



Title: **Revenue Budget Monitoring 2011/12**

Public Agenda **Yes**
Item:

Wards Affected: **All Wards in Torbay**

To: **Overview and Scrutiny Board** On: **28 July 2011**

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1. Key points and Summary

1.1 The Council is projecting an overspend of £3m at the end of the financial year based upon the latest information available to finance officers. This is a large projected overspend at such an early part of the financial year but not unusual. There is time to take corrective action to address the position. Where significant overspends have been identified services will be required to monitor progress against their recovery plans to ensure expenditure is contained within the approved budget. In addition, Commissioners and Executive Heads will be working with Executive Leads to consider all options for addressing the projected overspend including the continuation of the vacancy freeze and possible extension to posts currently protected and putting an embargo on expenditure not yet been committed and bringing forward proposed budget savings currently being proposed for the next financial year.

1.2 The key variations identified to date area:

- Children's Services are projected to overspend by £1.5m. The overspend is primarily within the Safeguarding and Wellbeing service due to increasing numbers and the costs for looking after Children and the costs for the continued use of agency social workers within the Children In Need service. (see paragraph A2.3 to A2.7).
- Adult Social Care is projected to overspend by £1.5m. This is due to pressures within Learning disability and Older People (see paragraph A2.10 – A2.12).

- 1.3 As part of the financial outturn for 2010/11 the Council approved the transfer of £0.576m to the Budget Pressures Reserve. This reserve can be used to support budget pressures that emerge during 2011/12 and support the council manage the challenging financial position it is faced with over the next few years. The budget pressures reserve remains uncommitted. A summary of the council's uncommitted reserves are set out in this report in section A.4.
- 1.4 Commissioners and Business Unit Managers will be working hard to ensure they fulfil their responsibility to deliver services within their approved budgets. This includes developing robust plans to ensure in year savings are made to deliver a balanced budget and reporting at regular intervals to the Commissioners, Executive Leads and the Overview and Scrutiny Board.
- 1.5 Members will note that, as a comparator, the position at this time last year was a projected underspend of £0.095m.
- 1.6 At this stage of the financial year the council has an opportunity to ensure robust recovery plans are implemented to ensure expenditure is contained within budgets. In addition, the Commissioners, Executive Heads and Executive Leads will be exploring all opportunities to identify where other efficiencies can be made to ensure a balanced budget is achieved. In the current financial climate Officers and Members must ensure that any new initiatives that emerge throughout the year are fully costed and resources have been identified before any commitment to incur expenditure has been made. It is essential that where possible expenditure is contained within the approved budget, and preferable below the approved budget, due to the difficult financial challenges faced by the council in 2012/13 and beyond.

2. Introduction

- 2.1 The Council, at its meeting on the 24 February 2011, approved spending levels for all Business Units for Torbay. The approved budget for 2011/12 is £125.8m. The purpose of this report is to provide Members with a summary of the projections of income and expenditure for all Business Units within the Council.
- 2.2. The revenue monitoring statement shows the expenditure and projected outturn position based upon the latest information available to finance officers in consultation with service departments. Where possible, the implications or consequences arising from the variations are reflected in the key performance indicators for that service.
- 2.3 Ongoing performance and financial monitoring will be provided to Members through the SPAR system and quarterly updates of performance management will be reported to Overview and Scrutiny Board.

Paul Looby
Executive Head of Finance and Chief Finance Officer

Appendices

Appendix 1 Summary of Main Variations

Appendix 2 Children's Services Recovery Plan

Appendix 3 Pooled Budget with Torbay Care Trust

Appendix 4 Torbay Care Trust Recovery Plan

Appendix 5 Write-Off's over £5,000 (Exempt Appendix)

Documents available in Members' rooms

None

Background Papers:

The following documents/files were used to compile this report:

Torbay Council's Financial Information and Management System (FIMS)

Budget Digest 2011/12.

Appendix 1 to Report /2011

Summary of Main Variations

A. Performance

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

Business Unit/Service	A 2011/12 Budget	B Spend to Date	C Variance to Date	D Projected Out-turn	E Variation at Out-turn
	£'000	£'000	£'000	£'000	£'000
Adults & Operations					
- Adult Social Care	41,952	6,615	575	43,452	1,500
- Business Services	2,621	1,009	0	2,621	0
- Chief Information Officer	4,096	1,363	0	4,096	0
- Commercial Services	2,255	823	0	2,255	0
- Finance	11,199	(747)	0	11,199	0
- Supporting People	6,380	1,652	0	6,380	0
	68,503	10,715	575	70,003	1,500
Children Services	21,865	(3,659)	270	23,408	1,543
Communities & Local Democracy					
- Community Safety	3,096	132	0	3,096	0
- Community Engagement	1,473	461	0	1,473	0
	4,569	593	0	4,569	0
Place & Environment					
- Residents & Visitors	9,887	2,873	0	9,887	0
- Spatial Planning	5,574	538	0	5,574	0
- Torbay Development Agency	4,871	1,584	0	4,871	0
- Torbay Harbour Authority	0	(469)	0	0	0
- Waste & Cleaning	10,518	6,872	0	10,518	0
	30,850	11,398	0	30,850	0
Sub Total	125,787	19,047	975	128,830	3,043

A2. Main Variations

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

Environment

A2.2 Services within the Environment portfolio are projecting to spend within their approved budget. However there are a number of emerging issues which are putting pressure on the budget which will need to be monitored closely over the next quarter.

