

**CABINET
3 JULY 2023**

REVENUE OUTTURN 2022/23

**Responsible Cabinet Member -
Councillor Mandy Porter, Resources Portfolio**

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

SUMMARY REPORT

Purpose of the Report

1. To present the 2022/23 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 final revenue budget management report to Cabinet for 2022/23. The year-end projection shows an overall decline in the 2022/23 financial position of £0.119m. However this is an £0.497m improvement on the 2023/24 MTFP projected opening balance.
3. Details of variances from the original budget along with changes since the quarter 3 projected position are contained within the main report.
4. There are a number of carry forward requests detailed in paragraphs 19 – 21, which will assist with projected slippage and pressures in the coming year.

Recommendation

5. It is recommended that:-
 - (a) The revenue outturn for 2022/23 be noted.
 - (b) The carry forward of resources referred to in paragraphs 19 - 21 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 2022/23 and provides the 2022/23 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 2023 is £23.894m, which is a decline of £0.119m on the planned balances in the 2022-26 MTFP. This decline relates to £0.384m underspend in the Council's 2021/22 financial results, £0.305m Group underspends in the 2022/23 financial year and a £0.808m decline in corporate resources.

Departmental Resources

9. Departmental resource projections are summarised in **Appendix 2** and detailed in **Appendices 2(a) to 2(e)**.
10. The **People Group** outturn position is an overspend of £0.383m, after carry forward requests into 2023/24. This is an improvement of £0.645m 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 of £3.061m, an increase of £1.107m on Q3. The main changes since Q3 include the following:
 - (i) Adoption and Placements have overspent by £3.513m which is an increase of £1.095m from the Q3 report. This is due to three additional residential placements with part-year costs of £0.680m, nine additional Independent Foster Care placements costing £0.231m, an increase of twelve Foster Care placements £0.151m and a net increase of eleven Special Guardianship Orders costing £0.019m.
 - (ii) Assessment and Care Planning services has overspent by £0.396m, a further overspend from the Q3 report of £0.157m due to further demand pressures to support children and families currently not in care and additional agency costs to cover vacant posts.
 - (iii) Disabled Children has underspent by £0.290m, an improvement from the last report of £0.082m, due to a net reduction of eight children accessing demand led services and a reduction of actual day care provision taken up by families.
 - (b) The **Development and Commissioning** budget has overspent by £0.011m after carry forward requests, which is an increase of £0.079m on quarter 3. This is mainly due to increased demand from residents for the Community Care Fund over the winter period.
 - (c) The **Education** budget has underspent by £0.253m after carry forward requests, an improvement of £0.152m in the position from the Q3 report. This improvement is due to staffing vacancies, running costs and additional grant income across the

Education service and a reduced pressure in School Transport of £0.045m due to route changes.

- (d) **Adult Social Care and Health** outturn position is an underspend of £2.371m, an improvement of £1.639m on Q3. The main changes since Q3 include the following:
- (i) External purchase of care budget has improved by £1.676m on the position reported at Q3 from
 - a) Attrition has increased over the last four months of the financial year by 61 Residential/Nursing home placements since Q3, which has resulted in additional savings of £0.437m.
 - b) Direct Payments (DP) have generated a saving of £0.538m. £0.110m due to the ending of packages of care, £0.031m due to attrition and £0.161m for a change in provision to domiciliary care. In addition £0.236m of unused funds were returned by DP users, the majority from reserves built up in DP funds that were unused during Covid.
 - c) There are savings in domiciliary budgets due to movement in care activity where actual service provided is less than commissioned hours of £0.175m.
 - d) £0.526m additional income has been achieved due to client contribution being higher than projected. This is mainly due to an increase in full fee payers, especially for those in short break stays.
 - (ii) The Mental Health Long Term Conditions budget has a reduction in underspend as the Mental Health Capacity Act budget has continued to increase by an additional £0.098m of agency costs.
11. The **Services Group** is projecting an underspend of £0.447m after taking into account carry forward requests, a reduction of £0.163m from the reported position at Q3. The headline areas are detailed below:
- (a) **Capital Projects, Transport & Highways Planning** the overall projected underspend is £0.418m after taking into account carry forward requests, this is an improvement of £0.186m from Q3. The main elements of this movement are broken down into:
 - (i) Highways & Highways DLO – the projected position is £0.208m worse than Q3. This is due to the impact of inflationary increases within the construction sector as well as slippage on schemes and fees which saw turnover and income generation in the service slip into 2023/24.
 - (ii) Concessionary Fares & Sustainable Transport – the projected underspend has increased by £0.131m from Q3 due to savings in contributions made by the Council towards smart ticketing and bus timetables as well as general savings on other supplies budgets.

