

**CABINET
6 JULY 2021**

REVENUE BUDGET MONITORING 2021/22 – QUARTER 1

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

Elizabeth Davison, Group Director of Operations

SUMMARY REPORT

Purpose of the Report

1. To provide an early forecast of the 2021/22 revenue budget outturn as part of the Council's continuous financial management process.
2. To inform Cabinet of the budget rebasing exercise carried out following the 2020/21 outturn results.

Summary

3. This is the first revenue budget management report to Cabinet for 2021/22. The latest projections show an overall improvement of £3.636m. This is due to £2.317m of additional balances following the 2020/21 outturn, £0.993m of resources returned to reserves, £0.022m of projected departmental underspend in 2021/22 and the use of £0.304m of CV19 reserve.
4. There remains a significant amount of uncertainty regarding the recovery from CV19 which has the potential to impact on the budget position during the remainder of the financial year.

Recommendation

5. It is recommended that:-
 - (a) The forecast revenue outturn for 2021/22 be noted.
 - (b) Further regular reports be made to monitor progress and take prompt action if necessary.

Reasons

6. 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 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. 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

7. This is the first revenue budget management report to Cabinet for 2021/22 and provides an early forecast of the 2021/22 revenue position as part of the Council's continuous financial management process.
8. 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 first 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.
9. The information in this report has been taken from the financial records for April and managers' projections for the remainder of the year, using their knowledge of events affecting the services they manage.
10. As has been the case in the last few years, a review of the 2021/22 budgets has been undertaken during April and May and managers have been proactive in scrutinising their budgets considering the 2020/21 outturn position. £0.993m of savings have been identified, which can be removed from budgets into reserves without impacting on service delivery.
11. Overall, the projected General Fund reserves position at 31 March 2022 is £28.562m, which is an improvement of £3.636m on the planned balances in the 2021-25 MTFP. This improvement relates to £2.317m underspend in the Council's 2020/21 financial results, £0.993m of funds returned to reserves from the rebasing exercise, £0.022m projected underspend in the 2021/22 financial year and the use of £0.304m of CV19 reserve.

COVID - 19

12. The impact of CV19 has had a significant bearing on the Council's financial position. Members will recall that in the 2021/22 MTFP, CV19 pressures were built into the plan to be funded in part by government grant and the Sales, Fees and Charges scheme. Additional CV19 pressures over those included within the MTFP are detailed in **Appendix 4** these pressures are to be offset through the use of the CV19 reserve.
13. There is however still a great deal of uncertainty about how, when and if services will return to normal and what the impact of CV19 will be on our communities and the wider economy, as the country comes out of the pandemic. There remains therefore the potential for further impacts of increased demand for services and council tax and business rate income reductions, which could increase pressures on the 2021/22 final position.
14. The Government has supported Local Authorities funding for CV19, with £2.958m of CV19 grant and £0.616m of Sales Fees and Charges scheme income being built into the 2021/22 budget. Should any further grant be received this will offset any additional CV19 expenditure not in the budget or be transferred into the earmarked CV19 reserve to fund any ongoing pressures in future years.

15. The actual expenditure on CV19 is higher than shown in Appendix 4, as the Council has received specific grants from government to fund those areas of expenditure. This expenditure is therefore excluded from this budget monitoring report as it has no direct effect on the Council's reserves. Examples of the specific grants received are Contain Outbreak Management Fund, and Covid Local Support Grant.

