

**CABINET
09 FEBRUARY 2021**

ITEM NO.

REVENUE BUDGET MONITORING 2020-21 – QUARTER 3

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

Responsible Director - Paul Wildsmith, Managing Director

SUMMARY REPORT

Purpose of the Report

1. To provide an early forecast of the 2020-21 revenue budget outturn as part of the Council's continuous financial management process.

Summary

2. This is the third revenue budget management report to Cabinet for 2020-21 and the impact of Covid-19 (CV19) on both expenditure and income levels is projected to be significant. To date the Government has provided a grant of £8.682m to assist with the pressures.
3. The Government also announced a further package of support to Councils in the form of a scheme to help reimburse lost income during the pandemic where 75p of every £1 lost over and above the initial 5% of planned income from sales, fees and charges will be covered. This additional funding is anticipated to be £2.681m this financial year.
4. Furthermore, in the Financial settlement that is currently out to consultation the Government announced it will fund 75% of the 2020/21 collection fund deficit. Whilst the actual figure won't be known until the accounts have been closed after the financial year end, it is anticipated at £1.196m.
5. If all the funding comes to fruition, and no further pressures arise, it is estimated that there will be a CV19 surplus for 2020/21 of £1.654m and it is proposed to create an earmarked Covid 19 reserve that will be used to fund the pressures that will undoubtedly continue into the next financial year and beyond due to the ongoing pandemic.
6. As in previous years, and following good financial management practice, a budget rebase exercise has been undertaken following the outturn position which has returned £0.897m into general fund reserves. The year-end projection, which takes into account the CV19 position, rebasing, and the early indication of non Covid pressures and savings shows an overall improvement in the 2020/21 financial position of £2.943m.

7. Whilst this headline figure is good news for 2020/21 there is still a significant amount of uncertainty in regard to future pressures and the continued impact of CV19. This early projection uses best estimates and assumptions based on the Governments recovery plans, however it is likely there will be unforeseen circumstances moving forward.
8. The projected CV19 pressure can be contained this financial year however the greater concern is future years and the long tail effect CV19 is likely to have on the Council and the Darlington economy. The Government have already announced a package of funding of £2.958m that will be received in 2021/22 for ongoing pressures as well as continuing the Sales Fees and Charges Income scheme into 2021/22 as it is clear the impacts of the pandemic are likely to be prolonged and accumulated in forthcoming years.

Recommendation

9. It is recommended that :-
 - (a) The financial position in the forecast revenue outturn for 2020-21 be noted.
 - (b) The CV19 pressures and government grant received to date be noted
 - (c) Further regular reports be made to monitor progress and take prompt action if necessary.
 - (d) The earmarked Covid 19 reserve be approved.
 - (e) The carry forwards requested are agreed.

Reasons

10. 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	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.
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

11. This is the third revenue budget management report to Cabinet for 2020-21 and provides an in-year forecast of the revenue position as part of the Council's continuous financial management process.
12. To enable timely information to be presented and in accordance with the report publication requirements, this report has been completed before the end of the third quarter. As the Council operates frequent, regular and predictive budget management processes, including quarterly reports to Cabinet, changes in projected outturn, which are inevitable in a large and complex organisation, will be reported to future meetings.
13. The information in this report has been taken from the financial records to November and managers' projections for the remainder of the year, using their knowledge of events affecting the services they manage.
14. Overall the projected General Fund reserves position at 31st March 2021 is £22.306m, which is an improvement of £2.943m on the planned balances in the 2020-24 MTFP. Of this, there is an improvement in the Council's 2019-20 financial results of £0.274m; £0.897m being returned to reserves as a result of the rebasing exercise, £0.503m of Troubled Families Grant which was not anticipated at budget

setting time and can therefore be returned to reserves, along with departmental improvements as previously noted and updated below.