- (iii) Building Design Services and Capital Projects have seen overall projected fee levels improve by £0.155m since Q3 due to additional recoverable fees being approved by clients as well as improvement of £0.102m on consultancy costs which have been charged directly to schemes.
 - (b) **Community Services** is expected to have an operational overspend of £0.107m after carry forward requests, which is £0.363m worse than Q3.
 - (i) Outdoor Events delivered a full programme of events over the year, however, due to challenges within the sector leading to some additional costs as well as general cost rises the service overspent by £0.092m. The service will be focused on delivering a balanced programme in 2023/24.
 - (ii) Street Scene's position worsened over the last quarter by £0.231m, this was predominately due to increases in transport related costs and purchase of new wheeled bins. Slippage on replacement vehicles, in part due to the difficulties within the global supply chain, has led to incurring additional short-term repair costs.
 - (c) **Building Services** under recovered by £0.127m, this was an increase of £0.057m from the Q3 position. Delays to new build housing due to planning issues saw a shortfall against target, however, additional works carried out on void properties within the maintenance team, final accounting, and recovery of some inflationary increases from client services helped to reduce the overall pressure.
12. The **Operations Group** overall budget outturn position is an overspend of £0.071m after carry forward requests. This is a decline of £0.054m on the position reported at Q3.
13. The main changes to the previously reported position are as follows:
- (a) **Resources** has underspent by £0.496m which is an improvement of £0.313m on Q3 due to;
 - (i) The Finance division improved by £0.300m on the position reported at Q3. This increased saving was due to additional staff turnover, running cost savings, additional grant funding received and additional income, though this was partly offset by an increase in the bad debt provision. The Q3 projection also included the provision of £0.080m for the potential payment of VAT interest to HMRC, however this payment is no longer due.
 - (ii) The Darlington and Stockton Partnership has overspent by £0.069m, following the increased pay award in 2022/23 and reduced income, as academies groups move to providing their own payroll services.
 - (b) **Law & Governance** has overspent by £0.438m, an increase from the Q3 reported position of £0.180m. This is due to additional legal costs of £0.158m for children's services and £0.021m for adults, both of which are demand led and reflect the children's services financial position.

- (c) **ICT Infrastructure** has an overspent by of £0.397m, a decline of £0.311m from the reported position at Q3. This is due to the ICT implementation costs of the agile working arrangements including the change to laptops for all blended working employees and providing additional workstations within the Town Hall. These additional costs are funded up front by savings from other budget lines within the Operations Service group but are providing future savings to the Council from accommodation budgets and efficiencies of modern ways of working.
 - (d) **Corporate Landlord** underspent by £0.029m at outturn after carry forward requests, which was a decline of £0.083m from the Q3 reported position. While the service was impacted by rising costs of materials this was offset by better than projected utility costs as energy prices were not as high as originally anticipated by NEPO. Part of the savings are requested to be carried forward to fund urgent repair works at the Town Hall as per paragraph 21.
 - (e) **Housing General fund** underspent by £0.211m, an improvement of £0.154m on the Q3 position due to staff vacancies and running cost savings across the division and an improvement on the Council Tax collection fund, due to an increase in the recovery of outstanding debt.
14. The **Chief Executive & Economy Group** is projecting an underspend of £0.312m after a carry forward request, an improvement of £0.004m from the position reported at Q3. Overall whilst the Group has not seen much movement, savings in staffing due to staff turnover have helped to offset any reductions in income or increases in spend.
15. The School balances and allocations are shown in **Appendix 2(f)**.

Council Wide and Corporately Managed Resources

16. The Council Wide and Corporately Managed Resources budgets have an outturn of a £0.445m underspend after a carry forward request which is an improvement of £0.065m on the position at Q3 report. Financing Costs are £0.194m underspent mainly due to increased interest rates increasing returns on investments and although the increased interest rates have impacted on borrowing costs, the amount of borrowing required has resulted in lower interest payments than receipts.
17. Joint Venture – Investment Returns are £0.118m better than anticipated, this is mainly due to additional receipts from the West Park Joint Venture (JV) as properties were sold ahead of the original budget profile and reduced financing costs incurred by the JV for the construction scheme.

Carry Forward Requests

18. There are a number of carry forward requests to 2023/24 amounting to £1.037m from departments and corporate budgets 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.

