

Meeting: Cabinet

14th July

Overview & Scrutiny Board

22nd July

Wards Affected: All Wards

Report Title: Budget Monitoring 2020/21 – Period Two (May 2020)

Is the decision a key decision? No

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

Cabinet Lead Contact Details: Darren Cowell, Cabinet Member for Finance
Darren.cowell@torbay.gov.uk

Supporting Officer Contact Details: Sean Cremer, Deputy Head of Finance
Sean.Cremer@Torbay.gov.uk, 01803 207553

1. Purpose and Introduction

- 1.1. This report provides a high level budget summary of the Council's forecasted revenue position for the financial year 2020/21. This report is based on figures as at the end of Period 2, 31st May 2020 taking into account the financial impact of Covid19. There are no material changes in expenditure and service income arising in June that would materially impact on this report however the MHCLG funding announced on the 2nd July has been incorporated.
- 1.2. The Council's **Revenue** budget remains under significant pressure. The total financial pressures faced total £18.7m before use of specific reserves and government funding.
- 1.3. The main pressures are due to the Covid-19 pandemic and the financial impact of the changes to service delivery required and changes in behaviour of the general public.
- 1.4. After taking into account
 - 1.4.1. Government grant support of £10.3m
 - 1.4.2. Estimated income reimbursement of £1.8m
 - 1.4.3. Utilising service specific reserves of £0.9m
 - 1.4.4. Underspend from normal, non-Covid-19 activities of £0.9m
- 1.5. **The Council is forecasting an overall overspend on its revenue budget at Period 2 of £4.8m.**
- 1.6. At this stage there are no significant reductions or closure of services proposed.
- 1.7. The report also outlines the budget virements actioned to re-establish a new 2020/21 budget in light of the financial pressures and grant income received.
- 1.8. As part of the mitigating actions some expenditure restrictions have been introduced in the year, however at this stage there are no significant reductions or closure of services proposed.

2. Recommendation (s) / Proposed Decision

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 budget virements in section 7 and make any other comments and/or recommendations to the Cabinet.

3. Grant Support

3.1. As of 2nd July the Government has announced 3 tranches of un-ringfenced funding for Local Authorities

Tranche	Date	Total Funding (£m)	Torbay Share (£m)
1	19-Mar	1,600	5.372
2	18-Apr	1,600	3.765
3	02-Jul	500	1.177*
	Total	3,700	10.313

3.2. Note: at the time of writing this report the individual Local Authority allocations announced as part of Tranche 3 have not been confirmed. This figure of £1.2m estimate assumed that Tranche 3 is allocated on the same basis as Tranche 2 which is linked to population.

3.3. The Government has announced on 2nd July additional support a new scheme that will reimburse councils for lost income. Where losses are more than 5% of a council's planned income from sales, fees and charges, the government will cover them for 75p in every pound lost in excess of the 5%. More details of how this scheme will be made available by the Government in due course however it is currently expected that rent, interest and "commercial" income will be excluded and only income directly raised by the Council is included.

