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**REVENUE OUTTURN 2013-14**

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**Responsible Cabinet Member - Councillor Stephen Harker**  
**Efficiency and Resources Portfolio**

**Responsible Director - Paul Wildsmith,**  
**Director of Neighbourhood Services and Resources**

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**SUMMARY REPORT**

**Purpose of the Report**

1. To present the revenue outturn 2013-14 (subject to Audit), to allow Members to consider the results in light of the Council's Medium Term Financial Plan (MTFP) and also to consider the Collection Fund and Housing Revenue Account outturn.

**Summary**

2. The year end position shows a welcomed improvement across all areas of £1.392M from the third quarter results previously reported to Cabinet on 4 February 2014 and from the opening balance projections reported in the MTFP report 2014/15 and beyond.
3. This is an overall improvement of £7.897M compared with the original 2013–17 Medium Term Financial Plan (MTFP), £6.505M of which has previously been reported with significant saving areas including the brought forward balance from 2012/13 of £1.648M and the Quarter 1 claw back of £1.918M.
4. Cabinet have previously approved carry forwards of £0.415M which included £0.145M for Equal Pay that is now a Provision on the Balance Sheet and has been removed from this report. In addition to this, further year end carry forwards requests of £1.999M have been made and are detailed in the report. The provisional outturn figure makes the assumption these carry forwards are approved.
5. The outturn figures are encouraging and are evidence of the early work being carried out to achieve the MTFP savings and also of the commitment by the Council to constantly look for efficiencies and new ways of working. However they should be considered against a background of £13.752M savings to be delivered by 2016-17 with a further £7.850M in 2017-18 increasing to £10.341M by 2019-20.
6. A budget rebasing exercise has been undertaken where the outturn figures have been compared against the 2014-15 MTFP. Areas for possible claw back have

been identified and are reported in the Quarter 1 Cabinet report later on the agenda. Ongoing savings identified will be allocated as first call against the budget savings identified in the MTFP.

### **Recommendation**

7. It is recommended that :-
  - (a) The revenue outturn for 2013-14 be noted.
  - (b) The carry forward requests of £1.999M be approved and carried forward into 2014-15.
  - (c) The Earmarked Reserve for the Business Rates Retention Collection Fund Deficit be approved.
  - (d) An Earmarked reserve be created for the past service deficit of the staff that transferred to Blackwell Golf Club.

### **Delegations**

8. This report does not require any delegation.

### **Reasons**

9. The recommendations are supported in order to maintain appropriate management arrangements for the Council's finances and make effective use of the Council's resources.

**Paul Wildsmith**  
**Director of Neighbourhood Services and Resources**

### **Background Papers**

No background papers were used in the preparation of this report.

Elizabeth Davison : Extension 2601

S17 Crime and Disorder	There are no specific crime and disorder implications in this report.
Health and Well Being	There are no issues relating to health and well being which this report needs to address.
Carbon Impact	There are no specific carbon impact issues in this report.
Diversity	The report does not contain any proposals that impact on diversity issues.
Wards Affected	All wards are affected.
Groups Affected	No specific groups are particularly affected.
Budget and Policy Framework	This decision does not represent a change to the budget and policy framework.
Key Decision	The report does not require a key decision.
Urgent Decision	The report does not require an urgent decision.
One Darlington: Perfectly Placed	The subject matter of the report, the Councils financial standing and financial management, is critical to delivery of the SCS, but this report does not contain new proposals.
Efficiency	The report contains updated information regarding efficiency savings contained in the MTFP and also spend to save requests included in the carry forward totals.

## MAIN REPORT

### Information and Analysis

10. The year end position shows a welcomed improvement of £1.392M from the third quarter report previously reported to Cabinet on 4 February 2014 and from the opening balance projections reported in the MTFP report 2014/15 and beyond.
11. The draft General Fund Reserve position at 31 March 2014 is £18.865M, of which £8.550M is planned to be used in 2014-2017, £5.800M is set aside to cover our risk balances, £0.834M to cover the collection fund deficit with the remaining £3.681M available to assist the Council in the period 2014 – 2020.
12. This is an improvement of £7.897M compared with the 2013-17 MTFP and a summary is shown in **Appendix 1**. Of this, the improvement in the Council's 2012-13 financial results carried forward was £1.648M with a further £1.918M achieved through the Quarter 1 budget rebasing exercise. Projections which have previously been reported to Cabinet are presented graphically in **Appendix 2**.
13. The improved figure is encouraging and testament to the culture of continually searching for efficiencies and better ways of working. Putting the figure into context once the carry forward and rebasing exercise have been taken into account the remaining £4.331M represents 1.7% of the 2013-14 gross budget of £260M.