COVID - 19

15. The impact of CV19 has had a significant bearing on the Council's financial position and is reflected in the year end projections. There is still a great deal of uncertainty about how, when and if all services will return to normal and what the impact will be on our communities and the wider economy; the latter points are already having an impact on increased demand for services and council tax and business rate income reductions.
16. The Government has supported Local Authorities with £4.7bn in CV19 funding of which Darlington has received £8.682m to date.
17. The Government announced a further package of support to Councils to help address the financial pressures relating to income loss due to CV19. The Sales Fees and Charges (SFC) scheme helps reimburse lost income during the pandemic where 75p of every £1 lost over and above the initial 5% of planned income from sales, fees and charges is covered. Darlington's allocation of this funding is estimated to be £2.681m for 2020/21.
18. In the 2021/22 financial settlement it was announced that 75% of any collection fund deficit in 2020/21 would be recompensed. The technical detail of this are being reviewed and the final figure won't be known until the accounts have been closed for this financial year, however it is anticipated Darlington will receive £1.196m.
19. Taking into account the funding of £8.682m, the estimated SFC income of £2.681m and the £1.196m collection fund recompense there is anticipated to be a surplus in CV19 funding of £1.654m in 2020/21. However given the ongoing uncertainty and the undoubted further impacts in next year and beyond it is proposed to create an earmarked Covid 19 reserve to be utilised for meeting future year CV19 pressures. A summary of the anticipated CV19 impact in 2020/21 is detailed in **Appendix 4**.
20. Whilst the projected CV19 spend can be accommodated this year, there is significant uncertainty about future pressures and funding. The government have announced that support will continue into 2021/22 and Darlington's indicative contribution is £2.958m, which will help towards the ongoing impacts of the pandemic in future years along with additional funding anticipated for the first quarter of 2021/22 to help fund shortfalls in relation to the council income streams through the Sales, Fees and Charges reimbursement scheme. These amounts will be included within the new MTFP.

Departmental Resources

21. Departmental Resource projections are summarised in **Appendix 2** and detailed in **Appendices 2(a) to 2(d)**. With the CV19 implications it is difficult to predict year end positions at this stage however management projections indicate all budgets are online to be achieved with the exception of those stated in the following paragraphs.

22. The **Adults & Children's Services Group** budget is projected to be overspent by £1.257m, after carry forwards, at the end of the financial year. This is a reduction of £0.622m on the position reported at quarter 2. £2.468m of the pressure is linked to CV19 being offset with savings of £1.211m primarily in Adults, hence overall the budget would have normally have been in an underspend position. The main changes to the position reported at quarter 2 (Q2) are detailed below:
- (a) The **Transformation and Performance Team** budget is projected to be underspent by £0.076m at the end of the financial year, due to staff vacancies. This saving is requested to be carried forward to provide an Education performance post, details of which are recorded below.
 - (b) **Children's Services** is forecasting an overspend of £0.515m at the end of the financial year, which is £0.119m less than reported at Q2. This overspend is directly linked to CV19 where the pressure of £0.619m has increased in the period as the pandemic continues.
 - (c) Assessment and Care Planning is projected to be overspent by £0.506m at the end of the financial year, which is a decrease of £0.128m on the Q2 report. This decrease in overspend results from reduced use of agency staff across teams as staff have returned to work and vacant posts have been recruited to. Savings have also been made in transport costs and supplies and services budgets across all teams as a result of CV19 restrictions.
 - (d) First Response and Early Help is projected to be £0.273m underspent which is an increase of £0.182m on the quarter 2 report. Savings have arisen across all teams from vacant posts, reduced transport costs and reduced use of supplies and services budgets. Examples include savings within the children's centre budget as activities have been restricted and reduced use of casual staff within the contact service due to reduced contact appointments as a result of CV19.
 - (e) **Development & Commissioning** is forecasting to be underspent by £0.339m at the end of the financial year. Of this underspend £0.188m was brought forward from 2019/20 to support the most vulnerable members of our community, this funding is committed in future years and hence is to be carried forward to 2021/22. In addition, a further £0.053m is requested to be carried forward for therapeutic support (Lighthouse Project) and £0.023m for workforce development as per the notes below.
 - (f) **Education** division is forecasting to be overspent by £0.175m at the year end, the majority of which relates to CV19 costs of £0.137m which have occurred as a result of school closures.
 - (g) Whilst there continues to be savings within the Education section of the division through vacant posts, staff turnover and reduced use of supplies and service budgets all savings are offsetting reduced income within the Learning Skills service, as less students are enrolling on courses due to COVID 19 restrictions, bringing the overall education section budget into balance.
 - (h) School Transport continues to have pressures, with non CV19 costs increasing by £0.046m as a result of new and changes to routes. This is offset by lower CV19 transport pressures (£0.033m) resulting in an increase overall pressure

of £0.013m for transport. With schools closing nationally on 4th January these projections will be subject to further change during the spring term.