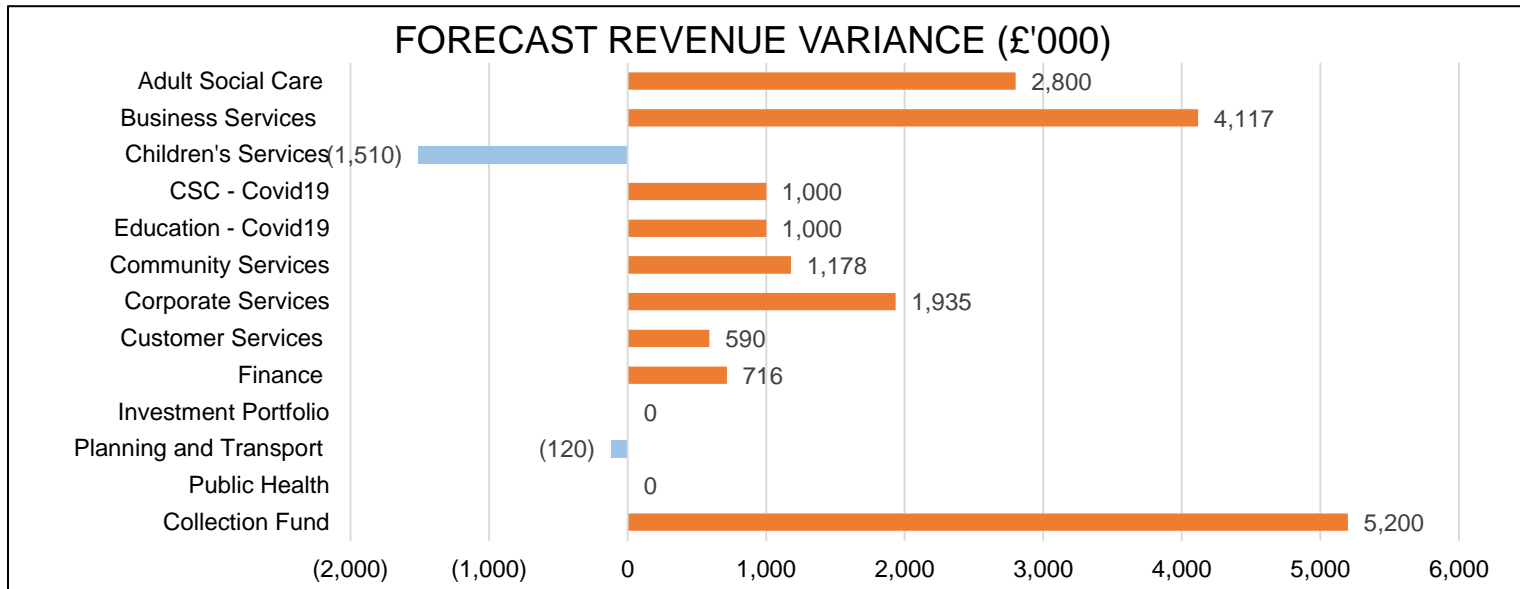
3.4. In addition to the (estimated) £10.3m of un-ring fenced "COVID" grant and the Income reimbursement Grant, Central Government have issued a number of other grants related to COVID.

3.5. Under Financial Regulations (5.5) "The Chief Finance Officer, in consultation with the Leader of the Council, to determine the allocation and expenditure of any new revenue grant monies that are received during the year". Therefore these grants will be applied to the purpose specified and will be included in the 2020/21 budget monitoring. These are listed below:

Grant	£000's	Purpose
Infection Control	2,748	To support ASC providers with infection control measures. Funding will be passported to suppliers (via ICO)
Opening High Streets	121	To support opening of high streets. Spend is being managed by the TDA.
Food Grant	TBA	Torbay share of £63m yet to be announced
Test and Trace	886	To support the mitigation and management of local outbreaks of COVID.
Hardship Fund	1,611	To support Council Tax Support scheme claimants. All working age claimants' council tax bills have been reduced by £150 and the balance is to be used for the discretionary hardship fund.
Business Grants	47,490	Funding to support the Business Grant and Discretionary Business Grant scheme under guidance by BEIS. Note: Torbay is acting as "agent" here so this funding will not form part of budget.
Transport Access	41	Grant to support development of alternative travel to public transport
Business Improvement District (BID) support	25	Support to BID companies to cover the equivalent of core operational costs for three months.
Coronavirus Rough Sleeping Contingency Fund	12	Support for Covid19 impact on homelessness
Substance Dependence treatment	TBA	Torbay share of £16m yet to be announced
Emergency Accommodation support	TBA	Torbay share of £105m yet to be announced.

