

CABINET
11 JUNE 2019

REVENUE OUTTURN 2018-19

Responsible Cabinet Member - Councillor Charles Johnson
Efficiency and Resources Portfolio

Responsible Director - Paul Wildsmith, Managing Director

SUMMARY REPORT

Purpose of the Report

1. To present the revenue outturn 2018-19 (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. The draft year end position shows a slight improvement of £0.131M from the opening balance projections reported in the 2019/20 to 2022/23 MTFP.
3. Cabinet have previously approved departmental carry forwards of £2.592M, in addition to this further requests of £0.249M have been made and are detailed in the report.
4. Members approved a one-off Futures Fund of £2.500M in the 2018-22 MTFP, covering the life of that MTFP, the balance will be carried forward into 2019/20.
5. It is anticipated that the Council will need to repay in the region of £1m to Homes England, who are seeking to recover legacy monies that paid for forward funding infrastructure works carried out at Morton Palms Office Park in 2001. The precise amount of repayment is not established and is being assessed by independent valuers who are determining the value of undisposed land and consequently what Homes England are entitled to, but it is considered prudent to earmark £1M of the outturn surplus for this.
6. The provisional outturn figure makes the assumption that the new carry forward requests and the earmarked reserves are approved.

Recommendation

7. It is recommended that :-
 - (a) The revenue outturn for 2018-19 be noted.

- (b) The additional carry forward requests of £0.249M referred to in paragraphs 15 to 17 below be approved and carried forward into 2019-20.
- (c) The earmarked reserves requested in paragraphs 28 to 32 be approved.

Reasons

- 8. The recommendations are supported in order to maintain appropriate management arrangements for the Council's finances and make effective use of the Council's resources.

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 well being 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 Council's 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 and also spend to save requests included in the carry forward totals.
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

9. The year-end position shows an improvement of £0.131M from the opening balance projections in the 2019/20 to 2022/23 MTFP report.
10. The draft General Fund Reserve position at 31 March 2019 is £18.310M, a summary of which is shown in **Appendix 1**. Of this, £12.669M is planned to be used in the period 2019-2023 to assist the MTFP, £4.350M is set aside to cover our risk reserve balances, with the remaining £1.291M available to assist the Council in the period 2019–2023 and beyond.

Departmental Resources

11. Departmental Resource projections are summarised in **Appendix 2** and detailed in **Appendices 2(a) to 2(e)**. The outturn identifies an underspend of £1.064M compared with the 2018-22 MTFP and this assumes the carry forward requests detailed further in this report are approved. The departmental outturn projections reported to Cabinet for the third quarter were used as the basis for the opening balance projections for the 2019-23 MTFP and therefore any variances reported below are from both the third quarter report and the 2019-23 MTFP. Significant variances are explained below.
12. The **Children and Adult Services Group** is forecasting an under spend of £0.845M, an improvement of £0.470M, the majority of which is in Adult Social Care.

Children's Services

- (a) The Children's Services budget has a year-end pressure of £2.241M, an increase of £0.032M from the previous quarter. The service has continued to face challenges in the last quarter with the cost of caring for looked after children. Numbers have increased from 253 in November 2018 to 264 in March 2019 equating to an additional £0.050M of spend in the placement budget. This has been offset slightly by savings in a number of budgets areas mainly from vacant posts and reduced expenditure on supplies and services.
 - (b) The Development & Commissioning budgets have a year-end underspend of £0.415M, an improvement of £0.113M from Quarter 3. This is due to a reduction in costs for demand led services within housing related support budgets (£0.040M) along with savings from vacant posts and supplies and services. The majority of this underspend has previously been approved for carry forward into the new year, an additional £0.047M is requested and detailed in paragraph 17.
 - (c) The Public Health budget has underspent by £0.059M, a decrease of £0.045M. The underspend reported at Quarter 3 concerned the digital transformation work linked with the Healthy New Towns project, which was expected to slip into 2019/20 and hence was approved to be carried forward. The amount of slippage into 2019/20 was less than expected and therefore the carry forward
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will be reduced accordingly, resulting in no change to this budget area's financial position.

Adult Social Care

(d) The Adult Social Care position has improved by a further £0.462M where there continues to be movement on client packages due to individuals staying in health funded services longer than estimated. This along with further packages being revised or ending has achieved additional savings of £0.305M. To put this into context in regard to the overall saving there were 481 individuals in residential care as at 31 March 2019 compared with 542 as at 31 March 2018, an 11% reduction. There has also been savings of £0.047M due to reduced usage of the emergency duty team and the advocacy service. Direct Payment reclaims has led to an additional £0.069M in income, the total amount recovered in 2018/19 was £0.270m. There has also been a £0.041M saving achieved in the supplies and services budget.

13. The **Economic Growth and Neighbourhood Services Group** is reporting an outturn under spend position of £0.455M, an improvement of £0.392M from Quarter 3. This position includes an additional £0.096M of carry forward requests that are referred to later in this report.

(a) Property Management & Estates fees and rental income was £0.150M higher than anticipated. Fees saw an improvement following the final reconciliation of timesheets for estates officers and income was generated through works carried out across a number of capital schemes. However there were additional premises costs associated with the increase in income and as a result the net improvement from Quarter 3 was £0.097M.

