

**CABINET**  
**14 JULY 2020**

---

**REVENUE OUTTURN 2019-20**

---

**Responsible Cabinet Member - Councillor Charles Johnson**  
**Resources Portfolio**

**Responsible Director - Paul Wildsmith, Managing Director**

---

**SUMMARY REPORT**

**Purpose of the Report**

1. To present the revenue outturn 2019-20 (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 latest projection shows an overall improvement against the 2020/21 Medium Term Financial Plan (MTFP) of £0.751m, although as detailed in the report £0.477m of this is required to fund the council tax collection fund deficit leaving £0.274m available for utilisation.
3. Details of variances from the original budget along with changes since the quarter three position are detailed within the body of the report
4. There are a number of carry forward requests totalling £0.466m detailed in paragraphs 19 - 21.
5. The Coronavirus pandemic has had a significant impact on the Council's financial position and this is highlighted in the 2020/21 Quarter 1 revenue budget management report further on the agenda. Whilst there was some impact of Covid-19 in 2019/20, particularly in regard to lost income in our leisure and culture facilities, it was limited and contained within the budget.

**Recommendation**

6. It is recommended that :-
    - (a) The revenue outturn for 2019-20 be noted.
    - (b) The proposed carry forward of resources referred to in paragraphs 19 to 21 be noted and approved.
-

(c) £0.477m is earmarked against general fund reserves to fund the council tax collection fund deficit.

(d) The earmarked reserves requested in paragraphs 28 to 33 be approved.

## Reasons

7. The recommendations are supported by the following reasons :-

(a) To continue effective management of resources.

(b) To continue to deliver services to agreed levels.

**Paul Wildsmith**  
**Managing Director**

## Background Papers

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

Elizabeth Davison: Extension 5830

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 wellbeing which this report needs to address.
Carbon Impact and Climate Change	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.
Impact on Looked After Children and Care Leavers	This report has no impact on Looked After Children or Care Leavers
Efficiency	The report contains updated information regarding efficiency savings contained in the MTFP.
Impact on Looked After Children and Care Leavers	This report has no impact on Looked After Children or Care Leavers.

## MAIN REPORT

### Information and Analysis

8. The year-end provisional outturn position shows an improvement of £0.274m against the opening balance projections in the 2020/21 to 2023/24 MTFP.
9. The draft General Fund reserves position at 31 March 2020 is £18.366m, a summary of which is shown in Appendix 1. Of this £10.059m is planned to be used in the period 2020 – 2024 to assist the MTFP, £4.350m is set aside to cover risk reserve balances with the remaining £3.957m available for utilisation. It is very likely this will be required to assist with additional Covid-19 pressures.

### Departmental Resources

10. Departmental Resource projections are summarised in **Appendix 2** and detailed in **Appendices 2(a) to 2(d)**. The outturn identifies an overspend of £0.361m in comparison with the original 2019/20 MTFP however this is an improved position on the quarter 3 projection where a decline of £0.650m was anticipated. The position assumes all carry forward requests detailed further in this report are approved.
  11. **The Children's and Adult Services group** - the final budget position for 2019/20 is an overspend of £0.424m, an improvement of £0.304m from quarter 3 which stems from savings in Adult Social care, details for each area are noted below.
  12. Children's Services - The year end over spend was £2.215m, a slight decline of £0.086m from quarter 3. Adoption & Placements saw a further pressures of £0.133m mainly due to additional placements of looked after children within Independent Fostering Agencies. Offsetting this was an improvement in First Response & Early Help, a better than projected position by £0.055m due to staff turnover and savings on supplies and services across a number of budget areas.
  13. The Development and Commissioning position has improved by £0.052m, due to savings in housing related support budgets from reduced demand resulting in the non-use of contingency allocations for services.
  14. The Education Service has a year-end overspend of £0.139m, an improvement of £0.081m on that reported at quarter 3 following the firming up of bus routes. As previously reported this pressure relates to an overspend in School Transport (£0.274m), due to the increased number of children being placed out of borough with the subsequent transport requirements. This is slightly offset by savings across the division from staff turnover and supplies and services.
  15. Adult Social Care & Health has improved its position by £0.382m from quarter 3. The continued monitoring of direct payments has led to additional repayments of direct payment balances of £0.170m. There has also been additional income received from client contributions to their assessed care and support packages of £0.141m.
-