(a) Resident's and Visitors

The amount of car park income will be heavily influenced by seasonal variations such as the summer holiday season which will be reflected in the quarter 2 monitoring position. Due to its volatility, car parking income is monitored on a weekly basis. At the moment, projections indicate that the service should achieve the overall level of budgeted income for on and off-street car parking of £5.230m.

(b) Waste and Cleaning

Early indications are that the costs for Waste disposal are expected to remain with the overall budget allocation.

(c) Spatial Planning

The costs for Concessionary Fares remained within the approved budget last year, however, this is one of the Council's volatile budgets and is subject to significant variations as it is influenced by the number of visitors to the Bay. Increased demand and associated costs within this budget (which stands at £4.208m) are outside of the control of Torbay and will be monitored closely throughout the year.

With the demise of Planning Delivery Grant, the planning department has seen a significant reduction in its budgeted grant income of £145,000 this year. In addition, planning and building control income is heavily influenced by the state of the local economy and there is potential for this to also fall below budgeted levels. Current predictions suggest this could amount to a further £90,000 shortfall in income, giving an overall budget pressure of £235,000. The Environment Commissioner and the Executive Head for Spatial Planning are looking closely at this issue and are working to ensure offsetting savings are found across the Environment portfolio to bring the overall budget back into balance.

Children's Services

A2.3 Children's Services are projecting an overspend of £1.5m. The net overspend represents 5.6% of the total net revenue budget for Children's Services.

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

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

A2.5 The overspend is primarily within Safeguarding and Wellbeing, due to increasing numbers and costs for Children In Care and the costs for the continued use of agency social workers within the Children in Need service.

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

- (i) Children's, Schools and Communities are projecting an overspend of £0.443m which is primarily due to the difficulty in achieving its vacancy management factor which has been built into the 2011/12 budget and additional costs within Governor services.
- (ii) Commissioning and Performance is projecting a balanced budget position at year end.
- (iii) Safeguarding and Wellbeing is the most volatile budget within Children's and covers placements for vulnerable children and is projected to overspend by £1.1m. This is based upon current commitments and placement numbers and the projected duration of placements and related costs. The latest figures for the number of looked after children as at the end of May was 223 which have increased from 213 as at 31 March 2011. The number of Children looked after has to be set in the context of the difficulties the Service has had in recruiting qualified staff and the need to cover this through the employment of agency social workers.

A2.7 Children's Services recovery plan to address the current position is shown in appendix 2.

Communities and Local Democracy

A2.8 Services within Communities and Local Democracy are projecting to spend within their budget allocation.

Adults and Operations

A2.9 Services within Adults and Operational Support are projected to over spend by £1.5m. The projected overspend is within Adult Social Care and the main variations are summarised below.

Adult Social Care

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

A2.11 Within the Social Care Commissioned areas there are two material areas reporting budget pressures which are summarised below:

(a) Learning Disability

The budget pressures within this client group are personal budgets and domiciliary care (supported living). With the personalisation agenda it should be anticipated that costs will increase in these areas but unfortunately to date there has not been corresponding decreases in residential care which would have allowed for budget to be transferred. Underpinning the cost pressures within this client group are a number of factors such as transitional cases from children services, ordinary residency issues, older family carers and costs relating to clients at risk of offending.

(b) Older People and Physical Disability

The budget pressures within this client group is domiciliary care. Whilst the Trust over the last five years has been successful in reducing traditional residential and nursing placements it has seen a movement of clients and cost to domiciliary care. Underpinning this cost pressure and older people in general is the demographic pressures of an ageing local population.

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

Strategy For in Year Budget Management

A2.13 The key pressures identified to date are for services provided to the most vulnerable residents within the Bay and these are some of the council's most volatile budgets. Executive Leads and their respective managers will be working hard to ensure the measures set out in the recovery plans will address the budget pressures identified to date. These plans will be monitored closely by Executive Leads and managers and an update on progress against these plans will be provided to members of the Board in the autumn.