19. **Slippage** – There is £0.0.69m of slippage on planned projects across the Council in the following areas:
- (a) £0.069m carry forward request across the Service’s Group which have arisen due to delays in design decisions, revisions required in specifications & other external factors. The requests include a new computer system for the road permit scheme, works to crossings at Redworth, works on public rights of way as well as installation of an accessible toilet (part funded by Changing Places grant) at the Hippodrome.
20. **Assist in achieving the Council plan and MTFP ambitions, namely Building Strong Communities, Growing the Economy and Spending Wisely.** The following £0.433m of carry forwards all meet the criteria described above and are as follows:
- (a) £0.078m **Sustainable Transport** – As previously agreed by Cabinet in September 2022, funding had been identified to support bus route 16 and it is requested that £0.057m of this funding is carried forward from savings in concessionary fares budgets. In addition, it is requested that £0.021m be carried forward to support the continuing work of the Travel Advisors. The posts are currently funded from developer contributions and the carry forward is requested to support these roles as the contributions reduce.
 - (b) £0.063m **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 flooding in Darlington and identify any potential schemes that may need to be developed to manage that risk.
 - (c) £0.040m **Capital Projects** – Request that resource is carried forward to support additional work associated with legislative changes, including the impact of nutrient neutrality and building regulations.
 - (d) £0.075m **Waste Management** – As part of the project for the delivery of the Tees Valley Energy Recovery Facility, it is requested to carry forward resources to support the scheme and contribute towards the initial setup and early operating costs of the Local Authority Special Purpose Vehicle.
 - (e) £0.060m **Property Management & Estates** – request for a provision for additional service charges across the estates portfolio.
 - (f) £0.117m **People Commissioning** – to fund a two year placement officer working across social care and education, to find and support appropriate placements for Darlington children. The placement budget areas are under significant pressure and this post will assist in ensuring the best placement for the child whilst attaining value for money.
21. **Pressures** – there are £0.535m of pressures identified as follows:

- (a) £0.105m **People Commissioning** – to fund a two year Commissioning Manager to provide additional capacity within the team following additional service demands due to changes in provision and to prepare for the CQC inspection within Adult Services.
- (b) £0.016m **Education** – to contribute towards additional educational psychology capacity required to meet the increase in demand following the pandemic.
- (c) £0.040m **Education** – as part of our Safety Valve agreement implementation we have identified the potential to work with an external consultancy with a SEND specialism to support the delivery of the SEND written statement of action (WSOA) with a focus on promoting inclusion in mainstream settings.
- (d) £0.266m **Council wide** – whilst there is a general ICT replacement programme plan, the move to agile and blended working has required additional laptops/mobile devices/screens and docking stations. There is a requirement to refresh 338 laptops in 2023/24 which is not included within the existing ICT infrastructure budgets. Whilst an upfront cost, agile and blended working is providing savings to the Council in other budget areas and is a benefit to attract employees under modern ways of working.
- (e) £0.108m **Corporate Landlord** – to undertake essential concrete repairs to the Town Hall garages. A survey of the condition of the concrete has identified deterioration, which is required to be repaired to restore the integrity of the building.

Housing Revenue Account

- 22. HRA projections are shown in **Appendix 3** with an overall balanced position. There has been an improvement in the working balance against original budget of £3.610m which is primarily due to a reduction in the Revenue Contribution to Capital Outlay of £4,329m as there was slippage of capital schemes into the new financial year. Partially offsetting this and as reported previously are the pressures on the repairs and maintenance budgets given the inflation in materials and labour over the year.
- 23. Movements in the account from the Q3 position are detailed as follows,
 - (a) There has been a slight reduction in rent and service charges due to void properties of £0.093m.
 - (b) Charges for services and facilities have improved by £0.194m mainly due to additional income from within lifeline services with additional clients over the period.
 - (c) Due to the increase in interest rates additional interest has been received on the HRA balances of £0.403m. However there has been some additional costs to the capital financing budgets as increased interest rates have impacted on HRA borrowing.
 - (d) There has been an increase in repairs and maintenance costs of £0.682m, due to inflationary price increases and additional works being carried out.
 - (e) Management costs have increased due to rises in energy and water costs for the lifeline service and additional tree works.

- (f) At the time of setting the HRA MTFP it was expected that bad debt would increase following the pandemic, therefore an additional provision of £0.350m was built into the budget. This provision has not been required and therefore the outturn position is a £0.250m improvement on Q3.

Conclusion

- 24. The Council's projected revenue reserves at the end of 2022/23 are £23.894m, a £0.119m decline on the initial 2022-26 MTFP position. This improvement in reserves includes a brought forward amount of £0.384m from 2021/22, £0.305m of projected departmental underspends and a net overspend of £0.808m in corporate resources.
- 25. The £23.894m of projected reserves, is an improvement of £0.497m on the initial estimated 2023/24 -2026/27 MTFP opening balance of £23.397m.

Outcome of Consultation

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