16. **Economic Growth & Neighbourhood Services Group** after carry forward requests is projecting an overspend of £0.82m an increase of £0.031m from the position reported at quarter 3.
  17. The impact of the Covid-19 pandemic and the subsequent lockdown in late March saw net income fall by £0.313m across the services provided by the group and as a result has directly contributed to the reported overspend.
  18. Significant variances between outturn and quarter 3 are discussed below;
    - (a) Community Services overall is expected to overspend by £0.496m, after taking into account carry forward requests, an increase of £0.295m from quarter 3. The Council's decision to close a number of public buildings including Dolphin Centre, Eastbourne Complex, Hippodrome and Head of Steam and suspend some services in response to the covid-19 pandemic and government lockdown resulted in a loss of income in the region of £0.154m for Community Services for the last 2 weeks of March 2020. Details are as follows:
      - (i) While the Dolphin Centre's reported position worsened by £0.090m over the last quarter it is estimated that the impact of the closure of the service in late March due to the covid-19 lockdown resulted in lost income of £0.093m. Taking this into account would have seen a net improvement of £0.084m from the quarter 3 reported position.
      - (ii) The Hippodrome overspent by £0.062m however it is estimated that the net lost income due to the closure of the service in late March was £0.041m which resulted in three shows being cancelled or rescheduled.
      - (iii) Increased levels of income from cremations throughout the year created a budget underspend in Cemeteries and Crematorium of £0.096m.
      - (iv) Libraries pressure increased by £0.047m from the reported position at quarter 3 and is now £0.144m as the projected savings in supplies and services were not realised.
      - (v) School Meals reported position has reduced from an underspend of £0.004m to breakeven since quarter 3 however the impact on the closure of the service due to the closure of schools in late March is estimated to have seen income fall by £0.015m.
      - (vi) Winter Maintenance overspent by £0.164m in 2019/20. Of this £0.032m is due to changes to salary payments for the operatives involved in winter gritting while £0.106m is due to the revaluation of stock levels. Over the pasts 3 years there has been errors in the recording of salt stock due to the wrong spreading rate being entered on the log resulting in under recording and therefore an inaccurate level of stock. This has now been addressed which a more robust stock control system being put in place which will be reviewed weekly to ensure accurate recording.
    - (b) Community Safety overspent by £0.017m after carry forward requests, an improvement of £0.031m from quarter 3, due to staff turnover resulting in some savings from vacant posts as well as some savings from maintenance
-

associated with car parks. The savings have offset any lost income due to the council's decision to drop parking charges from late March in response to Covid-19. The estimated loss of car parking income due to this decision is £0.056m which includes enforcement.

- (c) Building Services delivered profits of £0.909m for 2019/20, which was £0.086m above target. As a result of the Covid-19 lockdown, Construction was completely suspended while Maintenance was restricted to emergency works only and the estimated cost of this is £0.078m.
19. The **Resources Group** final budget position for 2019/20 is an underspend of £0.145m which is a £0.016m improvement on the outturn projected at quarter 3.
20. The changes between quarter 3 and outturn can be summarised as follows;
- (a) Communications and Engagement, a better than projected position by £0.039m made up from savings across supplies and services budgets mainly from reduced spend on ICT software requirements and reduced spend upon marketing and advertising.
  - (b) Finance, a better than projected position than projected by £0.048m made up from a number of small savings across many budget areas, including banking, audit and VAT.
  - (c) ICT, a decrease in projected position by £0.051m resulting from additional telephony and data network costs from the process of migrating to a new system, rolling out a new network whilst maintaining the existing to ensure no interruption to service.
21. The School balances and allocations are shown in **Appendix 2(e)**. With the exception of Harrowgate Hill the schools/nurseries have increased their balances throughout the year. Harrowgate Hill has utilised £0.206m throughout the year however the remaining balance is not a cause for concern as it was planned spend.

### **Carry Forward Requests**

22. There are a number of carry forward requests to 2020-21 amounting to £0.466m from departments as detailed below. The requests are categorised into the three areas: slippage, assist in achieving the conditions of the MTFP and emerging pressures. Approval is requested to carry these amounts forward into the new financial year.
23. **Slippage** – There is £0.257m of slippage on planned projects across the Council in the following areas:
- (a) £0.025m Flood & Water Act – Resource is requested to be carried forward to fund the Council's contribution to ongoing drainage studies in partnership with Northumbrian Water Group and the Environment Agency to assess the risk of flood in Darlington and identify any potential schemes that may need to be developed to manage that risk.
-