A2.14 In addition, by the end of August, Executive Heads and Commissioners will have taken a council wide view as to what other efficiency savings, or reductions in uncommitted expenditure can be made up until the end of the financial year. This will include:

- what areas of budgeted expenditure could be ceased and an assessment of the services consequences.
- a review on all non front line expenditure to identify whether any expenditure in these areas could be reduced and the implications of any reductions will be assessed.
- further controls upon vacancy management.
- consideration of cross council reductions including an assessment of a reduction in council office opening times, a managed reduction in the number of printers within the council, a review of meetings and associated costs such as travel costs, a restriction on attendance at external conferences.
- Identification of any invest to save schemes that will have an immediate or cost savings in 2012/13.

A2.15 Commissioners and Executive Heads will continue to scrutinise all areas of expenditure and assess the sensitivity of outturn projections by working closely with service managers to ensure expenditure is maintained within existing budgets.

A2.16 As mentioned above one immediate response could be to place a freeze on all external recruitment subject to individual cases presented to and scrutinised by the Establishment Control Board. These vacancies will only be filled where this is a strong business case and is approved by the relevant Commissioner in consultation with the Executive Lead.

A2.17 The council is already faced with an extremely challenging financial outlook in the context of reducing government grant and increasing service demands over the next few years. It is therefore essential that services maintain expenditure within their approved budget otherwise the financial challenge will become harder in 2012/13 and beyond. The actions outlined above and the implementation of the action plans will enable the Council to address the in-year pressures.

A4. Reserves

A4.1 As reported to Council on 14 July 2011 a summary of the Council's reserves are shown in the table below. These are the only uncommitted reserves held by the Council. In addition, the Council has its general fund balance which is £4.0m. In response to concerns raised by our external auditors as to the level of the general fund balance, the Council set an internal target to reach 3% of its net revenue budget. As result of the contribution to the general fund balance as approved by Council on 14 July, the current level is 3.2% which I consider to be a prudent level.

A4.2 The annual review of all reserves will be undertaken as part of the budget preparation process and will be reported to Members in the autumn. This process will allow the existing earmarked reserves to be challenged to ensure they are still

required and to what level. This may allow any surplus monies to be recycled as part of the budget setting process for the following year or to address any in year pressures.

- A4.3 Members will be aware that all reserves are earmarked for specific purposes with the exception of the General Fund Reserve which remains the only fund the Council holds to meet emergency costs. The government has focused its attention on the level of Council reserves held within the council. It should be noted that any release of monies from reserves should only be used for one off purposes and cannot be used to sustain ongoing expenditure.

Reserve	Balance at 1 April 2011 £'m
Comprehensive Spending Review Reserve	3.100
Budget Pressures Reserve	0.943
Credit Crunch Reserve	0.109
LABGI Reserve	0.045
Seaside Towns Reserve	0.042
Financial Strategy and Change Management Reserve	0.399
Total	4.638

A.5 Dedicated Schools Grant (DSG)

- A.5.1 The Dedicated Schools Grant in 2010/11 is estimated to be £84m – the final allocation will be confirmed at the end of July. The DSG is currently reporting a small projected underspend of £0.064m subject to confirmation of the final grant allocation.

A6. Debtors Monitoring

- A6.1 This section of the report provides Members with an update for the first quarter of 2011/12 in respect of council tax and business rate collection. It also sets the background and benchmarks against which future performance will be monitored and assessed during the current financial year.

- A6.2 In common with previous reports to Members, the Councils debtors are broken down into a number of groups and these will be dealt with individually, relating at the same time to key indicators.

Council Tax

- A6.3 In 2011/12 the targets for council tax are:

- (i) collect 96.5% of the Council Tax due within the 12 months of the financial year (i.e. April to March); and
- (ii) collect 50% of the arrears brought forward from previous years.

- A6.4 The Council is due to collect £59.2m after the granting of statutory exemptions and reductions and Council Tax Benefit in the period April 2011 to March 2012. To date the Council has collected £16.1m which is about 27.3% of the Council Tax due in year. The collection level is in line with last year's performance.
- A6.5 The total arrears outstanding at 31 March 2011 was £3.7m and this has been reduced by £0.636m which is about 17.1% of the total arrears due.
- A6.5 There is one write over £5,000 to report listed in Appendix A.

Non-Domestic Rates

- A6.7 The targets collection rates for 2011/12 are:
- (i) collect 98.0% of the business rates due within the 12 months of the financial year (i.e. April to March); and
 - (iii) collect 50% of the arrears brought forward from previous years.
- A6.8 The Council is due to collect £36.9m after the granting of mandatory relief in the period April 2011 to March 2012. To date the Council has collected £11.1m which is about 30.9% of the business rates due in year. The collection level is down compared to this point last year.
- A6.9 The total arrears outstanding were £1.49m and this has been reduced by £0.314m which is about 21.0% of the total arrears due.