## Departmental Resources

14. Departmental Resource projections are summarised in **Appendix 3** and detailed in **Appendices 3(a) to 3(d)**. The outturn identifies an under spend of £2.800M compared with the 2013-17 MTFP. This is an improvement of £0.772M from the third quarter report to Cabinet and significant variances are explained below.
15. The **People Group** is forecasting an under spend of £1.797M, an improvement of £0.329M from that previously reported. The main variances are:
  - (a) Family Support with a forecast improvement of £0.102M from the previous report due to savings arising from staff turnover, supplies and services and client contact costs across children's centres, family intervention and contact teams.
  - (b) The Management and Social Work division with an increase of £0.140M in the over spend due to greater than normal staff turnover and the need to employ additional agency staff at a higher cost to cover these essential posts.
  - (c) Workforce Development with a forecast improvement of £0.111M due to savings from lower training provision and ending of the graduate leadership programme.
  - (d) Looked After Children with an increase in the over spend of £0.138M as a result of rate increases in alternative allowances offset by a reduction in internal fostering.
  - (e) Adult Social Care with an improvement of £0.333M that includes a reduction in the requirements for the transitions allocations of £0.124M, a reduction in use of transport primarily in Learning Disability of £0.091M and a reduction in the bad debt provision for Older People of £0.044. There has also been lower than anticipated requirements for the Older Person short break stay provision achieving a saving of £0.068M. There are various savings in Adult Services relating to supplies and services and staffing across a number of areas which form the basis of the carry forward request in paragraph 19g below.
16. The **Place Group** is forecasting an under spend of £0.571M, which is an improvement of £0.499M from that previously reported, the main variances being;
  - (a) Development Management income saw a significant improvement in the fourth quarter following the submission of a number of high value planning applications. Overall this service saw an improvement of £0.117m in the final quarter.
  - (b) Car parking income also showed some improvement over year end projections in the last quarter, coupled with an under spend in enforcement costs saw this service area improve by £0.119M.
  - (c) A thorough review of the fleet replacement programme carried out by the Transport Unit during the last quarter released an additional £0.200M of

savings into the accounts, the majority of which related to Street Scene and saw the overall position move towards a slight under spend.

(d) Following the mild winter season, winter maintenance under spent by £0.056M.

17. The **Resources Group** is forecasting an under spend of £0.432M, £0.056M lower than previously reported, the main variances being;

(a) Organisation Planning are forecasting an improvement of £0.054M. This is due to savings in supplies and services budgets and additional schools SLA income.

(b) Legal and Procurement are forecasting an improvement of £0.101M as a result of savings on staffing changes, supplies and services budgets and lower external fees for child care cases.

(c) Corporate Landlord have over spent by £0.187M mainly due to essential repairs and maintenance works at the Dolphin Centre and the Town Hall. There has also been higher costs associated with a greater than anticipated number of office moves that occurred during 2013/14 as part of the accommodation review which will subsequently produce savings in office rationalisation.

### **Carry Forward requests**

18. Whilst the Council's financial records need to be reported on an annual basis in reality a number of our services are managed across the medium term and therefore do not fit nicely into a traditional March year end position. Consequently there are inevitably a number of carry forward requests to 2014-15 relating to underspends from departments and these are detailed below. Approval is requested to carry these amounts forward into the new financial year. The requests are categorised into the 3 following areas: slippage, spend to save and to assist in achieving the conditions of the MTFP.

19. **Slippage** - there is £1.034M of slippage across the Council categorised into the four following areas;

20. Highways and Building works £0.347M. Responding to the A67 Carlbury landslip placed significant demands on staff resources which were subsequently diverted from routine programmed work resulting in slippage in the planned revenue programme of £0.310M. £0.27M of Building work in the Library Dovecot was not finalised at year end and there was also a slight delay in the fit out of the office space at the new Salt Barn.