- (b) £0.031m Parking – Planned upgrade of the Imperial parking system has slipped into 2020/21.
- (c) £0.054m Local Plan – Committed spend for Local Plan Highway Modelling is requested to be carried forward owing to additional work undertaken in 2019 to examine the implications of removal of Springfield Park link road and ongoing discussions with Highways England to agree a Statement of Common Ground on strategic highway matters. This is an iterative process of testing, verifying data and negotiation on potential mitigations.
- (d) £0.013m Heritage Action Zone - The money was originally earmarked to support a Historic Building Investigation at Edward Pease House which is now being fully funded by Homes England, it has now been reallocated for match funding on a Masterplan for Northgate Conservation Area which will be spent in 2020/21.
- (e) £0.011m Enjoy Darlington – Slippage occurred on the original plan and it is now requested that the underspend be carried forward to support the Town Centre Recovery Plan in 2020/21.
- (f) £0.041m Corporate Landlord – The 5 Year Planned Maintenance programme identified boiler replacement works at Harewood House but due to delays this has slipped into 2020/21.
- (g) £0.010m Health & Safety - The Airweb system, specifically designed for health and safety auditing, will provide a streamlined approach to audit and allow for more comprehensive reports and inspections including the integration of camera technology, instant document uploads and email technology for tracking and updating audit actions.
- (h) £0.72m Adult's Prevention Services, carry forward requested as this balance is part of the restructure of the first Point of Contact and Reablement Team restructure which won't be fully implemented until 2020/21.

24. **Assist in achieving the 3 conditions set out in the MTFP, namely Building Strong Communities, Growing the Economy and Spending Wisely.** The following £0.091m of carry forwards all meet the criteria described above and are as follows:

- (a) £0.014m Youth Offending Service Case Management System – The YOS caseload management system is unsupported under the current version, it has been agreed not to update to the latest version as an alternative system provides better outcomes. The new system is an improvement as it provides system consolidation, caseload management, trend analysis, statutory reporting function, live tracker, correspondence function and possible integration with social care systems. The carry forward will be used to contribute towards the purchase of the new system.
  - (b) £0.077m Prevention/Voluntary - Members have already approved £0.111m of carry forward to protect the current budget allocation for prevention type services provided. The prevention budget supports some of the most vulnerable adults in the borough and these services help to manage demand
-

further down the system, where people then may require more complex support. The voluntary sector budget provides support to community and voluntary organisations that work with vulnerable people which again reduces the requirement for people to need to access more complexed services. This additional request will be added to the budget to allow further developments within these key services to support some of the most vulnerable members of our community.

25. **Pressures** - £0.118M of pressures have been identified for 2019/20 as follows:

- (a) £0.027m Communications & Engagement - Carry forward required in order to purchase software and data solutions to help the Strategy and Performance team collate, track and present information to senior managers and Members to aid strategic decision-making. This is likely to be especially important in light of the COVID-19 pandemic, where the impacts are expected to be extremely serious and far-reaching, to help the Council understand the changing needs of different groups and emerging priorities, to enable it to effectively and proactively address key issues affecting residents, businesses and the organisation.
- (b) £0.016m Registrars - as a result of the COVID 19 crisis the Council Chamber will be temporarily on hold for reuse for socially distanced support for members at remote meetings, as required, and may be unavailable for larger wedding ceremonies. When weddings and ceremonies restart an alternative venue may be needed for larger wedding ceremonies. The new venue is likely to require some refurbishment or alteration to make the room fit to hold wedding ceremonies, this carry forward will contribute towards any refurbishment costs or any rental costs of short term premises.
- (c) £0.025m Communications & Engagement - for the purpose of ensuring the One Darlington magazine, which is one of the council's main channels of communications to residents, can continue to be produced should external factors lead to financial implications such as a reduction of income from partners (particularly following financial pressures associated with COVID-19) or an increase in production costs given the volatility of the market. Given the challenges facing the council as it starts to recover from the impacts of COVID-19, this will allow for up to 1 additional edition of the magazine to be produced or for the number of planned editions to be increased if required.
- (d) £0.050m Communications & Engagement - Following a trial period to develop a small centralised marketing function, this carry forward will be used cover the costs of the transition period while a permanent solution is put into place. The development of a corporate marketing function has been identified as a key priority for the council, particularly given the challenges facing the council as it moves through the recovery phase of COVID-19.

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

26. There is a £0.044m improvement on Council wide and corporate resources from quarter 3 due in the main to increased interest received on balances.

