

**CABINET
6 JULY 2021**

REVENUE OUTTURN 2020/21

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

Responsible Director – Elizabeth Davison, Group Director of Operations

SUMMARY REPORT

Purpose of the Report

1. To present the 2020/21 revenue outturn (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. This is the last revenue budget management report to Cabinet for 2020/21 and the impact of Covid-19 (CV19) on both expenditure and income levels has been significant. To date the Government has provided a grant of £8.682m to assist with the pressures.
3. The Government has also provided 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 £1.991m for 2020/21.
4. There will also be a 75% contribution to the Council Tax and Business Rate collection fund deficit due to CV19, albeit due to accounting technicalities this will transpire in the 2021/22 accounts so a provision needs to be made in the 2020/21.
5. If all the funding comes to fruition as estimated that there will be a CV19 surplus for 2020/21 of £1.553m which will be transferred to the earmarked Covid 19 reserve as previously agreed and used to fund any continuing pressures in future years due to the ongoing pandemic.
6. Details of variances from the original budget along with changes since quarter 3 position are detailed in the main report.
7. There are a number of carry forward requests totalling £0.801m detailed in paragraphs 29 -32.
8. The year-end projection, which takes into account the CV19 pressures and grants anticipated, rebasing, and non Covid pressures and savings shows an overall

improvement in the 2020-21 financial position of £5.260m (£2.317m improvement from quarter 3).

Recommendation

9. It is recommended that :-
 - (a) The revenue outturn for 2020/21 be noted.
 - (b) The CV19 pressures and government grant received to date be noted.
 - (c) The earmarked reserves requested in paragraphs 33 & 35 be approved.
 - (d) The carry forward of resources referred to in paragraphs 29 to 32 be noted and approved.
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.

Elizabeth Davison
Group Director of Operations

Background Papers

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

Brett Nielsen: Extension 5403

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 is not a key decision.
Urgent Decision	The report is not 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. Note - the SCS is currently under review and is due to be considered further at a meeting of Council on 15 July 2021
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. The year-end provisional outturn position shows an improvement of £2.317m against the opening balance projections in the 2021/22 to 2024/25 MTFP.
12. Overall the projected General Fund reserves position at 31 March 2021 is £24.623m, a summary of which is shown in **Appendix 1**. Of this £13.218m is planned to be used in the period 2021 – 2025 to assist the MTFP, £5.350m is set aside to cover risk reserve balances with the remaining £6.055m available for utilisation.

COVID - 19

13. 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 degree 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.
14. The Government has supported Local Authorities with £4.7bn in CV19 funding of which Darlington has received £8.682m to date which is helping to more than offset the majority of this years pressures.

15. 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 £1.991m for 2020/21.
16. The Spending Review on 25 November 2020 announced that the Government would compensate local authorities for 75% of irrecoverable losses in council tax and business rates income expected in 2020/21 due to CV19. The resultant shortfall after the compensation has been included in the Covid costs in **Appendix 4**.
17. Taking into account the funding of £8.682m, the estimated SFC income of £1.991m there is anticipated to be a surplus in CV19 funding of £1.553m held in the earmarked Covid 19 reserve that will be used to fund any ongoing pressures in future years. A summary of the anticipated CV19 impact in 2020/21 is detailed in Appendix 4.
18. The actual expenditure on CV19 is higher than shown in Appendix 4 but the Council has received specific grants from government to fund specific expenditure and therefore has been excluded from this budget monitoring report as it has no direct effect on the Council's reserves. Examples of the grants received are Contain Outbreak Management Fund £2.685m, Surge Enforcement Fund (marshals) £0.058m, Re-opening High Street Safety Fund £0.094m and Covid Winter Grant scheme £0.492m.
19. The Contain Outbreak Management Fund (COMF) is a specific Public Health grant provided to the Council to break the chain of transmission of CV19. As members are aware, there has been a significant amount of work across all services to deliver the Council's response, with some in particular, for example, Public Health, Health & Safety, Environmental Health, Community Safety and Communications being heavily deployed on CV19 throughout 2020/21. Therefore, expenditure involved in the CV19 response has been allocated against the COMF grant resulting in a corresponding underspend in a number of core budgets. This underspend will be returned to General Fund reserves for utilisation in future years.
20. The Medium Term Financial Plan 2020/21 – 2023/24 was balanced utilising general fund reserves over the period. Whilst as can be seen above 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 to assist with the ongoing impacts of the pandemic in future years. Furthermore additional funding is anticipated to help fund shortfalls in relation to the council income streams through the Sales, Fees and Charges reimbursement scheme albeit we do not know the quantum yet.

