

**CABINET
5 JULY 2022**

REVENUE OUTTURN 2021/22

**Responsible Cabinet Member -
Councillor Scott Durham, Resources Portfolio**

**Responsible Director -
Elizabeth Davison, Group Director of Operations**

SUMMARY REPORT

Purpose of the Report

1. To present the 2021/22 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 Housing Revenue Account outturn.

Summary

2. This is the last revenue budget management report to Cabinet for 2021/22. The year-end projection shows an overall improvement in the 2021/22 financial position of £5.235m. This is an improvement on the 2022/23 MTFP projected opening balance of £0.216m.
3. Details of variances from the original budget along with changes since quarter 3 position are contained within the main report.
4. There are a number of additional carry forward requests totalling £1.638m detailed in paragraphs 24 – 27, which will assist with projected slippage and pressures in the coming year.

Recommendation

5. It is recommended that:-
 - (a) The revenue outturn for 2021/22 be noted.
 - (b) The carry forward of resources referred to in paragraphs 24 -27 be noted and approved.

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 Wellbeing	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.
Council Plan	The subject matter of the report, the Councils financial standing and financial management, is critical to delivery of the Council Plan, 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

7. This is the final revenue budget management report to Cabinet for 2021/22 and provides the 2021/22 revenue outturn position as part of the Council's continuous financial management process.
8. Overall, the projected General Fund reserves position at the 31 March 2022 is £30.161m, which is an improvement of £5.235m 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, £0.741m projected Group underspends in the 2021/22 financial year and a £1.184m improvement in corporate resources.

COVID - 19

9. The impact of CV19 has had a significant bearing on the Council's services and therefore the financial position for 2021/22. 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.
10. 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 (COMF), and Covid Local Support Grant.
11. As members are aware there has been a significant amount of work across all services to deliver the Council's response to CV19, this has meant that many services continued to allocate expenditure against the COMF grant which has resulted in one off reductions in expenditure within those services.

Departmental Resources

12. Departmental resource projections are summarised in **Appendix 2** and detailed in **Appendices 2(a) to 2(e)**.
13. The **People Group** outturn position is an underspend of £0.321m, after taking into account the impact of CV19 costs of £0.375m and carry forwards into 2022/23 of £0.082m. This is an improvement of £0.877m on the position reported at Q3. The main changes to the previously reported position are detailed below:
 - (a) **Children's Services** are projecting an overspend (excluding Covid 19 costs) of £0.326m after carry forwards, an increase of £0.143m on Q3. The main changes since Q3 include the following:

- (i) Adoption and Placements have overspent by £0.665m which is an increase of £0.377m from the Q3 report. This is mainly due to one complex, high-cost placement of £0.305m and Special Guardianship Orders with a net increase of five placements and higher assessed carer support rates of £0.068m.
 - (ii) Other areas of Children's Services have helped offset this increase with savings following recruitment delays, the utilisation of one off grant and a net reduction of five disabled children accessing demand led services.
 - (b) The **Development & Commissioning** budget has underspent by £0.349m, which is an increase of £0.039m on quarter 3. This is due to a further reduction in demand led services and vacant posts.
 - (c) The **Education** budget has overspent by £0.602m after carry forwards, this is a reduction of £0.061m in the position from the Q3 report. This reduction is from a combination of staff vacancies, lower pension charges and in year running cost savings which have offset the increased cost of school transport services of £0.146m.
 - (d) **Adult Social Care and Health** outturn position is an underspend of £0.844m, an increase of £0.922m on Q3. The main changes since Q3 include the following:
 - (i) External Purchase of Care has an increased underspend of £0.816m (including CV19 costs) on quarter three. This arises from a movement in care activity (including non take up of packages of care) which has led to a reduction in the outturn of £0.112m. Reassessments of care needs, following the lifting of Covid restrictions have identified further savings of £0.679m. This is associated with the challenges of accurately assessing care needs during the pandemic and adjustments are now being made at point of reassessment to ensure packages of support are proportionate to the needs that are identified. In addition, Finance and Adult social care colleagues have undertaken a deep dive on the budgets and forecasting. This identified a number of packages that either did not materialise, and /or became fully funded CHC which resulted in a more positive budget position. £0.097m saving due to attrition and a saving in the transport contract of £0.045m. These additional reductions in expenditure have been offset by a decrease in income, which has reduced by £0.118m.
14. The **Services Group** is projecting an underspend of £0.491m after taking into account the anticipated impact of CV19 of £0.087m, the creation of a reserve for the Rail Heritage Fund and additional carry forward requests of £0.834m. This is an improvement of £0.137m from the position reported at Q3.
15. The projected underspend of £0.491m is broken down into pressures of £0.087m related to CV19 and an operational underspend of £0.578m.
16. The **Services Group** projected position for CV19 related pressures of £0.087m which is an improvement of £0.103m as reported at Q3 and is detailed below:

- (a) Waste disposal impacted by CV19 has improved by £0.078m since the Q3 reported position as high tonnages linked to household waste have begun to fall.
 - (b) Loss in income linked to the sales of plants to other authorities from our nursery service was £0.025m.
 - (c) The consequences of Building Services & Highways operatives needing to self-isolate generated unrecoverable overheads was more than £0.050m, however this was able to be funded from covid related grants.
17. The **Services Group** projected operational position is an underspend of £0.578m after taking into account carry forward requests of £0.834m. This is an improvement of £0.034m since Q3. The headline areas for the improvement are detailed below:
- (a) **Capital Projects, Transport & Highways Planning** the overall projected overspend is £0.408m after taking into account carry forward requests of £0.172m, this is £0.069m worse than Q3. While the overall position has not changed significantly there has been some movement within the service, the main changes are,
 - (i) Highways – there is a projected net pressure of £0.313m within highways which is an increase of £0.164m from Q2. The increase in the net pressure is mainly due to an under projection in staffing costs within the engineering teams.
 - (ii) Concessionary fares – the projected underspend has increased by £0.088m following slippage on introducing a new smart ticketing system across the Tees Valley as well savings made in supplies and services.
 - (b) **Community Services** has an operational underspend of £0.417m after excluding CV19 pressures of £0.045m and carry forward requests of £0.602m. This is an improvement of £0.133m since Q3. While many of the services were impacted by CV19 their recovery has been stronger than anticipated and this is reflected in the operational underspend.
 - (i) The strong recovery of the Council's Leisure & Cultural facilities has continued over quarter 4. The Dolphin Centre, Hippodrome and other facilities are underspent by £0.362m an improvement of £0.048m since Q3.
 - (ii) Street Scene improved by £0.150m since quarter 3, this is mainly due to further staff savings linked to vacant posts as well as fleet savings derived from deferrals on vehicle replacements as well as savings in vehicle repairs.
 - (c) **Community Safety** overall is expected to be operationally underspent by £0.368m after excluding CV19 pressures of £0.042m and carry forward requests of £0.060m. This is a reduction of £0.055m since Q3. This is mainly from due to additional staff

costs required to cover sickness over the last quarter and the need to replace essential operational equipment.

- (d) **Building Services** overall is expected to be operationally underspent by £0.170. This is an improvement of £0.025m since Q3.
18. The **Operations Group** overall budget outturn position is an overspend of £0.156m after carry forward requests of £0.590m. This is an improvement of £0.250m on the position reported at Q3.
19. The main changes to the previously reported position are as follows:
- (a) **Head of Strategy, Performance & Communications** has underspent by £0.109m, which is an improvement of £0.183m from the reported position at Q3 after carry forward requests. This reduction in expenditure arises from:
- (i) The team working on the Councils CV19 response which has been charged to COMF grant.
 - (ii) A range of interventions to support young people with securing work which was to be funded by the CV19 reserve has slipped into 2022/23.
 - (iii) The Systems budget whilst overspent by £0.084m, this is a reduction of £0.050m on the projection at Q3. This is due to the team receiving funding through the COMF grant for work on their CV19 response and funding received for one of the systems from the end user.
- (b) **Assistant Director Law & Governance** has overspent by £0.170m, this is a better position from the Q3 reported position by £0.131m. This reduction has mainly arisen due to increased Registrars income of £0.094m from additional ceremonies and savings in staffing and running costs across the division. These savings have been offset by increased costs from the Coroners service of £0.042m.
- (c) **Corporate Landlord** projected overspend linked to energy prices has increased from £0.427m at Q3 to £0.535m at outturn, although this does include a request for a carry forward of £0.400m into 2022/23. While electric and gas prices have risen much of this rise has been offset by savings from lower consumption, particularly at the premises impacted most by the adoption of CV19 social distancing, closures, and the council's policy on continuing home working during 2021/22.
- (d) **Housing general fund** is projecting an underspend of £0.141m. This is an improvement of £0.013m on the Q3 position.
20. The **Chief Executive & Economy Group** is projecting an underspend of £0.085m after carry forward requests of £0.132m. This is an improvement of £0.169m from the position reported at Q3.
21. The **Chief Executive & Economy Group** projected position for CV19 related pressures was £0.060m at Q3 but is now expected to be nil. The improvement is due to the full