---

## Housing Revenue Account

27. HRA projections are shown in **Appendix 3**. There is currently a predicted underspend of £4.602m primarily due to slippage on the capital programme into 2020/21 which is reflected in the Revenue Contribution to Capital Outlay reduction of £3.230m and the subsequent reduction in financing costs of £0.847m.
28. Repairs and maintenance expenditure has increased due to the increased number of properties, including new builds that are being maintaining along with additional costs associated to communal areas, and a general increase in repairs and maintenance costs that was not anticipated at budget setting. To offset the increased maintenance there is additional income from rents and services charges, partly due to increased property numbers and also the fact that this is a 53 week rent collection year.

## Collection Fund

29. 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.
30. The Council Tax Collection Fund is reporting an in-year deficit of £0.886m to add to a brought forward deficit of £0.170m, of which Darlington's total share is £0.877m. This deficit must be met from general reserves although £0.400m is already earmarked in next year's MTFP. It is therefore requested that the additional £0.477m is earmarked from available resources in this Outturn report.
31. The in-year deficit increase from Quarter 3 is due to the increased amount of bad debt written off in the last quarter of £0.455m as well as additional discounts and exemptions of £0.120m being granted (DBC share of increase is £0.477m). The increase in the debt written off is due mainly to these debts being returned by the enforcement agents where they have been unsuccessful in collection or have been unable to trace the debtor. Further to the present climate other options for recovery are limited.
32. The NDR Collection Fund is reporting an in-year deficit of £1.070m to add to a brought forward deficit of £0.540m, of which Darlington's total share is £0.789m. The in-year deficit in the main is due to a decrease in gross rates income of £0.227m and an increase in discounts, reliefs and exemptions of £0.785m. The majority of these reliefs are government backed and business rate section 31 grant income will be received to cover the deficit. There are no concerns about the deficit levels at this point in time in regard the NDR fund.

## Earmarked Reserves

33. Hippodrome Planned Maintenance – as a requirement of the grant funding received from the Heritage Lottery Fund used for the Hippodrome restoration the council must ensure there is a planned maintenance programme and fund in place. It is
-



requested to setup a reserve to ear-mark the annual planned maintenance contribution made from the general fund for this purpose.

34. Permit Scheme for Road Works and Street Works – with the introduction of the new permit scheme for road works and street works in March 2020 by the Council there is a requirement under legislation to ensure that over a 3 year period fees do not exceed the allowable costs from operating the scheme. It is requested to setup a reserve to ring-fence any deficit or surpluses on the scheme to allow the council to ensure the fee levels are appropriately set.
35. Business Central Planned Maintenance & Other Associated Costs – under ERDF funding rules any surplus made after taking into account operator management fees from Business Central must only be used to offset eligible costs associated with Business Central. It is requested that a reserve is setup to ring-fence any surplus arising from Business Central for future planned maintenance or other eligible costs solely applicable to Business Central.
36. The Council undertakes a Municipal election every four years to elect its Members. The costs of the election are spread over two financial years, as costs are incurred up front in preparation for the May election. Within the Council's annual budget there is provision for municipal election costs, however as expenditure can vary between years, it is requested that a reserve be created to accumulate any unused annual municipal election budget.
37. The Council received a VAT rebate of £1.4m in 2019/20 in relation to an historical claim with HMRC following the implementation of the cultural exemption. It is requested that a ring-fenced reserve is set-up to allow the balance on this rebate to be used to offset any future VAT related costs. One potential scheme is the Crematorium refurbishment which requires a contribution to offset the possible VAT partial exemption breach that will arise due to the exempt nature of the works. This has been discussed in detail as part of the Crematorium Refurbishment cabinet report presented in October 2019.
38. Futures Fund – Although the Futures Fund has been in existence since 2017, it has always been included annually in the MTFP which has required a year end carry forward. To assist in administration an earmarked reserve has been created to facilitate the utilisation of the balance.

## **Conclusion**

39. The Council's projected revenue reserves at the end of 2019-20 are £18.843m, £0.751m better than was predicted in the 20/21 MTFP. £0.477m is required to fund the council Tax collection fund deficit and the remaining £0.274m will be returned to bolster general fund reserves.
  40. Of the £18.366m projected reserves, we have a risk reserve balance of £4.350m and a commitment to use £10.059m to support the 2020–2024 MTFP, leaving £3.957m one off funding to further support the general fund moving forward.
-