Departmental Resources

21. Departmental out turn positions are summarised in **Appendix 2** and detailed in **Appendices 2(a) to 2(d)**.

22. The **Adults & Children's Services Group** budgets underspent by £0.193m after carry forwards at outturn. This is an improved position of £1.450m on the quarter 3 projection. The main changes since quarter 3 are summarised as follows:
- (a) **Children's Services** overspent by £0.473m at the end of the financial year, £0.042m better than the quarter 3 position. This overspend included a CV19 cost of £0.621m so in a 'normal' year the service would have actually been in an underspend position which is very positive news given the pressures Children's services face nation wide.
 - (b) **Education** had a final overspend of £0.067m, an improvement of £0.108m on the projection at quarter 3. This improvement mainly resulted from reduced pressures in transport from CV19 as additional costs of routes were offset by reduced charges during the spring term as a result of national lockdown.
 - (c) **Public Health** budgets at the year end were on target, which was an improvement of £0.263m on the projected overspend at quarter 3. Public Health budgets were projected to be overspent as a result of additional PPE requirements due to the CV19 pandemic, these costs were however offset by additional grant received from the Department for Health to prevent the transmission of the virus.
 - (d) **Adult Social Care** has a year end underspend of £0.697m, this is an improvement of £1.063m on the reported quarter 3 position. CV19 continues to have an impact on Adults with £1.697m relating to CV19.
 - (e) The savings have been achieved across a number of areas and include; £0.336m due to an increase in attrition of 30 placements in residential care homes and a reduction of 650 domiciliary hours that were not required; £0.305m from the suspension of 22 direct payment packages and 25 direct payment reclaims as services are reduced or carers and individuals choose not to use services at this time. It is anticipated the savings here are one off as services levels are expected return to normal during 2021/22.
 - (f) It was projected that there would be an increase short break stay provision during the covid pandemic, this was not as high as anticipated and has resulted in a £0.232m saving.
 - (g) Additional funding of £0.154m has been received from the CCG to contribute towards joint packages of care.
23. The **Economic Growth & Neighbourhood Services Group** is projecting an overspend of £4.812m which is an improvement of £1.256m from the position reported at Q3.
24. Of the £1.256m, £0.913m is covid related and of which the majority comes from an improvement in the net losses for leisure and culture, planning fees and building maintenance DLO. While projected income levels for leisure and culture have not significantly changed from those reported at Q3, savings in expenditure seen as a direct result of closures and curtailing of services have helped to reduce the severity of any net losses further. Secondment of staff to the Community Testing programme has also contributed towards the reduction in net losses as these staff costs were transferred from the service areas. Planning fees and building

maintenance turnover were also able to recover back to more normal levels as the year has progressed. 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 the region of £0.230m.

25. Based on outturn and after accounting for CV19 related costs separately the following pressures and savings are reported;
- (a) Planning, Economic Initiatives & Asset Management overall will operationally underspend by £0.154m. This in part due to the reduction in the total costs payable in relation to backdated service charges and rental as reported at Q3 following final submission of the charges which were only backdated for 1 year. Estate fee income was also better than expected and has helped to contribute to the underspend.
 - (b) Capital Projects, Transport & Highways Planning will operationally underspend by £0.050m. Losses in turnover and the subsequent fall in associated profits generated by the Highways DLO service 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 have been offset by underspends on concessionary fares and backdated NNDR refunds.
 - (c) Community Safety staff have been involved heavily in the council's response to the pandemic which has seen these teams funded accordingly. As a result of this the service will operationally underspend by £0.208m.
 - (d) Building Services was not expected to fully recover the costs and profit lost during the first lockdown, however, after taking this into account the service underspent by £0.041m.
26. The **Resources Department** budgets overspent by £0.138m after carry forwards at outturn. This is an improved position operationally of £0.217m on the quarter 3 projection.
27. The main changes in the Resources group from quarter 3 are summarised as follows:
- (a) Communications & Engagement, final budget position was an underspend of £0.143m an improvement of £0.133m on quarter 3. This underspend has arisen across the Strategy, Performance and Communications team as well the marketing budget. Due to the pandemic this service area has focused on assisting the Council with its role of preventing the transmission of CV19, therefore planned work from in year budgets has not progressed as planned, this has resulted in savings in budgets. Also as the service has been working largely on CV19 during the year the service has been partly funded through grant received from the Department for Health to prevent the transmission of the virus.
 - (b) Human Resources year end budget position is an underspend of £0.092m an improvement of £0.137m on that reported at quarter 3. The Human Resources team has been a key resource in the Council's response to the pandemic ensuring staff have been able to continue providing essential Council services

whilst adhering to CV19 regulations. This work has been funded accordingly through the grant received.

