executive Services, there are some underspends forecast across other teams and service areas, which are partially offsetting the overspend within Legal Services.

Children's Services

4.10. Overall Children's Services is experiencing significant financial pressures due to extreme external forces outside of the control of the Council. An overspend of **£2.062m** is currently being forecast across care placements, despite the overall numbers of cared for children being lower than previous years. Significant shortages of suitable available placements are driving up costs within the market, with price increases since 21/22 of over 30% in residential and unregulated/unregistered placements. The legislation on unregulated placements changed in September 2022 and is resulting in further pressure on this budget into 2023/24.

4.11. This is exacerbated by the demand arising from the increasing volume of cases allocated to Torbay through the National and Regional allocation of Unaccompanied Asylum Seeking Children (UASC). Costs of placement and support are in excess of the Home Office Funding, with current financial pressures arising from UASCs estimated at over £0.718m.

4.12. All of this means that despite the continued oversight, challenge and support from colleagues, external factors are now significantly influencing spend.

4.13. Offsetting some of these pressures are underspends in staffing budgets totalling **£0.421m** Agency costs have been a significant financial pressure in recent years, but following successful recruitment and retention within the service, the total agency costs are forecast to be £2.3m this year compared with spend in 2021/22 of £4.9m. This demonstrates that Torbay Council has achieved significant improvements to influence spend where it can. We are now seeing significantly increased salary expectations within the agency market and stiff competition from other Councils that are offering increased hourly rates to stabilise their own workforces.

4.14. Outside of Local Authority funded activities, the schools' higher needs block in the Dedicated Schools Grant (DSG) remains under financial pressure from continual referrals for higher needs support for children.

4.15. The Council is part of the Education and Skills Funding Agency (ESFA) and Department for Education (DfE) Safety Valve programme, which supports councils in achieving future financial sustainability in this area. If the council can deliver on its recovery plan and achieve a balanced higher needs budget, all of the historic DSG deficit will be written off, through additional funding by ESFA.

4.16. Torbay Council has already received £5.160m from the ESFA in response to its recovery plan, without which the DSG cumulative deficit was forecast to be £12.8m by the end of the financial year. For 2023/24 the DSG is forecasting an overspend of £1.060m at quarter 1, an improved position compared with the forecast deficit within the agreed safety valve plan of £1.263m. It is of importance to the Council's future budget position that the Council delivers its recovery plan.

4.17. Discussions have been taking place with Combe Pafford School about the possibility of underwriting part of the cost of their forthcoming capital investment project to extend the school. Any underwriting will be up to a maximum of £300k, which would be drawn down on, or after, 1 April 2024, and recovered from through a deduction from the School's future funding allocation over three consecutive financial years to commence in 2024/25.

4.18. Governors have provided a formal letter to Torbay Council confirming the affordability, and acceptance, of the three year funding and any draw down will be subject to a formal, signed, legal agreement which will detail specific terms, repayments and any interest applicable on the drawdown.

4.19. The school are seeking alternative sources of top up funding and support from the Department for Education, which might mitigate the need to enact any under-writing from the Council. However, agreement is being sought for the underwriting arrangements, should they be required.

Finance

4.20. A **£1.6m** positive variance is being forecast, mainly as a result of increased interest rates, being applied on council investments. This means the Council is forecast to earn higher levels of interest on its current cash balances than was budgeted. Given the current low levels of spend on Capital projects, there is also a saving on interest payable by the Council as lower levels of spend activity means lower amounts borrowed, therefore reduced interest paid by the Council.

4.21. As part of setting the 2023/24 budget a few centrally held contingencies, mainly linked to pay and inflation risks, were held under finance and will be released to contribute toward the known cost pressures. A total of £0.165m has been released to address specific issues identified early within 2023/24.

4.22. The 2023/24 budget was based on a 4% pay award. Independent pay review bodies have recommended pay increase of up to 6.5%, recognising the high levels of inflation. The final pay award, once agreed, could have a significant impact on the contingencies currently being held.

Investment Portfolio

4.23. The Council's Investment Portfolio is forecast to contribute £4.134m towards Council activity – in line with budget. The investment property reserve is in place to cover lost rent and holding costs arising from empty units.

4.24. Any tenants with arrears are all actively engaging with colleagues in Torbay Development Agency.

Place

4.25. Within the Place directorate an overspend of **£0.124m** is currently forecast, mainly due to levels of income being lower than budgeted.

4.26. Planning have highlighted that projected application fee income is £0.150m below target and building regulation applications are projecting a £0.050m shortfall. In addition, a shortfall of £0.060m is forecast on income from local land searches. All three of these elements reflect the challenging economic position of the country and the region.

4.27. An overspend of £0.075m is forecast for Torre Abbey despite admission numbers being higher than this time last year. The Paddington Exhibition and planned events and activities have had a positive impact on admissions, but income from the Café is below budget.

4.28. The reduced Directorate levels of income are expected to be offset by an underspend within the waste budget, due to disposal levels and associated costs being lower than forecast.

4.29. Currently Parking Services is forecast to break even, however there are risks around this forecast. Whilst May/June income levels were good, there remains significant uncertainty as to how the summer weather and the cost-of-living crisis will impact on residents and visitor behaviour over the coming months.

Public Health

4.30. Overall Public Health is reporting a balanced position within its ring-fenced grant. A significant amount of spend relates to the provision of 0-19 services, which is expected to see increased spending pressures in future years, because of inflation.