4. 2020/ 21 Revenue Budget Summary Position

4.1. The below graph shows a visual breakdown, highlighting budget variance for each service,



5. Service Budgets

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

Torbay Council Revenue	Budget	Outturn	Variance
Period 2 2020/21	£000s	£000's	£000's
1. Adult Social Care	39,876	42,676	2,800
2. Business Services	13,220	17,337	4,117
3. Children's Services	46,940	45,430	(1,510)
3a. CSC - Covid19	0	1,000	1,000
3b. Education - Covid19	0	1,000	1,000
4. Community Services	1,641	2,819	1,178
5. Corporate Services	4,008	5,943	1,935
6. Customer Services	2,667	3,257	590
7. Finance	(5,249)	(4,533)	716
8. Investment Portfolio	(4,641)	(4,641)	0
9. Planning and Transport	7,049	6,929	(120)
10. Public Health	10,357	10,357	0
11. Collection Fund	0	5,200	5,200
Revenue total	115,868	132,774	16,906

5.2. A narrative of the position and main variances in each service area is as follows;

1. Adult Social Care – Overspend £2.8m

Whilst the majority of this budget is spent against a fixed contract with the ICO the council is expecting to provide £2.5m of support to Adult Social Care providers to ensure the provision of care is maintained throughout this pandemic.

£250k of grants are being given to the Community and Voluntary sector who have been supporting the community response to Covid-19.

2. Business Services – Overspend £4.1m

Due to the Government lockdown and resultant changes in public behaviour Car Parking income is expected to have a £2.5m short fall in income due to the ongoing significant reduction in the use of car parks. From 1st April to 31st May income was down £1m compared to 2019/20 levels. This represents a significant pressure as we continue into the summer period where off street parking income last year was between £115k - £175k per week.

There are additional income pressures across the service including:

- Harbours shortfall on income £250k due to reduced visiting vessels and fish tolls
- Events & Torre Abbey £220k due to changes to the events schedules and opening restrictions.
- Beach Services £80k

There is also £500k of forecast spend associated with providing financial support to leisure and conference centres, comprising of £400k for the RICC and £100k for Clennon Valley.

These figures are based on assumed recovery and a gradual return to “normal operations” between now and the winter.

Cabinet recently considered the Economic Response Plan (Previously called COVID Economic Recovery Plan). At this stage a provision of £200k has been set aside to the support this plan in 2020/21 which is in addition to the use of the £121k of the Opening High Streets grant.

3. Children's Services – Underspend £1.5m

Within Children's social care there is a forecast underspend of £1.8m due to savings on the Placements budget. This is due to the significant reduction in residential placements since Q3 of 2019/20, namely a reduction from 44 placements to 27 placements. The other historic pressure in Children's social care has been agency staff which has reduced by 17 since the start of the financial year.

3a. Children's Social Care (CSC) – Covid19 – Pressure £1m

There are concerns that cases of neglect and child abuse will have gone unreported during the lockdown as social isolation means children and families have significantly reduced contact with people outside of their home. As a result there could be an

additional £1m of costs associated with safeguarding children as referrals from Schools, NHS and members of the public increase as lockdown eases. As a result there may be an increase in the LAC population due to lockdown.

3b. Education – Covid19 – Pressure £1m

Due to social distancing restrictions there are significant implications on the current home to school travel arrangements for children with Special Educational Needs (SEN). Before lockdown this service cost £54k per week on transporting 454 children “door to door”. With the requirement to comply with social distancing restrictions the weekly costs could increase significantly, costing the Council an additional £1m for the remainder of this financial year. This forecast cost will change depending on future social distancing guidance.

4. Community Services – Overspend £1.2m

The main pressure within Community Services is the cost of providing temporary accommodation which is forecast to be £938k. This additional cost is as a result of providing accommodation to an additional 141 people as part of the “Everyone In” initiative. This is very slightly offset by the £12k Coronavirus (COVID-19) Rough Sleeping Contingency Fund received from Central Government.

