
REVENUE OUTTURN 2015-16

Responsible Cabinet Member - Councillor Stephen Harker
Efficiency and Resources Portfolio

Responsible Director - Paul Wildsmith,
Director of Neighbourhood Services & Resources

SUMMARY REPORT

Purpose of the Report

1. To present the revenue outturn 2015-16 (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 draft year end position shows an improvement of £2.010M from the opening balance projections reported in the MTFP report 2016/17 to 2019/20 with changes seen across a number of areas which are detailed in the main body of the report. In summary the main areas of improvement are early achievement of savings in particular relating to staffing, better procurement outcomes and fortuitous savings in regard to grant income along with lower expenditure in areas such as winter maintenance due to the relatively mild winter.
3. Cabinet have previously approved carry forwards of £0.416M and in addition to this, further year end carry forward requests of £1.020M have been made and are detailed in the report. The provisional outturn figure makes the assumption that all of these carry forwards are approved.
4. Cabinet are requested to earmark £0.500M of the under spend against the Civic Theatre project following receipt of the final guaranteed price which is further explained in paragraphs 30-33.
5. The outturn figures are to be welcomed especially as a number relate to early delivery of savings; however it must be emphasised that this is one off funding and not a solution to maintain ongoing services. There are significant risks inherent in the MTFP 2016-20 especially in relation to delivery of savings, the proposals include a £1.8M reduction in Children's Services which has yet to be designed and delivered along with planned savings in Adult Social Care of £3.0M which have yet to be achieved.

6. The increase in balances will enable the Council to slightly reduce the financial risk in the forthcoming MTFP in regard to the delivery of savings and mitigate potential pressures.
7. A budget rebasing exercise has been undertaken where the outturn figures have been compared against the 2016-17 MTFP. Areas for possible claw back have been identified and will be reported in the Quarter 1 Cabinet report in July however this is not a large amount and will be required to offset a pressure on the pension fund which been identified.

Recommendation

8. It is recommended that:-
 - (a) The revenue outturn for 2015-16 be noted
 - (b) The additional carry forward requests of £1.020m be approved and carried forward into 2016-17.
 - (c) That an allocation of £0.500m of balances for the Civic Theatre project.

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 represents a change to the budget and policy framework.
Key Decision	The report is part of the MTFP process decided by Council.
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 an improvement of £2.010M from the opening balance projections reported in the MTFP report 2016/17 to 2019/20.
11. The draft General Fund Reserve position at 31 March 2016 is £21.227M, a summary of which is shown in **Appendix 1**. Of this £14.737M is planned to be used in 2016-2020 to assist the MTFP and £4.330M is set aside to cover our risk balances with the remaining £2.160M available to assist the Council in the period 2016–2020 and beyond.
12. The improvement is to be welcomed and has occurred due to a combination of factors as noted below;

- (a) Early achievement of savings – in particular regarding staffing. Where vacant posts that have arisen in savings areas identified the posts have been held open. This was a prudent action to ensure redundancy costs were not accrued. Other areas of early achievement of savings include development management where income increases have been achieved ahead of target and management restructures where officers (where appropriate) have left the authority earlier than planned.
 - (b) Fortuitous savings, for example winter maintenance where the mild winter has resulted in lower costs. It is very hard to predict the requirement for winter maintenance and at quarter 3 there was no indication of an under spend especially as the budget had already been reduced by £0.050M the previous year. A further windfall was from the Local Strategic Transport Fund (LSTF) following the final receipt of grant from 2014/15. The grant was higher than anticipated primarily due to a change in the charging methodology on claim returns.
 - (c) Effective procurement e.g. reduction in contract price following tender exercise, for example the Occupational Health contract.
 - (d) Turnover growth – e.g. Legal Services taking on Legal work for Richmond Council.
 - (e) Unanticipated increases in income, for example Car Parking which performed significantly better than predicted in the last quarter. The projections were based on pre-Christmas figures and at the time there was uncertainty on how the winter would affect patronage.
 - (f) Caution taken at quarter 3 in regard to expenditure predictions. With reductions in management capacity and budget holder responsibility for broader more volatile portfolios it appears there was some prudence in reporting. A balanced approach needs to be taken and this will be addressed in future budget reports.
 - (g) Contingencies released at year end – there were a number of contingencies held which were not required at the year-end including a significant adult social care package which was therefore released.
13. Over the last couple of years the Finance resource has been reduced to achieve efficiency savings with budget holders taking on a greater role and responsibility for forecasting. In light of the outturn results and in particular points e - g above Finance Managers will be taking a more rigorous role in challenging budget managers assumptions, along with using different forecasting methods to ensure year end changes are kept to a minimum. Whilst the out turn results are positive this year there is a concern that as budgets are tightened there is more risk of the outturn being negative and hence a renewed need for further scrutiny and challenge.
14. The additional reserves are welcomed particularly given the financial risk the Council is undertaking with regard to the forthcoming MTFP. There are significant challenges being faced and it would be financially prudent to use this one off