- (c) Health & Safety final budget position is an underspend of £0.081m, an improvement of £0.076m on that reported at quarter 3. The Health & Safety team has also been a key resource in the Council's response to the pandemic ensuring the Council's services, buildings and sites are all CV19 safe and delivering services within the CV19 regulations. This work has been funded accordingly through the grant received resulting in underspend on the annual budget.
- (d) Legal & Procurement year end budget position is an overspend of £0.179m an increased overspend of £0.069m. This change in position from quarter 3 has arisen due to a particularly complex children's legal case which has required the use of additional Counsel.
- (e) ICT the final budget position is an overspend of £0.479m, an increase of £0.277m that was reported at quarter 3. This increase has arisen due to additional ICT equipment that has needed to be purchased to allow staff to work remotely and safely during the pandemic. Also the profile of expenditure for the Council's ICT infrastructure has changed which has resulted in more expenditure in 2020/21 than planned. This change in profile means that some expenditure planned for future years has been brought forward which will reduce pressures on the infrastructure budget in future years.

28. The School balances and allocations are shown in **Appendix 2(e)**.

Carry Forward Requests

- 29. There are a number of carry forward requests to 2021/22 amounting to £0.801m from departments as detailed below. The requests are categorised into 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
- 30. Slippage - There is £0.528m of slippage on planned projects across the Council in the following areas
 - (a) £0.134m Child Protection & Review – to continue to fund an additional Quality Assurance post during the next three financial years. In line with work undertaken through the Strengthening Families programme additional capacity was identified as needed within children's services to undertake quality assurance work for children's care caseloads. Funding was identified through the iBCF stream to facilitate a post for three years. As this post was recruited part way through 2020/21, the balance of funding is required to be rolled forward to continue to fund the post during future years.
 - (b) £0.019m Commissioning – to continue collaborative work with the other four Tees Valley authorities to find capacity solutions for the care of looked after children. As the number of looked after children has grown across the Tees Valley work has been ongoing to ensure there is the capacity within the region to provide care placements for the children. This work is looking at ensuring capacity sufficiency and exploring more value for money solutions. This work

has slipped across into the 2021/22 financial year, therefore this funding is required to be rolled forward to fund Darlington's commitment.

- (c) £0.060m Corporate Landlord – there is an additional 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 and this 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.
 - (d) £0.008m Outdoor Events – planned spend on events has been delayed or deferred because of the CV19 pandemic and it is requested that this is carried forward into 2021/22 to support the event programme.
 - (e) £0.042m Economy – Skills & Employability Officer recruitment has slipped into 2021/22.
 - (f) £0.050m Concessionary Fares – while most of the bulk bus pass issue was completed in 2020/21 there has been a proportion that has slipped into 2021/22. Due to CV19 guidance and reduced capacity on buses some pass holders have not returned to travelling by bus yet and therefore may not aware that their pass has expired. Bus operators will continue to allow people to board with an expired pass until the end of June 2021.
 - (g) £0.020m Sustainable Transport – consultation on Darlington & Town Centre Transport Plans was delayed due to ongoing CV19 restrictions. Work continues and consultation will take place in summer/autumn 2021/22.
 - (h) £0.195m Communications and Marketing – during 2020/21 the primary focus for the communications and marketing team involved dealing with the CV19 pandemic. Government funding was provided to pay for most of the associated activities, limiting pressure on the existing revenue budget. Demands on the team meant a number of other workstreams were not progressed as much as intended leaving not only a shortfall in planned delivery, but also an underspend across a number of budget areas. During 2021/22, as CV19 'response' related pressures hopefully reduce, we anticipate lots of work in relation to CV19 'recovery' alongside catching up with the workstreams that were delayed during 2020/21 and now in need of enhanced focus. Examples include corporate campaigns such as Fostering; Enjoy Darlington; Environmental enforcement and the Recycle Right campaign, along with the promotion enhancements to our communications and marketing assets.
31. **Assist in achieving the 3 conditions set out in the MTFP, namely Building Strong Communities, Growing the Economy and Spending Wisely.** The following £0.113m of carry forwards all meet the criteria described above and are as follows:
- (a) £0.048m underspend on consolidated budget is asked to be set aside to support the delivery of current and future developments as well as meeting the goals of the economic growth agenda.

- (b) £0.040m – Outdoor Events – to provide a programme of sporting events and activities in the market square including a roller rink throughout the school holidays.
- (c) £0.010m – Town Centre Marketing – to create artwork and marketing on empty shop fronts to attract new businesses to Darlington.
- (d) £0.015m Commissioning - Prevention/Voluntary - 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. The carry forward is requested to allow further developments within these key services to support some of the most vulnerable members of our community.