There are some expected shortfalls in income associated with the Food safety and licensing of £150k due to restrictions on the work the team were able to undertake due to lockdown restrictions.

5. Corporate Services – Overspend £1.9m

There are costs of £932k associated with the Temporary mortuary facility that has been set up by the Council. The facility has been in place since April, and a decision is to be taken imminently as to the future of the site.

The costs of the emergency response for the financial year including the Shielding Hub which has been set up to provide support for individuals on the Governments shielding list, additional communication with the community, purchase of PPE, and additional bandwidth for homeworking is forecast to cost £400k. The Shielding Hub has provided a range of support for the community and includes a contact centre as well as the provision of food parcels and PPE.

Within legal services there are ongoing costs associated with Agency Staff of £309k, predominantly as a result of the support for Adult Safeguarding. There are ongoing efforts to recruit to permanent staff including a review of market supplements and a grow our own approach. Recharges and income associated with Legal work is forecasting a shortfall of £200k based on historic levels of income achievement.

There is an income shortfall of £158k associated with the Print service, as per previous years. There is a tender evaluation ongoing for this service which may mitigate this position depending on the success of this exercise.

The Registrars service is forecasting a shortfall of £100k in income due to social distancing restrictions on the registration of Births and Marriages.

6. Customer Services – Overspend £0.6m

Housing benefit pressures are forecast of £400k due to the demand for financial support for individuals and households and the resultant subsidy due.

There are £200k of additional staff costs associated with the increased demand within customer services associated with the delivery of the £47.5m business support grants, increased caseload for council tax support scheme and extended weekend operations of the call centre.

7. Finance – Overspend £716k

Within finance there are pressures associated with the NNDR rate retention pool which is expected to be down £653k due to a predicted downturn in rates collection across the Devon-wide pool resulting in less funding re-distributed across the pool.

£300k of contingencies for shortfall in income have been released to mitigate budget shortfalls.

There is an impact on interest receipts from the reduction in bank base rate from 0.75% to 0.1% however this is forecast to be offset by compensation savings elsewhere in the treasury management budgets.

Due to the significantly increased activity in the Revenues & Benefits function additional resources (£100k) have been approved to support the team in administering the Collection Fund.

8. Investment Properties – Breakeven £0k

There are pressures associated with investment property income which will be offset by use of the investment fund reserve which is set up as part of every investment property purchase. The purpose of this reserve is to meet temporary income shortfalls on investment properties across the portfolio. The in year shortfall from these properties is still an evolving position, however the year end shortfall, to be funded from the reserve, could be up to £0.9m.

9. Planning & Transport – Underspend £120k

A reduced contribution for concessionary fares of £200k is forecast which offsets a COVID related pressure associated with land charges income.

10. Public Health – On budget

The majority of Public Health activity is funded by the ring-fenced grant. As a result there are no material variances within this service as the Covid19 costs have been shown elsewhere.

11. Collection Fund - Under recovery £5.2m

The collection fund which is expected to have a £5.2m shortfall as a result of Covid19. These pressures are due to shortfalls in the collection of Business Rates & Council Tax income and increased demand for support under the Council Tax Support Scheme.

Under the collection fund accounting rules any shortfall on the collection fund is carried forward to the following financial year to be funded. On the 2nd July the Government announced that Council's will be able to repay Council and business rates tax deficits over three years instead of one. This change results in the £5.2m forecast shortfall being a £1.73m shortfall in funding for each of the following three years.