21. ICT Architecture, systems and equipment- £0.365M. Whilst an allocated amount is budgeted for ICT architecture each year in reality the programme needs to be fluid to accommodate new technologies and take opportunities as they arise with regard to building relocations, carry forward of £0.300M is required to continue with the essential updates. ICT spend is also reliant in some cases on supplier availability and is the reason for the slippage for the HR Link system (£0.011M) and the Street Scene mobile solution interfaces (£0.021M). There is also £0.007M request to fund

equipment associated with the introduction of free school meals for 5-7 years olds in September and £0.026M for the introduction of a radio frequency identification system in the Library as part of the overall efficiency drive.

22. Consultation, feasibility and procedural changes - £0.222M. Consultation on the Making and Growing Places Development Plan which encompasses the Gypsy & Travellers, Playing Fields & Contaminated Land Strategies and feasibility studies is complex and therefore taking longer than anticipated along therefore £0.119M is required to complete the process. There is also slippage in the consolidation of the Council's Property Portfolio of £0.090M and transition costs of £0.013M in the Development of Arts due to new operational procedures at the Bridge and Gallery.
23. Slippage in training costs of £0.100M have occurred due to the late receipt of funding from NHS England in March 2014 to support health in providing Mental Capacity Act/Deprivation of Liberties training which will take place in the new year and also in Workforce Development where due to staffing changes training identified and mapped through Evidence Based Practice was delayed.
24. **Spend to Save** – £0.863M of the carried forward is for spend to save schemes that the Council will reap the benefits of in the coming and future years and are categorised into the following four areas.
25. MTFP savings – £0.252M. The Better Care Fund (BCF) reported in detail to the Health and Well Being Board requires DBC and DCCG as commissioners to lead on the integration of health and social care which will in time lead to savings for the Council and £0.200M is requested to pump prime the project which will assist with the Adults savings target. The Children's target will be achieved through a number of initiatives including the re-launch of the Parenting Programme focusing on the "Signs of safety" which to be successful will require staff training costing £0.016M. Another savings initiative is a temporary post (£0.036M) to specifically concentrate on the negotiation and brokerage of externally procured placements for Looked After Children to ensure value for money is achieved.
26. Funding withdrawal - £0.045M. Two programmes in Children's Services have seen funding withdrawn/reduced this year; the prevention of Child Sexual Exploitation work funded by the Police and Crime Commissioner during 2013/14 (£0.025M) and Restorative Justice (£0.020M) funded from the Performance Reward Grant. Both of these initiatives have seen evidence of success in reducing demand for future services and carry forward is requested to fund the services for a further year whilst alternative sources of funding are identified..
27. Efficiency Savings - £0.145M – the Children's Social work teams are experiencing relatively high levels of staff turnover which is compounded by considerable cover for to maternity leave. Due to case load demand all social work posts need to be covered, however short term recruitment of qualified staff is very difficult leading to the employment of expensive Agency workers. Therefore £0.0145M of carry forward is requested to allow the recruitment of four additional new social work posts that will provide the required cover for current case load demand and maternity leave. Due to turnover the additional posts will subsumed into the existing structure within future years.

28. Legislation changes £0.421M - There are significant pressures in Adult Services due to the introduction of the Care Act, the supreme court judgement relating to Deprivation of Liberty, the Better Care Fund and the development of integrated services. Additional management capacity is therefore required to support the above new responsibilities and front line staff during these changes. This upfront funding will enable the changes to be implemented effectively and provide a sound basis for moving forward in future years. It is therefore, requested that £0.271M is carried forward to 2014/15. The introduction of the Care Act has also highlighted the social care financial management system is now not considered fit for purpose and it is requested to carry forward £0.150M from underspends in the Organisational Planning budget to fund the development costs associated with this work.
29. **Meeting the conditions.** £0.102M detailed below is requested as carry forward to assist in achieving the three conditions set out in the MTFP - namely Building Strong Communities, Growing the Economy and Spending Wisely.
30. Due to an increased demand for the family intervention service both in volume and the timeframe for interventions two additional temporary posts have been recruited to increase capacity and provide intensive family support. £0.083M is requested to cover the cost of these posts while we await the latest Government guidance (due in the summer) regarding Family Intervention and the Troubled Families Programmes. It is expected that these programmes will be extended; increasing demand on services with no further resources in which case the posts will need to become part of the structure. Having the posts now will allow timely interventions to prevent families requiring additional more expensive services and allow quicker reaction to government changes.
31. £0.012M in Economic Regeneration. This funding has been set aside to support work on delivering Darlington's Economic Strategy objective to raise the profile of Darlington in order to encourage investment from businesses and generate economic growth.
32. £0.007M in Events for the enablement of an events programme in the Market Square designed to increase footfall in to Darlington.
33. The School balances with the exception of Cockerton CE Primary are in a positive position and are shown in **Appendix 3e**. Whilst Cockerton CE Primary has a small deficit there is a recovery plan in place to pull this back into a positive position during 2014-15.