recovery of rental income originally expected to be irrecoverable, due to the impact of CV19 on rental income from the estates portfolio and follows the better than expected economic recovery.

22. Based on current expectations the following operational pressures and savings are projected within the group:
- (a) **Property Management and Estates** net pressure is now expected to be £0.058m, which is an improvement of £0.039m from Q3. The improvement follows a reduction in the potential additional cost of for back dated service charges. The estates team is working to resolve this potential cost and it is hoped that these additional charges can be avoided or reduced further.
 - (b) Additional net underspends arising from vacant posts and supplies within the **Economy Group** is delivering further savings of £0.070m which are contributing to the overall net underspend.
23. The School balances and allocations are shown in **Appendix 2(f)**.

Carry Forward Requests

24. There are a number of carry forward requests to 2022/23 amounting to £1.638m from departments as detailed below. The requests are categorised into three areas: slippage, assisting in achieving the conditions of the MTFP and budget pressures. Approval is requested to carry these amounts forward into the new financial year.
25. **Slippage** – There is £0.377m of slippage on planned projects across the Council in the following areas:
- (a) £0.013m Adoption and Placements - To support the advertising campaign to recruit additional Foster Carers.
 - (b) £0.013m Development & Commissioning - To fund a six month Brokerage Officer post as part of the facilitation of timely discharge from Darlington Memorial Hospital.
 - (c) £0.030m Education - To fund the additional costs of data migration work for the implementation of the Early Years data system.
 - (d) £0.057m Street Scene – Planned works to repair the boardwalk at South Park, fencing works at Cockerton and the bulk purchase of wildflower seeds have slipped into 2022/23.
 - (e) £0.032m Winter Maintenance – Following a condition review of the weather stations it was recommended that the equipment required replacement. The programme of replacement would be carried out ahead of the new winter gritting season.

- (f) £0.022m Leisure Services – Works to upgrade Advantage (Xn Leisure), the leisure services software system, was identified in 2021/22 but has slipped into 2022/23. In addition, digital equipment to improve team communications was order in March 2022 but could not be fulfilled until 2022/23.
 - (g) £0.069m Heritage and Culture Fund and Outdoor Events – Committed and planned spend on heritage, cultural and Jubilee activities and events for 2022/23.
 - (h) £0.032m Street Scene – Boardwalk repairs at Maidendale and path works at Wylam Avenue.
 - (i) £0.005m Indoor Bowling Centre – Anticipated backdated service charge costs following upcoming review by provider.
 - (j) £0.015m Dolphin Centre – Purchase of Hopper equipment which is essential for the operation of the locker system at the Dolphin Centre and purchase of outside furniture for the South Park café following its successful launch in 2021/22.
 - (k) £0.035m Single Programme – Agreed support for the marketing campaign for the launch of the Hybrid Innovation Centre at Central Park.
 - (l) £0.020m Licensing – Delays with implementation of new licensing software for both taxi & general licensing.
 - (m) £0.034m Planning Policy – Heritage Action Zone – underspend is allocated for match funding on a Masterplan for Northgate Conservation Area & other works associated with the AZ. BEIS Heat Network Delivery Unit (HNDU) underspend to be carried forward.
26. **Assist in achieving the 3 conditions set out in the MTFP, namely Building Strong Communities, Growing the Economy and Spending Wisely.** The following £0.517m of carry forwards all meet the criteria described above and are as follows:
- (a) £0.019m Youth Offending Service - To provide funding for a short term post within the service.
 - (b) £0.030m Street Scene – There is a lack of adequate storage available at the depot for the equipment and supplies used by Street Scene. It is proposed to purchase and install a storage solution in the Street Scene garage. This will improve efficiency as well as meet any H&S requirements.
 - (c) £0.050m Street Scene -The Council has previously contributed towards the refurbishment of play areas in Corporation Road and Firthmoor in schemes led by private sector organisations with the assistance of volunteers. It is anticipated more schemes of this sort will become available and given the health and wellbeing improvements of such schemes in the community, it is requested £0.050m is carried forward into the futures fund to be used as match and contribution funding to such schemes.