6. Mitigating actions

- 6.1. The Council is estimating to receive £10.3m of un-ring fenced "COVID" grant to support expenditure and lost income.
- 6.2. After taking into account the Government grant support of £10.3m and utilising service specific reserves of £0.9m, and the £0.9m revenue underspend from normal (non-covid19) operations, the Council is forecasting an overall budget overspend as at Period 2 of £4.8m.
- 6.3. As mentioned earlier in the report the Collection Fund shortfall of £5.2m will impact on three years from 2021/22 budget. However the Council's clear view that, despite the new option to smooth the deficit, that this shortfall, as COVID related, should be funded by MHCLG. It is still possible that MHCLG may share some of the 2020/21 losses in collection.
- 6.4. The financial impact on 2020/21 is constantly evolving and forecasts will be updated as more "actuals" are known. The underlying assumptions are updated linked to service pressures and revised Government guidance and funding announcements.
- 6.5. The financial impact for the Council will depend 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 deliver local public services.
- 6.6. A moratorium on non-essential spend remains in place. The Chief Finance Officer has arranged additional scrutiny in order to monitor and challenge all orders and contracts placed by officers across the Council.
- 6.7. The Chief Finance officer with the support of the senior management team has reviewed a number of sources of funding that could be applied to mitigate any in year shortfall, however any use of these resources would result in an "opportunity cost" in relation to the original intention for the funding.
- 6.8. **The Council does fully recognise and appreciate that MHCLG has provided three tranches of funding which is welcomed, however the Council's clear view is that the totality of the financial impact of Covid19 should be funded by MHCLG and should not be a cost to the local taxpayer or result in a detrimental impact on service provision for residents.**
- 6.9. In addition to supporting any national or regional lobbying for more Covid19 related funding the Council is also making its case for funding wherever it can. The Council's

Chief Executive and Chief Finance Officer have already had meetings with MHCLG to encourage additional funding to be allocated.

- 6.10. The Chief Financial Officer and his team are closely monitoring the Council's cash flow. At this stage there are no concerns about cash flow for the remainder of the financial year.
- 6.11. The Council's Chief Finance Officer has a requirement in certain situations to issue a "section 114 notice" to the Council under the Local Government Finance Act 1988. This states "that the chief finance officer of a relevant authority shall make a report under this section if it appears to them that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure".
- 6.12. Clearly this has been a relevant consideration with the current financial pressures. However CIPFA have now issued a statement to encourage councils to consider the exceptional circumstances and to consult with MHCLG prior to such action. At this stage Torbay is not considering issuing such a notice but will continue to both lobby for additional funding and continue to consider options for mitigating the financial impact in 2020/21 and in future years.

7. Revised Budget

- 7.1. In order to re-establish a baseline budget to allow more accurate ongoing monitoring as per financial regulations, the 2020/21 budget has been revised by the use of budget "virements" to reflect the updated financial forecast including the (estimated) allocation of the £10.3m COVID grant and other grant receipts.
- 7.2. The budget adjustments take into account the financial impact of Covid19 on the service due to the additional cost pressures or income shortfalls experienced this year.
- 7.3. The revised budget is intended to be flexible as there are still a wide range of unknowns about how long Torbay will experience the financial impact of Covid19, and whether there will be additional grant funding from Government.

Torbay Council Revenue Period 2 2020/21	Budget £000s	Budget Adjustments £000s	Revised Budget £000s	Outturn £000's	Revised Variance £000's
1. Adult Social Care	39,876	2,800	42,676	42,676	0
2. Business Services	13,220	4,037	17,257	17,337	80
3. Children's Services	46,940	0	46,940	45,430	(1,510)
3a. CSC - Covid19	0	1,000	1,000	1,000	0
3b. Education - Covid19	0	1,000	1,000	1,000	0
4. Community Services	1,641	1,178	2,819	2,819	0
5. Corporate Services	4,008	1,268	5,276	5,943	667
6. Customer Services	2,667	190	2,857	3,257	400
7. Finance	(5,249)	1,016	(4,233)	(4,533)	(300)
8. Investment Portfolio	(4,641)	0	(4,641)	(4,641)	0
9. Planning and Transport	7,049	80	7,129	6,929	(200)
10. Public Health	10,357	0	10,357	10,357	0
11. Collection Fund	0	5,200	5,200	5,200	0
12. MHCLG Grant	0	(10,313)	(10,313)	(10,313)	0
13. Estimated MHCLG Income reimbursement grant.	0	(1,789)	(1,789)	(1,789)	0
14. New Funding/Mitigation required	0	(5,667)	(5,667)	0	5,667
Revenue total	115,868	0	115,868	120,672	4,804

7.4. As mentioned in section 2, row 12 MHCLG Grant is made up of £9.137m of known funding and £1.117m of estimated funding.