- (i) **Public Health** budgets are projected to be overspent by £0.263m which all arises due to COVID 19. This is an increase of £0.158m on the projection at Q2. This increase in cost is the continuing requirement to purchase PPE across all Darlington services to protect staff and residents whilst allowing service delivery to continue.
 - (j) **Adult Social Care & Health** is forecasting an overspend of £0.366m, a decrease of £0.604m on the reported Q2 position. CV19 continues to have an impact on Adults with an expenditure pressure of £1.407m.
 - (k) Savings have been achieved in the area which include; £0.128m due to an increase in attrition of 18 placements in residential care homes and £0.271m from an additional suspension of 20 direct payment packages and 25 additional direct payment reclaims as services are reduced or carers and individuals choose not to use services at this time. There have also been savings of £0.072m due to delays in the recruitment of vacant posts.
23. The **Economic Growth and Neighbourhood Services Group** is projecting an overspend of £6.068m after taking into account further carry forwards of £0.289m and the anticipated impact of CV19. This is an improvement of £2.193m from the position reported at Q2. Operationally the group is projected to be £0.052m underspent when the impact of CV19 is excluded.
24. The majority of the £2.193m improvement is related to the impact of CV19 and comes from improved net loss projections for leisure and culture as well as the anticipated recovery of planning fees. While projected income levels have not significantly changed from those reported at Q2 savings in expenditure seen as a direct result of closures and curtailing of services have helped to reduce the severity of any net losses. A significant factor in the movement is the £1.000m the Council was awarded from the Arts Council England Recovery Fund after a successful bid to support the Hippodrome through the pandemic this financial year. It should be noted that while net losses have reduced so has the amount of compensation we receive through the Sales, Fees and Charges Compensation Scheme. Taking this into account the actual overall net improvement will be in the region of £0.250m.
25. Current estimates of net losses are based on how managers expected current guidelines to impact on services and are subject to change and may improve or worsen depending on how government advice evolves to combat the increase in local and national cases.
26. Based on current expectations and guidelines the following pressures and savings are projected;
- (a) Planning, Economic Initiatives & Asset Management overall has operationally improved by £0.135m from Q2. This is in part due to the reduction in the total costs payable in relation to backdated service charges and rental as reported at Q2, however, this is now partially offset by the in year support Feethams House requires as a result of the recent loss of a major tenant as well as the

agreed requirement to cashflow the project in its initial 3 years as part of the approved business plan.

- (b) Capital Projects, Transport & Highways Planning is currently expected to have an operational underspend of £0.069m which is a reduction of £0.010m from Q2. While the overall underspend has not significantly changed an increase in income associated with section 38 fees has been offset by the projected loss in turnover and subsequent fall in associated profits generated by the Highways DLO service. This is due to the delay or cancellation of some capital works originally expected to be carried out in 2020/21 as well as an increase in costs on some schemes.
 - (c) Community Services is expected to have an operational underspend of £0.015m at Q3, this is a reduction of £0.111m from the position reported at Q2;
 - (i) Essential drainage works carried out at West Cemetery has seen the previously reported Q2 position of a £0.090m underspend fall to a breakeven position at Q3.
 - (ii) Winter Maintenance salt usage is expected to exceed the budgeted levels by £0.028m based on November to December 2020 gritting program and projected forward to the end of March 2021.
 - (d) Community Safety overall is expected to breakeven operationally at the end of the year after any carry forward requests. Parking offers funded by the TVCA will run from January 2021 for 2 years and this position is reflected in the Q3 projections.
 - (e) Building Services saw a return to full operation from June 2020 and while it is not expected to recover the costs and profit lost during the early suspension it is currently projected that the services will meet their profit targets for the remainder of the year where operations have returned. The impact of the most recent national lockdown on the service will be monitored over the coming months.
 - (f) Housing general fund is showing an overspend of £0.397m, this has reduced by £0.118m from the quarter 2 position. This improvement is made up of £0.028m due to increased savings on staffing due to vacant posts, an increase in funding anticipated of £0.036m due to the recovery of overpayments of benefits and an improvement of £0.053m due to the reassessment of the under recovery of the housing benefits for homelessness and rough sleepers during the CV19 pandemic.
27. The **Resources Department** is projecting a year end budget overspend of £0.355m after carry forwards. This is an increase in the projected overspend of £0.160m on the position reported at Q2.
28. The main changes in the Resources group in the period are summarised as follows:
- (a) AD Resources CV19 costs are projected to be £0.042m at the end of the financial year. This is the estimated cost of providing staff furniture to enable them to work from home.