increase to mitigate the risks of achieving the MTFP savings in the timescales required.

Departmental Resources

15. Departmental Resource projections are summarised in **Appendix 2** and detailed in **Appendices 2(a) to 3(e)**. The outturn identifies an under spend of £1.302M compared with the 2016-20 MTFP and this assumed the carry forward requests detailed further in this report are approved. The departmental outturn projections reported to Cabinet for the third quarter were used as the basis for the opening balance projections for the 2016/17 MTFP and therefore any variances reported below are from both the third quarter report and the 2016/17 MTFP. Significant variances are explained below.
16. The **People Group** is forecasting an under spend of £0.139M, a slight improvement of £0.075M across a number of headings from that previously reported. In general this change relates to staffing underspends.
17. The **Children's Services Group** is forecasting an over spend of £0.488M, however this is an improvement of £0.223M from that previously reported. The main variances are:
 - (a) Looked After Children have seen an improvement of £0.208M due to a combination of children moving in and out of placements and the costs differential of these children and also savings on fostering and adoption.
 - (b) Family Support has seen an improvement of £0.192M due to the use of the Troubled Family grant, savings on the running costs at the Coleridge Centre and vacant posts.
 - (c) The savings from these areas were offset by a pressure in the management and social work budget from the ongoing costs of employing agency social workers to cover vacancies £0.069M and the transfer of kinship costs (i.e. close family members) into section 17 £0.065M.
18. The **Economic Growth Group** outturn is £0.098M under spend, £0.001M change from that previously reported, there are however variances within the group worthy of note:
 - (a) Planning fees have increased significantly and overachieved by £0.155M in the last quarter which is encouraging particularly as there are tough income targets in this area included in the MTFP going forward.
 - (b) Parking income performed £0.070M better than anticipated, estimates were based on pre-Christmas and a prudent view was taken in consideration of the winter and effect on patronage. The contingency for the Multi Storey Car Park was not used however this needs to be carried forward as it is required in 2016/17.

(c) The LSTF saw an unanticipated windfall of £0.124M following the receipt of the final grant award for 2014/15. It is believed a change in charging methodology is the reason for the change.

19. The **Neighbourhood Services & Resources Group** underspent by £1.636M, an improvement of £1.005M than previously reported, whilst there are both positive and negative variances in a number of areas the main ones are noted below:

- (a) The Finance and HR budget improved by £0.067M due to the positive result from the occupational health contract retender and an increase in fees collected by the financial protection team.
- (b) Democratic and Administration have seen a positive £0.211M change between quarters with reduced audit fees, lower overall spending on members allowances due to changes to the pension scheme and lower numbers and also staffing being recharged to departmental budgets.
- (c) The voluntary sector support budget included an amount for Teckal funding of £0.080M for a (Community Interest Company) however this scheme will not be going ahead now and therefore funding is not now required.
- (d) Income generation in the Community Services division improved over the quarter over a number of areas, in particular Cemeteries & Crematorium, Leisure and in the DLO areas of Building Cleaning and Commercial Catering contributing to a £0.193M welcomed improvement.
- (e) Street Scene improved by £0.111M in the quarter, the biggest single change was related to an error in the fuel system which had subsequently been charging out at a higher price – this has now been amended.
- (f) As a result of the mild winter, winter maintenance underspent by £0.048M.
- (g) Changes in the Housing General fund related in the main to an increase in liability orders and the subsequent income increase from recovery of payments whilst at the same time reducing bad debt. This accounted for a £0.138M change. There was also an increase income recovered from Housing Benefit overpayments increased by £0.069M helped by real time information being received from DWP enabling quicker and more efficient identification of overpayments.
- (h) Housing Benefits Administration improved following higher turnover of staffing than anticipated and this along with a saving in the Social Fund programme due to stricter qualification criteria and lower demand accounted for a further £0.89M change.