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

CHILDREN, SCHOOLS AND FAMILIES RECOVERY PLAN 2011 ONWARDS

The projected £1.5 million overspend is in large part a continuation of the pressure in children's social care for the last few years. At the end of 2010/11 social care for children overspent by £1m. However, this was to offset by underspends elsewhere within Children's services and the use of grants.

Proposed Long term Changes

1. Identification of the on going pressures

The number of children that are being brought into the care system is now at unsustainable levels. The Munro report is now suggesting that working with children in their family setting is more beneficial. Plans are currently being developed to create an Intensive Family Support service. This approach will have both financial benefits and better outcomes for the child and family and will act as a bridge between Early Intervention Services and Specialist Social Care Services.

2. Changes needed for pressure to be met

A shifting of social care practice and emphasis is required. The bigger the resource the quicker the impact is felt.

3. Timescale of impact

This approach will need investment initially in training and mentoring but over a period of 2/3 years should result in fewer children in care.

Short to Medium term Plans

4. Vacancy Management

Of the £1.5m overspend, £0.6m relates to the vacancy target; savings achieved by delaying appointments or keeping vacant posts empty. The action here is to achieve staffing savings on non social work posts of at least £0.2m. It is unlikely that any staffing savings can be achieved in Safeguarding and Wellbeing due to the increased costs of employing agency social workers. However, when the backlog of cases to be reviewed is back down at acceptable levels plus the appointment of permanent staff this should, over the next 12 months, result in lower staffing costs and therefore reduction in the overspend.

5. Proposed Reshaping of the Safeguarding and Wellbeing Service

The Executive Head for Safeguarding and Wellbeing proposed a reshaping of the Safeguarding and Wellbeing service that will see changes to the teams contained within that service. This proposed reshaping will be supported by an evidence based paper which

will lay out the pressures on the “intake” team in dealing with the increasing backlog of cases. The work of the Family Intervention Team (FIT) will also be explored.

6. Projected Savings elsewhere in Children’s Services

The initial analysis of other services unrelated to Children Looked After has indicated that a further £0.4m of savings could be made this financial year, an element of this could come from administrative and management savings, however any major contribution will inevitably have an impact on front line services. As from 25th July a spending moratorium has been implemented similar to that which was in force for the last 3 months of the last financial year, any spend over £500 will need to be authorised at Executive Head level and there will be a moratorium on attendance at conferences. All vacancies will be held vacant unless it is considered that none replacement would be detrimental to the management of the caseload backlog in the Children in Need intake team.

7. Bringing Forward 2012/13 Saving Proposals

Where it is possible to do so, a number of proposals put forward in the 2012/13 budget setting exercise will be implemented as soon as possible in this financial year, this is likely to generate savings from February 2012.

5. Revision of the Safeguarding Improvement Plan (SIP)

The Executive Heads for Safeguarding and Wellbeing and Children, Schools and Communities are in the process of revising the SIP; this will include a financial plan incorporating the above actions and should be available for the next monitoring report. The impact of the changes is unlikely to be fully embedded in this financial year but should begin to have an impact in the next financial year, whilst retaining the council within its statutory safeguarding responsibilities.

Appendix 4

Torbay Care Trust Recovery Plan

The Care Trusts assessment of the forecast projected overspend is between £1m and £1.5m (after considering the current expenditure profile and the risks to delivery of the savings plan).

Action Plan

Given the in year position and the outlook for next year's settlement the Care Trust presented an assessment of indicative service reductions to the Policy Development Group on 19th July.

The potential service reductions and consequences are detailed below. These proposals need to be balanced against Statutory duties, Market stabilisation, the quality of care and the impact on partner organisations.

Financial figures stated below can only be indicative given the nature and scale of the proposals and as such the timing of any implementation.

Potential	Comments/Risks	Min £000	Max £000	FYE £000
Review cost, choice and risk policy to ensure adherence to threshold guidelines for the cost of supporting people to remain in their own homes.	Risk to quality of service, client safety and increased need to use residential care	50	100	165
Reduce social care contribution to LD clients at risk of offending where contribution not related to social care, but due to their high risk behaviour	Impact on partner agencies requiring multi-agency agreement.	40	80	200
Reduction in care packages through, increased reliance on family/other support mechanisms, stricter application of the RAS to reduce variation and increase frequency of reviews.	Risk to quality of service, client safety and increased need to use residential care	150	250	500
Reduce access to short stay/respite care by increasing threshold for access or limiting frequency.	Likely to be resisted by existing clients/families/carers	30	50	75
Reduce access to day care by increasing threshold or limiting frequency	Likely to be resisted by existing clients/families/carers.	60	100	100
		330	580	1040

The Policy Development Group have asked that these schemes be set out more fully for the next meeting in August to include case study type examples to illustrate the impact on individual clients.