Departmental Resources

16. Departmental resource projections are summarised in **Appendix 2** and detailed in **Appendices 2(a) to 2(e)**. Even without the CV19 implications it is difficult to predict year end positions at this early stage and therefore management projections indicate budgets to be online, except for those stated in the following paragraphs.
17. The **People Group** budget is projected to be overspent by £0.112m at the end of the financial year from pressures and savings in Adult Social Care and Health as follows;
 - (a) CV19 Costs - Given the challenges faced by the sector because of the pandemic and the need to ensure sustainability, the Council has agreed to protect the care home fee level increase at 3% for older persons residential care home providers in 2021/22, as the contracted funding formula would have resulted in a standstill or reduction of fees using the basket of indices applied. This has increased CV19 costs by £0.400m, which can be funded from the CV19 reserve.
 - (b) As part of the rebasing exercise undertaken in Adult Services ongoing savings were identified in residential packages due to attrition rates, some of this saving has been reprofiled against increased usage of short break stays, however £0.400m of savings have been identified that can be returned to reserves without impacting on service delivery.
 - (c) The External Purchase of care budget is projected to be underspend by £0.213m from a forecast reduction of 38 residential/nursing beds (£0.623m), savings in day care as establishments remain closed (£0.030m), repayment of direct payments contingencies where services have not been provided (£0.105m) and additional funding from Health towards assessed care and support packages (£0.205m). These savings have been offset by pressures in domiciliary care with over 1,000 additional hours provided due to increased assessed care and support needs (£0.650m) and increased respite provision (£0.109m)
 - (d) Older People Long Term Conditions budgets are forecast to be underspent by £0.039m due to a contribution from the CCG towards independent mental health advocacy.
 - (e) Learning Disability Long Term Conditions budgets are estimated to be underspent by £0.034m due to reduced waking night requirements in supported living.
18. Public Health is forecasting a year end balanced position. As part of the rebasing exercise £0.285m has been returned to general fund reserves. Public Health

services are funded through a ring-fenced grant which pre CV19 had decreased several times. To protect Public Health services, additional Council funding was built into the MTFP to substitute for potential lost grant. At the time of budget setting for 2021/22 no allocation had been received for Public Health grant hence a prudent approach was taken to leave Council resources in the budget. However following receipt of the 2021/22 allocation in March it was confirmed that the grant had not reduced and therefore the Council commitment is no longer required.

19. The **Services Group** is projecting an underspend of £0.192m after taking into account the anticipated impact of CV19, particularly on the business activities of the group.
20. Both current social distancing guidelines and the latest national lockdown have had and continue to have a significant impact on fees and charges within the Services Group. While some activities have resumed it is still expected that income levels will continue to be affected for the remainder of the year.
21. The impacts of CV19 on the business activities of the group were considered as part of the MTFP 2021/22 and these are reflected in the group's resource allocation for the year.
22. As part of the MTFP, the Hippodrome was not originally expected to re-open until June 2021 and then with strict social distancing rules in place which would have steadily been relaxed over the year. Additional resources were built into the Hippodrome's budget from reserves to counter this impact. Following a successful bid to the Arts Council England (ACE) in the last quarter of 2020/21 the Hippodrome was awarded £0.500m from the ACE Recovery Fund to support the running costs of the theatre, therefore £0.308m of reserves are no longer needed and can be returned to general fund reserves.
23. The receipt of ACE funding, will mean that the Council will not be able to claim as much funding through the governments Sales, Fees and Charges scheme, therefore the expected income through this scheme will fall by £0.192m (as shown in Appendix 4). The ACE funding is shown as a surplus against CV19 costs to offset this shortfall.
24. The **Operations Group** is projecting a year end budget overspend of £0.058m due to ongoing CV19 impacts. The overspend is mainly from lost wedding ceremony income because of lockdown restrictions and ongoing ICT mobility data charges which increased with home working.
25. The **Chief Executive and Economic Growth Group** is projected to be on target at year end.
26. The School balances and allocations are shown in **Appendix 2(f)**.

Council Wide and Corporately Managed Resources

27. The Council Wide and Corporately Managed Resources budgets are projected to be on target at year end.
28. The 2021/22 MTFP assumed a pay award offer of 2%, however, the current national employers offer of 1.5% has been rejected by the trade unions. If a pay award above 2% is agreed this will add a pressure to the budget.

Housing Revenue Account

29. HRA projections are shown in **Appendix 3** with an overall projected balanced budget.

Conclusion

30. The Council's projected revenue reserves at the end of 2021/22 are £28.562m, £3.636m improved on the initial 2021-25 MTFP position. This improvement in reserves includes a brought forward amount of £2.317m from 2020/21, £0.022m of projected departmental underspend, the rebasing exercise of £0.993m and the use of £0.304m of CV19 reserve.
31. Of the £28.562m projected reserves, we have a risk reserve balance of £5.350m and a commitment to use £15.838m to support years 2 – 4 of the current MTFP, which leaves £7.374m of unallocated reserves.

Outcome of Consultation

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