Carry Forward requests

20. There are a number of carry forward requests to 2015-16 relating to underspends from departments and these are detailed below. The requests are categorised into the four areas: slippage, spend to save/MTFP transition, assist in achieving the conditions of the MTFP and emerging pressures and approval is requested to carry these amounts forward into the new financial year

21. **Slippage** – There is £0.505M of slippage on planned projects across the Council in the following areas:

- (a) £0.025M for the National Horizons where secured funding is still being pursued.
- (b) £0.100M for legal costs relating to the Scotch Corner planning enquiry where the Council is working to protect the town centre by resisting a potential large out of town retail centre.
- (c) £0.156M contingency budget still to be utilised for the Multi Storey Car Park.
- (d) £0.069M is requested to be carried forward on a number of small planning strategy and regeneration projects which have started with stage 1 being completed, to include the objective assessment of needs (£0.015M) and the heritage economy project (£0.040M).
- (e) £0.011M for the strategic arts to support the bridge centre for visual arts and the open arts studio to provide education and outreach in 2016/17. We have an agreement to utilise this budget and the use of this funding is endorsed by the Creative Darlington Partnership.
- (f) £0.021M for the Dolphin Centre Booking system, the systems needs to be upgraded, work has been ordered but the upgrade can't be programmed in until September.
- (g) £0.008M for Eastbourne complex fencing works, work required but slipped into 2016/17.
- (h) £0.015M on slippage for the planned mobile radio solution in street scene which will increase efficiency.
- (i) £0.100M from the invest to save contingency which is required for project preparation in 2016/17.

22. **Spend to Save/MTFP transition** – £0.380M of the carried forward is for spend to save schemes and assistance in the MTFP transition year that the Council will reap the benefits of in the coming and future years.

- (a) £0.013M for a business support officer in the commissioning team to provide capacity in the transition year to assist in the implementation of the MTFP proposals and give a greater guarantee of success.
- (b) £0.025M in Development Management for the ICT training required to enable staff to further utilise the Uniform system and enable a more integrated approach and subsequently improve service delivery.
- (c) £0.040M to accelerate work in the planning strategy team on the statutory local plan.

- (d) £0.050M for the development of the Highways Asset Management System (HAMS) from level 2 to level 3, if this is not achieved the DfT will reduce the monies awarded to the authority from the Incentive Fund as a penalty for non-compliance
- (e) £0.090M to help fund and continue the Sustainable Transport team for 2016/17 whilst moving towards achieving the income target for future funding and sustainability of the MTFP targets from 2017/18 onwards.
- (f) £0.050M in Housing Benefits for an ICT solution for e-enabling revenue and benefit claims, when in place this system will improve productivity and assist in future MTFP savings.
- (g) £0.012M to allow the continuation of the pedestrian training scheme for the remainder of the term. Funding has been awarded for the following academic year so this would avoid a one term gap.
- (h) £0.100M to enhance mitigation options in relation to the MTFP proposals that impact on vulnerable groups.

23. **Assist in achieving the 3 conditions set out in the MTFP, namely Building Strong Communities, Growing the Economy and Spending Wisely.** The following £0.045M of carry forwards all meet the criteria described above and are as follows:

- (a) £0.020M to purchase additional litter picking equipment to support the growing number of street champions and ward members.
- (b) £0.017M in Economic Regeneration. This funding has been set aside to support work on delivering Darlington's Economic Strategy objective and Ingenious branding to raise the profile of Darlington in order to encourage investment from businesses and generate economic growth.
- (c) £0.008M in Events for the enablement of an events programme in the Market Square designed to increase footfall in to Darlington.

24. **Pressures** - £0.090M of pressures have been identified for 2016/17 however at this point it is not known if they are continuing as they related to MTFP proposals therefore carry forward from the underspend is requested for this year.