7.5. Row 13 is also an estimated reimbursement. This figure is based on income shortfalls totaling £3.2m. The press release on the 2nd July stated "Where losses are more than 5% of a council's planned income from sales, fees and charges, the government will cover them for 75p in every pound lost"

7.6. Subject to specific guidance on the sales, fees and charges that are in scope for this exercise Torbay's reimbursement is currently estimated at £1.8m.

- 7.7. After applying the MHCLG grants, the Council is left with a Covid19 financial deficit of £5.7m. In the absence of further grant funding from Central Government the Council has to identify how it will meet this deficit.
- 7.8. The revised budget is intended to be flexible as there are still a wide range of unknowns about how long Torbay will experience the financial impact of Covid19, and whether there will be additional grant funding from Government.

8. Medium Term Resource Plan

- 8.1. The current revenue position will rely on further use of the Councils reserves if there is no additional financial support from Central Government. Any use of reserves will need to be repaid in future years to ensure the Council has sufficient reserve levels.
- 8.2. A robust medium term resource plan is crucial to ensuring that future funding gaps for 2021/ 22 and 2022/23 are addressed. The need for future financial planning is compounded by the risks associated with the Fair Funding Formula which is not anticipated to provide any respite in addressing Torbay's financial pressure. In April MHCLG announced the deferral to 2021/22 of the proposed changes to the NNDR retention system and funding formula.
- 8.3. The timing and impact of any Spending Review and/or Emergency Budgets for 2021/22 and future years is still unknown.
- 8.4. The financial impact of Covid19 in future years is still being assessed. A number of the spending pressures seen in 2020/21 could reoccur in 2021/22 such as home to school transport and housing. In addition if the economy is impacted as predicted a number of income sources will continue to be affected such as rental income, car park receipts, council tax and NNDR collection.

9. Capital Plan

- 9.1. As this report is based on the first two periods of the financial year a full update on the capital plan has not been included. Members received an update on capital grants as part of the 2019/20 outturn report presented in June and members will be aware of any recommendations by both council and cabinet that would impact on the capital plan such as the revised approval for the Harbour View hotel development and the approval of a solar farm.
- 9.2. The Council has not borrowed any funds for capital projects in 2020/21.

10. Risks & Sensitivity

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

Risk	Impact	Mitigation
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.
Fair Funding Formula	High	Development of a robust MTRP to address the expected impact on Torbay's funding.
Identification, and achievement, of savings for 2021/22 to 2022/23 per Medium Term Resource Plan	High	Finance colleagues are working with the transformation team coordinate the implementation of potential transformation savings. Senior Leadership Team and Cabinet will need to consider options for future years.
Delivery of Children's Services cost reduction plan	High	Weekly meetings have been convened to monitor the current rate of delivery against the identified actions from the recovery plan.
Unable to recruit staff and need to use agency staff.	High	Recruitment & retention of Social Work staff, particularly in safeguarding is one of the core priorities for the Senior management team within Children's Services.
Additional demand and cost pressures for services particularly in children's social care	High	2020/21 Budget monitoring, use of service performance data and recovery plan.
Delivery of approved savings for 2020/21	Medium	Further to regular budget monitoring for all budget holders, the Council's Senior Leadership Team receive monthly updates on the 2019/20 position including a savings tracker for each of the approved savings.
Investment Property Income changes	Medium	This has been increased from Low to Medium due to the economic impact of Covid19. There are ongoing discussions with tenants about recovery plans