- (d) £0.072m 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.
- (e) £0.020m Dolphin Centre – Surplus on 2021/22 marketing budget requested to be carried forward to support the Dolphin Centre’s 40th Anniversary in 2022/23.
- (f) £0.033m Hippodrome – Following agreement to create an additional self-funded marketing officer post it is requested that funding for 1 year is carried forward to allow this post to become self-sufficient.
- (g) £0.009m Hippodrome – Requested to provide resource to continue the work of the Place for Everyone Fund. This fund aims to support those groups that would find it difficult to access cultural activities otherwise.
- (h) £0.123m Hippodrome – Proposed alterations, equipment upgrades and replacements at the Hippodrome and Hullabaloo to improve operational delivery and efficiency following bedding in period after the completion of the refurbishment of the theatre. This work includes transformation of a technical workshop, replacement of lighting with LED, improvement to sound system.
- (i) £0.030m School Meals – Support transformation of service in 2022/23.
- (j) £0.040m Community Safety – Support for temporary staffing arrangements within Community Safety.
- (k) £0.036m Building Control – Support outcomes arising from service review arising due to difficulties in recruiting officers.
- (l) £0.055m Consolidated Budget - 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.

27. **Pressures** – there are £0.744m of pressures identified as follows:

- (a) £0.007m Development & Commissioning - To fund pressures in the CAB crisis fund in respect of increased demand due to the cost of living crisis.
- (b) £0.075 Dolphin Centre – Income pressure due to M&E and pool tank works during 2022/23.
- (c) £0.065m Highways – Estimated additional costs of gas and electricity in 2022/23 resulting from increased price rises within the market.
- (d) £0.155m Finance – Additional temporary staffing required to undertake the implementation of the Governments Adult Social Care finance reforms including the Fair Costs of Care Exercise and the payment cap.

- (e) £0.035m Financial Protection – Employment of an additional Financial Assessment Officer to undertake the additional resident assessments, required as a result of the Social Care finance reforms.
- (f) £0.400m Corporate Landlord – Estimated additional costs of gas and electricity in 2022/23 resulting from increased price rises within the market.
- (g) £0.007m Estates – One off rental pressure arising due to leases impacted by CV19.

Council Wide and Corporately Managed Resources

28. The Council Wide and Corporately Managed Resources budgets have an outturn of a £0.722m underspend (excluding CV19 reserve draw down), which is a decrease of £0.007m on the position at Q3 report.

Housing Revenue Account

29. HRA projections are shown in **Appendix 3** with an overall projected balanced budget. There has been an improvement in the working balance of £3.544m from the Q3 projection which is primarily down to a reduction in the Revenue Contribution Capital Outlay of £3.240m due to the slippage of capital schemes into the new year.
30. At the beginning of the year debt levels were anticipated to increase given the pandemic however this has not materialise and therefore the planned increase in bad debt provision of £0.350m has not been required. As reported last quarter there has been an increase in day to day repairs and maintenance with the impact of UK material prices increases feeding through putting pressure on the budget. Projected increases in the costs of gas and electricity have not materialised as actual consumption has decreased with thermostatic control.

Conclusion

31. The Council's projected revenue reserves at the end of 2021/22 are £30.161m, a £5.235m improvement on the initial 2021-25 MTFP position. This improvement in reserves includes a brought forward amount of £2.317m from 2020/21, £0.741m of projected departmental underspends, the rebasing exercise of £0.993m, a £0.722m increase in corporate resources and net £0.462m required from the Covid 19 reserve (a total drawn down from the reserve of £0.932m to fund the departmental covid costs and £0.470m to refund the shortfall in government grant for Sales, Fees and Charges in corporate resources).
32. Of the £30.161m projected reserves, we have a risk reserve balance of £5.350m leaving £24,811 for use in the 2022/23 – 2025-26 MTFP, an improvement of £0.216m on the initial estimated position.

Outcome of Consultation

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