- (a) £0.035M for Housing related support due to increases in the National Living Wage and the impact on direct Payments. As this area is under review for the MTFP the service may be able to mitigate these costs in the future.
- (b) £0.030M to provide a 'children missing from home' worker which was identified as part of the Ofsted action plan as a gap in our current service delivery.
- (c) £0.025M to provide additional capacity within the safeguarding service to ensure the Council meets its obligations in regard to the Local Authority Designated Officer role

25. The School balances are in a positive position and are shown in **Appendix 2e**.

Council Wide and Corporately Managed Resources

26. There has been a welcomed improvement in Corporately Managed Resources in the last quarter with savings of £0.808M of which £0.448M related to contingency budgets which were not required at the year end and included Adults Social Care packages of £0.357M and pensions liabilities of £0.091M. It is been recognised that these contingencies could have been reviewed at an earlier date and this will be built into future budget monitoring to ensure release if applicable can take place throughout the year. There was also an increase in the adjustment of MRP as previously reported of £0.280M. Furthermore there was £0.080M of unallocated grant income released (including Local Services Support Grant & Transparency Grant & Section 31 Grant).

Housing Revenue Account

27. HRA projections are shown in **Appendix 3**. The HRA remains in a stable position.

Collection Fund

28. 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.

29. The BRRS Collection Fund outturn deficit is £3.092M, of which Darlington's share is £1.515M. This represents an increase in Darlington's share of £0.115M since the last quarter. A contribution of £1.400M from General Fund to the Collection Fund has previously been identified and is included in this outturn report.

30. The Council Tax Collection Fund outturn is a surplus of £0.503M, of which Darlington's share is £0.418M. The previous forecast was a break even position. The main reason for the improvement is as a result of a review of the council tax bad and doubtful debt provision. The remainder of the surplus is made up of reductions in the amount of council tax support and discounts awarded. Any council tax surplus or deficit cannot be released or charged to the General Fund in the financial year it is incurred, therefore the surplus will be available in future years to be released back to the General Fund.

Civic Theatre

31. Members will recall Council approved the refurbishment of the Civic Theatre and an appropriate funding package. Agreement was based on the contractors estimated cost of the refurbishment however at the time it was known that this was not the final guaranteed price for the contract. The final guaranteed price has now been received and is some £500,000 greater than the estimated used in the Council report. The refurbishment is being delivered under the SCAPE framework using a

design and build approach. Final designs and costs were received on 24 May 2016 and although negotiations are still ongoing, the price is unlikely to move significantly.

32. Under the contract the guaranteed final price approach passes all contract cost risk to the contractor therefore once the guaranteed price is agreed no further costs will fall to the Council unless the specification is amended by the Council. This means the Council carries no further financial risk on the contract unlike other types of contract.
33. The final guaranteed price differs from the estimate due to the firming up of costs and risks for the contractor, within the project there is no significant changes from the design agreed by Council. There is limited scope within the design to reduce costs without undermining the whole design and business concept for the Theatre.
34. At this stage, £500,000 is requested to be set aside from the revenue outturn however other funding options will be reviewed as part of the next review of the MTFP, but at this stage, it is important to agree funding so the project can advance within the agreed timescales

Conclusion

35. The Council's draft revenue reserve at the end of 2015-16 if the recommendations are agreed is £20.727M, which is £1.510M better than the initial 2016-17 MTFP position. The £1.510M consists of an improvement of £1.202M in departmental resources, an overall improvement in corporately managed resources of £0.808 and a provision of £0.500M.
36. £1.020M is being requested be carried forward into 2016/17 to meet future commitments mainly due to slippage.
37. Whilst the improved position is helpful it does not change the financial context in which the Council is currently planning. The additional reserves of £1.510M are welcomed, particularly in the context of the significant budget pressures and subsequent savings targets required over the coming years.
38. The increase in reserves will enable the Council to reduce the financial risk which is inherent in the forthcoming MTFP. The savings targets are extremely challenging and a number are still to be fully developed, the additional reserves will help with the ability to deal with any changes. Furthermore we face a cliff edge in 2020 with additional savings to be found, any efficiencies over and above those proposed or fortuitous savings made will be needed to help the Council transition through this period.
39. Officers are reviewing the budget setting and monitoring processes to see how improvements can be made during the year.

Outcome of Consultation

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