5. Collection Fund

5.1. Collection rates for 2023/24 are currently slightly below forecast levels. The impact of the rising cost of living appears to be having an impact, which could worsen as we move into Autumn/Winter given the pressures facing households across the UK. We continue to explore opportunities to increase our overall collection rates, whilst supporting residents and businesses.

6. Wholly owned companies

6.1. SWISCo. faces financial pressures in terms of operational delivery due to rising costs, particularly fuel and materials. However, they are managing these pressures and are currently forecasting a breakeven position for 2023/24.

6.2. To the end of May 2023 TDA group draft consolidated year to date surplus was £0.047m against a budget of £0.064m. Within the TDA Group, TorVista continues to operate with a higher level of deficit compared to their business plan – with a loss at the end of May 2023 of £0.076m against a budgeted loss of £0.049m.

7. Statement of Accounts – 2020/21 and 2021/22

7.1. The Council's Statement of Accounts for 2020/21 were only signed off by Grant Thornton in April 2023, despite their findings being presented to Audit Committee in December 2021.

7.2. The Council's Statement of Accounts for 2021/22 remain unaudited by Grant Thornton and have not been signed off by the Government's Statutory deadline. This is a national audit issue, partly due to lack of capacity in the market. At the time of writing this report, Grant Thornton was planning on auditing the 2021/22 and 2022/23 accounts jointly, later this year.

7.3. The protracted statement of accounts process has continued to put significant pressure on the finance team, for whom the majority of the last year have been working concurrently on multiple financial years.

8. Capital

8.1. Council is seeing extreme cost inflation in respect of its Capital projects. As a result, several schemes that are in progress are facing rising costs, which are at variance to initial business cases and forecasts. The viability of schemes supported by prudential borrowing are further impacted from the recent rises in borrowing rates.

8.2. The revenue outturn position for 2022/23 enabled £0.4m surplus to be transferred to a specific earmarked Capital Reserve, which will assist the Council in the re-prioritisation, and ultimate delivery, of the Capital Investment Programme. Revenue costs will be required to continue with design and feasibility work for specific schemes alongside bolstering capacity, and skills, in project delivery.

8.3. The programme is currently under review and the plan and profile of spend will be updated accordingly.

8.4. Following discussion and support at the Capital and Growth Board it's proposed that the following projects are added to the capital programme.

8.4.1. Refurbishment of the changing rooms at Armada Park sports facilities at Torquay. The total project cost is £91k, of which £25,000 is funded by the Football Foundation, £25,000 by the Torquay Neighbourhood Forum, £22,500 from the UK Shared Prosperity Fund and £18,500 from S106 funding.

8.4.2. Scaling up the delivery of local charge points for electric vehicles. Grant funding of £958,000 provided by the DfT, Local Electric Vehicle Infrastructure - currently split 50/50 over 23/24 and 24/25.

8.4.3. Shiphay Lane – installation of safe crossing for cyclists and pedestrians - funded by £226,634 of funding from the DfT Active Travel Fund.

8.4.4. Renovation of tennis courts at St Marys, Oldway and Abbey Park. Funding of £337,399 from the Lawn Tennis Association and match funding of £167,075 from S106 funding.

8.5. The following new, or improved capital grant allocations have been announced since the Capital plan for 23/24 was approved:

8.5.1. Ministry of Housing Communities and Local Government – Disabled Facilities grants 2023/24 of £2,128,689. This grant allocation is used to support our DFG expenditure but also includes the former Adult Social Care capital grant.

8.5.2. Department for Education – School Condition Allocation 2023/24 – additional £344,106 provided to authorities for major repairs and maintenance of school estates.

8.5.3. Department for Education– Devolved Formula Capital Grant 2023/24 - £76,895. This is a ring-fenced grant and will be paid to appropriate schools as required.

8.5.4. Department for Transport – additional Potholes Fund allocation of £323,600 for 2023/24.

8.5.5. Department for Transport – Active Travel Fund - £226,634 capital grant awarded.

8.5.6. Department for Transport – grant funding of £958,000 awarded by the DfT, Local Electric Vehicle Infrastructure for the scaling up of the delivery of local charge points for electric vehicles.

9. Risks & Sensitivity

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

Risk	Impact	Mitigation
Financial sustainability and write off of the DSG Deficit	High	The Council has a recovery plan approved with the Department for Education’s Safety Valve programme.
Adult Social Care funding is not sufficient to meet forecast costs.	High	The Director of Adult Social Care is developing a range of intervention activity and savings plans, in collaboration with Health Trust colleagues
High inflation rates have a major impact on both revenue and capital costs.	High	The 23/24 budget includes a higher than usual allowance for inflationary pressures, with contingencies also held for revenue and capital. A strategic review of the capital programme has commenced.
The “cost of living” economic impact on the Council’s residents from higher mortgage, rent, 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 will continue to mitigate where possible the impact on council services and support/signpost residents to appropriate support.
Collection Fund shortfall	High	Additional resources allocated to support the Revenues & Benefits team and a review of debt recovery will be undertaken. End to end processes are being reviewed.
Unable to recruit staff and need to use agency staff.	High	Work continues to identify solutions to these challenges which seem to be on a national scale.
Delivery of Children’s Services cost reduction plan	High	Meetings continue to monitor the current rate of delivery against the identified actions from the Sufficiency Strategy.
Investment Property Income changes	High	The Investment Board will continue to review future leases and mange any potential break clause implications – maintaining appropriate balances within the Investment Reserve
Temporary Accommodation – increasing demand and cost pressures within the local housing market.	High	Work is underway on directly procuring and leasing property to increase the stability of accommodation options available to the Housing Options team. The Council has also

		increased its focus and resources on preventive work.