- (b) Communications and Engagement is projected to be underspent by £0.110m an increase of £0.070m on the Q2 report. This increased saving has resulted from slippage and savings within supplies and services budgets as planned developments have not taken place in year due to CV19 priorities. £0.060m of this underspend is requested to be carried forward into 2021/22 as detailed below.
- (c) AD Law & Governance CV19 costs are projected to be £0.227m at the end of the year an increase of £0.057m on the Q2 report. This increase is due to less income being received for wedding ceremonies within the Registrars service as weddings have been postponed or cancelled. As we have now entered a third lockdown and weddings are no longer taking place (except in exceptional circumstances) this pressure is potentially subject to further increases throughout the remainder of the year.
- (d) Democratic Services are projected to be underspent by £0.133m an increase of £0.062m, which arises from savings within members budgets (£0.030m) from allowances, training, travel and supplies due to remote working along with savings in the register of electors as limited door to door canvasses have taken place this year (£0.026m). £0.010m of this underspend is to be carried forward for Modern Government costs.
- (e) Legal & Procurement is projected to be overspent by £0.110m at the year end an increase of £0.063m. This pressure in Legal services has increased due to the continuing need for temporary staffing covering maternity leave and external professional services to cover demands upon the service and provide specialist technical support.

29. The School balances and allocations are shown in **Appendix 2(e)**. Information on projected closing school balances is not yet available but will be included in future reports to Cabinet.

Carry Forward Requests

30. Adults and Childrens are requesting approval to carry forward the following:

- (a) £0.076m Transformation & Performance - to continue an additional temporary performance post to support the Education Service to undertake specific analysis of education data to monitor the performance of schools and educational providers in Darlington. This will provide the Education service with full data analysis including, attendance, performance, SEND, qualifications etc. Although the majority of schools in Darlington are academies the Local Authority is still responsible for the performance of education within the borough and hence this will enable the service to target resources to work with schools. This post will be a pilot with the proposal to work with schools to provide sustainable funding to continue the work in future.
- (b) £0.023m Workforce Development - to support training across the department as identified in Training Needs Analysis.
- (c) £0.053m Commissioning - to continue therapeutic support and staff backfill arrangements. Darlington have been successful (along with 5 other local

authorities) in being awarded funding through the Lighthouse Project, which will provide therapeutic support to 10 Darlington families over a 6 month period whose children are at risk of harm, this allows up to 3 social care staff to be trained in mentalisation based therapy. This project has the potential to produce significant cost avoidance if it results in any participating family's child/children not coming in care.