### **Corporately Managed and Council Wide Resources**

34. The Council Wide forecast position is an under spend of £1.010M, an improvement of £0.012M.
35. Corporately Managed Resources is currently forecasting an under spend of £2.936M, an improvement of £1.105M from that previously reported. £0.269M of non ring-fenced grant income has been returned to general resources, financing

costs have seen savings of £0.106M on the repayment of principal and interest due to the later timing of capital expenditure and the Adults Packages Contingency of £0.235M was not required in 2013/14 and has been returned to general resources.

36. Due to the changes the Government have introduced with the Business Rates Retention Scheme and to the extension of the Small Business Rates Relief it has had the effect of increasing the deficit on the Collection Fund. The Government have compensated Council's with a Section 31 Grant of which we have received £0.504M in 13/14 that has been included in General Fund Reserves but was originally included in the 14/15 MTFP due to uncertainty of the timing of the payment.

### **Housing Revenue Account**

37. The HRA outturn is shown in **Appendix 4** with an improvement in the working balance brought forward from 2013-14. The improvement relates to both income and expenditure and in regard to income both rental and service charge income has increased due to lower voids and Right to Buy sales
38. A number of savings have been made on management expenditure including lower support service costs following the back office restructures and subsequent efficiencies over the last year, savings on energy due to milder winter and staffing savings due to turnover and vacancies.
39. The underspend on maintenance has been achieved due to streamlining processes and the introduction of standard job costing, along with major void works being included in the capital programme and lower gas servicing repair costs due to milder winter.
40. The Revenue Contribution to Capital is lower than budget due to slippage of capital works to 2014/15 and some underspends on Cockerton and Internal Planned Maintenance schemes.
41. The HRA remains in a stable position.

### **Collection Fund**

42. The Collection Fund account reflects the statutory requirements for the Council to maintain a separate Fund in relation to the operation of Council Tax and Business Rates Retention Scheme (BRRS). The Fund records all of the transactions for billing in respect of Non Domestic Rates (NDR) and Council Tax, exemptions and discounts granted, provision for bad debts and appeals and payments made to the Council's General Fund, the Police and Fire & Rescue precept authorities and Central Government.
43. The Council Tax Collection Fund surplus is forecast to be £0.278M (of which Darlington's share is £0.230M) and the Business Rates Collection Fund is forecast to be in deficit by £2.716M (of which DBC share is £1.331M). Provision of £0.834M towards the Collection Fund deficit has been made in the 2014/15 MTFP report and the balance of £0.497M has been requested to be funded from balances in 13/14.



To broker this, an earmarked reserve will be created to make the funding available in 14/15 to clear the Business Rates Retention Collection Fund Deficit.

### **Earmarked Reserves**

44. As part of the Council's ongoing process Stressholme Golf Course was merged with Blackwell Golf Club (BGC) in July 2013 and although the staff transferred to BGC the Council still has a commitment with regard to pension regulations. It is therefore requested that Cabinet approve the creation of an earmarked reserve to hold the pension contributions received by Blackwell Golf Club relating to the past service deficit of the transferred staff.

### **Conclusion**

45. The Council's draft revenue reserve at the end of 2013-14 is £18.865M, which is £7.897M better than the initial 2013-17 MTFP position. The £7.897M is broken down into £1.648M carried forward from 2012-13, £1.918M Quarter 1 claw back, £2.800M of Departmental surpluses and £1.531M Corporate and Council Wide savings which mainly consist of the early savings made in relation to the implementation of 'HOW' the Council operates savings reported to Cabinet on 9 April 2013 were achieved earlier than anticipated saving £0.980M in the year.
46. £1.999M is being requested be carried forward into 2014/15 to meet future commitments mainly due to slippage.
47. Whilst the improved position is welcomed and helpful it does not change the financial context in which the Council is currently planning. The additional reserves of £1.392M are welcomed, particularly in the context of the significant budget pressures and subsequent savings targets required over the coming years.

### **Outcome of Consultation**

48. No external consultation has been carried out in preparing this report.