32. **Pressures** - £0.160m of pressures have been identified for 2020/21 as follows:

- (a) £0.060m Occupational Health – the occupational health team has seen a huge increase in demand due to the pandemic therefore additional capacity has been added to the team to deliver key services. This carry forward will cover the additional costs within 2021/22.
- (b) £0.050m HR – project resource – the Council has commenced work on how services will be delivered in the future following the pandemic. The agile workstream is looking at how the Council can be more efficient with its workforce and office estate. This project is putting pressures on the Human Resources team who are leading on many of the workstreams at the same time as covering increased work due to the pandemic. This funding will provide resource for the team to employ temporary expertise to progress the HR elements of the agile project.
- (c) £0.050m to clear the backlog of complaints in Adults which were put on hold due to Covid.

33. Ring fenced reserves – For operational reasons as set out below Cabinet is asked to approve the creation of the following Ring fenced reserves.

- (a) Feethams House TVCA Reserve – under the funding agreement with the Tees Valley Combined Authority (TVCA) it is requested that a ring fenced reserve is setup to allow any annual net surpluses or deficits arising from the TVCA's interest in Feethams House to be rolled forward and offset against any future eligible surpluses or deficits. This will ensure that the council will not need to cashflow any interests that relate to the TVCA regarding Feethams House.
- (b) Feethams House Planned Maintenance Reserve - it is requested that a reserve is setup to ring-fence the annual contribution made towards future planned maintenance or other eligible costs solely applicable to Feethams House.
- (c) ICT Architecture fund – work is ongoing looking at the Council's agile working arrangements to see how we can maximise the opportunity and learning we have been presented with following our swift response to the pandemic and

use it to modernise the way we work. The project is in the early stages however it is evident there will be a need for investment in new technology in rooms to enable online conference facilities and allow for a hybrid of remote and in person meetings along with a review of document storage and scanning facilities. It is requested £0.250m is transferred to the ICT Architecture fund.

Council Wide and Corporately Managed Resources

34. The Council Wide and Corporately Managed Resources have outturned with a £1.770m saving, an £0.846m improvement from Qtr 3.
35. Financing Costs are £0.265m underspent, which is a £0.158m improvement from Qtr3, with the Council being able to redeem debt in the short term due to cashflow and therefore saving on debt charges. The underspend also includes a transfer of £0.500m to a reserve that is requested to offset the potential impending financial implications of International Financial Reporting Standard (IFRS) 9 with respect to the Council's property funds investment. IFRS 9 raises the risk that assets will have to be measured at fair value with any changes having to be recognised in the Comprehensive Income and Expenditure account as they arise. At the moment there is a dispensation for the Council's property funds but this expires in 2023 and it is prudent to create a reserve to manage any potential loss.
36. Joint Venture – Investment Returns are projected to be £0.209m better than anticipated which is an improvement of £0.317m on Qtr 3, this is due to house sales at two of the joint venture sites slowing in the previous year meaning that the JV's held onto the Council's investment longer and subsequently more interest was accrued.
37. The contingencies budget is £0.344m undespent mainly due to the risk contingency in Adults for Learning Disability – provision of Ordinary Residency not being required and can therefore be returned to GF reserves this financial year.
38. The £1.770m also includes the mid year savings (clawbacks) of £0.897m from Adults and Economic Growth for budgets no longer required.

Housing Revenue Account

39. HRA projections are shown in **Appendix 3**. There has been a movement of £2.061m in the HRA balance since Qtr 3 largely due to £1.368m of capital schemes slipping into 2021/22. The delays in completing the capital programme, including Allington Way phase 3 new build, the heating programme, external works and IPM works were predominantly caused by supply chain/contractor issues and inclement weather.
40. There is a £0.021m improvement in rental income due to new build coming into stock earlier than originally expected, £0.088m additional shop income has been received and more furnished tenancy income.
41. There is a saving in management of £0.034m due to reduced support service costs, savings of £0.079m on maintenance due to gas responsive repairs being lower than anticipated and a £0.413m saving on the bad debt provision due to lower than budgeted defaults on debt.

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. Due to the ongoing CV19 crisis it is anticipated the council tax collection fund will show a projected deficit of £0.654m, 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 (which 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.
44. 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 £1.852m. 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 (again 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

45. The Council's projected revenue reserves at the end of 2020/21 are £24.623m, £5.260m higher than the initial 2020-24 MTFP position and includes a brought forward amount of £0.274m from 2019/20 and the rebasing exercise of £0.897m.
46. Of the £24.623m projected reserves, we have a risk reserve balance of £5.350m and a commitment to use £13.218m to support years 1 – 4 of the current MTFP, which leaves a funding surplus of £6.055m. 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

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