31. Economic Growth are requesting approval to carry forward the following:

- (a) £0.200m Corporate Landlord – The underspend in repairs and maintenance as a result of building closures, reduced occupancy or the impact of social distancing rules on the ability to complete certain works is requested to be carried forward to support the expected upturn in maintenance requirements when officers return to work in greater numbers following the relaxation of social distancing guidance.
- (b) £0.039m Heritage and Culture Fund and Outdoor Events – Committed and planned spend on heritage and cultural activities and events has been delayed or deferred as a result of the CV19 pandemic and it is requested that this is carried forward into 2021/22.
- (c) £0.050m underspend within Community Safety is asked to be set aside to support the delivery of future Community Safety schemes and initiatives in 2021/22

32. Resources are requesting approval to carry forward the following:

- (a) £0.030m in the Strategy & Communications team to cover the cost of the community survey. The community survey takes place every three years using a statistically reliable sample down to ward level. The survey is budgeted for annually, hence funding is required to be carried forward from the years the survey does not take place to facilitate the procurement in future years.
- (b) £0.030m Strategy & Communications team – Members agreed to roll forward funding to supplement the Council's marketing budget into 2019/20, due to CV19 priorities this funding is now required to be carried into 2020/21. The marketing budget has many demands and given the challenges facing the council as it starts to recover from the impacts of CV19, this will allow increased marketing of the Council's service or up to 1 additional edition of the Darlington magazine to be produced which is one of the Council's main methods of communication with residents and business.
- (c) £0.010m Democratic Services - Modern Government Licence and Members Casework System. Members approved the roll forward of this funding into 2020/21 however this development has slipped, hence the request to carry forward into 2021/22.

Council Wide and Corporately Managed Resources

33. The Council Wide and Corporately Managed Resources projections at this stage are projecting a £0.028m saving. Financing Costs are projected to be £0.107m underspent, and whilst the impact of CV19 has reduced the projected dividend receivable on the Council's property investment funds by £0.141m, this has been

more than offset by lower than predicted interest rates that has reduced the cost of borrowing by £0.248m. There is also anticipated to be a reduction in the profits from our JV companies this year as the programme is pushed back, at this point we have estimated the reduction in dividends and profit to be £0.108m.

Housing Revenue Account

34. HRA projections are shown in **Appendix 3**. As the furnished tenancies schemes comes to an end, schemes have closed earlier than anticipated leading to a movement in the income of £0.052m. Due to CV19 there has been a reduction in the number of debtors that we have been pursued, this also has a resulted in a reduction in the income from recoveries of court fees that would usually be undertaken.
35. There is an £0.009m movement in staffing in the housing programmes and performance team due to the Orchard Consultant contract extension to 31st December. The additional costs of £0.047m in communal flats is due to the increased energy costs
36. Due to the reduced capital programme we do not need any additional borrowing in this financial year giving a increased saving of £0.032m. The capital programme has been re-evaluated since the beginning of CV19 and as the restrictions were lifted more work has been carried out than originally anticipated hence the increase in revenue contribution to capital from Q2.

Collection Fund

37. 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.
38. Due to the ongoing CV19 crisis it is anticipated the council tax collection fund will show a projected deficit of £0.593m, primarily due to the increase in local council tax support claimants along with additional discounts and exemptions granted. This deficit will need to be funded from GF reserves and this has been included in the projections and from a government grant which will fund 75% of the in-year deficit and will be received in 2021/22 as a Section 31 Grant.
39. Due to the ongoing CV19 crisis a reduction in the business rates collection from non-retail premises has been realised as well as a reduction in the number of rateable properties and this is reflected in the projections for NNDR at a cost of £1.002m. There are other elements that will increase the deficit due to the granting of reliefs, exemptions and the small business rates relief all of which are funded by section 31 grant received from the Government. This deficit will also need to be funded from GF reserves and this has been included in the projections and from a government grant which will fund 75% of the in-year deficit and will be received in the form of a Section 31 Grant in 2021/22.

Conclusion

40. The Council's projected revenue reserves at the end of 2020-21 are £22.306m, £2.943m higher than the initial 2020-24 MTFP position and include a brought forward amount of £0.274m from 2019-20 and the rebasing exercise of £0.897m.
41. Of the £22.306m projected reserves, we have a risk reserve balance of £4.350m and a commitment to use £11.330m to support years 2 – 4 of the current MTFP, which leaves a funding surplus of £6.626m. This of course is assuming no further pressures are identified and there is no impact of CV19 in future years. In reality there will be ongoing pressures and a full review on the MTFP will be required during 2021/22.

Outcome of Consultation

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