(b) Fee levels across Capital Projects, Transport & Highways Planning improved by £0.159M over the last quarter. This was partially due to prudence in forecasts given the uncertainty regarding fee levels over the latter part of the year coupled with additional works carried out by Building Design, Capital Projects, Engineers and the external funding teams in the latter part of the year.

(c) Building Services saw a further improvement of £0.034M in its reported surplus following a strong year.

(d) The Housing General fund is healthier to the tune of £0.079M due to the recovery of benefit overpayments via the rent rebate subsidy system, this is a small percentage i.e. less than 1% of the total £13M received via the subsidy system.

14. The **Resources Group** overspent by £0.036M, £0.040M better than previously reported. Included within this are additional carry forward requests of £0.098M that are referred to later in this report.

(a) During the last quarter of the year, the AD Resources budget has improved by £0.150M arising from lower professional (e.g. audit) fees and backdated pension contributions along with slippage on the procurement of the new

Health and Safety Auditing system and office alteration work for which a carry forward request has been made.

- (b) Budgets in AD Law and Governance have improved slightly despite an increased overspend of £0.081M directly related to the additional numbers of children being brought into care and the subsequent cost of child legal cases. This has been offset by reductions in anticipated Coroners and administrative costs and a further underspend in Democratic Services due to savings in banking of £0.020M and external audit fees of £0.020M and slippage in the Municipal elections costs to 2019/20. A request to carry the election funds forward has been made.

Carry Forward requests

- 15. There are a number of carry forward requests to 2019-20 amounting to £0.249M relating to underspends from departments detailed below and are additional to the £2.592M already approved previously. The requests are categorised into the 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.
 - 16. **Slippage** – There is £0.146M of slippage on planned projects across the Council in the following areas:
 - (a) £0.014M Municipal Election – request to carry forward the balance of the upfront budget for the 2019 municipal election into the 2019/20 financial year when the costs will be incurred.
 - (b) £0.013M to enable the ongoing transition of arts activity, to support Darlington's cultural programme in 2019/20 and the Council's contribution to the Great Place Tees Valley programme which is encouraging creative community engagement in the heritage of Tees Valley.
 - (c) £0.018M to undertake specialist work to the South Park bowling green that can only be done at the end of the bowling season (Sep/Oct) and to assist the recently formed South Park Foundation to grow and work towards supporting the development and maintenance of the park.
 - (d) £0.019M works to complete CCTV scheme at Whessoe Road and Honey Pot Lane.
 - (e) HR and Finance – office alterations to accommodate staffing changes; a more open plan arrangement and make best utilisation of offices, were due to take place in 18/19 and funding was identified. The works were delayed into 2019/20 so a carry funding of £0.025m is requested to fund the works in the 2019/20.
 - (f) There are a number of ICT projects that have slipped due to procurement and capacity; total funding of £0.057m is requested to be carried forward for:
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- (i) Care Director Youth software upgrade within the YOS - £0.008m which will provide connectivity changes, new functionality and future proof the system to 2026.
- (ii) Complaints System (£0.007M) to ensure that the system operated on modern Microsoft platforms.
- (iii) Health and Safety Auditing system (£0.020m) to ensure adequate auditing of our processes as the current system is defunct.
- (iv) Policy Modelling Software (£0.022m) – which will enable the Council to gather various datasets and information assets, to identify residents most in need, allowing services to be targeted to the most vulnerable and therefore ensuring the most efficient use of the deployment of Council resources.

17. **Assist in achieving the 3 conditions set out in the MTFP, namely Building Strong Communities, Growing the Economy and Spending Wisely.** The following £0.093M of carry forwards all meet the criteria described above and are as follows:

- (a) £0.047M for 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 years.
- (b) £0.046M underspend on allocated resources intended to support the delivery of current and future developments within economic growth. The resources support exploratory and pre-development works whilst funding for the possible developments is secured.

18. **Pressures** - £0.010M of pressures have been identified for 2018/19 as follows:

- (a) £0.010M Modern Government Licence and Members Casework System. A number of ICT improvements for members are proposed to ensure modern efficient use of ICT. As part of the Modern Government there is a requirement to have a licence which is currently not built into the budget. This carry forward will provide resource to facilitate ICT improvements.

19. The School balances are in a positive position and are shown in **Appendix 2e**.

Council Wide and Corporately Managed Resources

20. There has been an improvement in Council Wide and Corporately Managed Resources in the last quarter of £0.430M. Financing costs are improved by

£0.075M due mainly to the early realisation of profits from the Council's joint ventures.

21. A total of £0.210M of additional non-ring-fenced grant has been received during the year which was not required by any service and so can be allocated to general reserves.
22. The Contingencies Budget is reporting an under spend of £0.146M, £0.139M from pensions savings and £0.07M from savings on the Apprenticeship Levy.

Housing Revenue Account

23. HRA projections are shown in **Appendix 3**. The HRA remains in a stable position with the working balance increasing by £2.8m. There have been underspends in a number of areas, the main one in management costs where there have been savings in two contract areas. The first being the re-negotiation of the Northumbrian Water Ltd commission contract where a savings of £0.161m was achieved. The other is in regard to the Furnished Tenancies contract which has now ceased as it was not cost effective saving £0.328m this year.
24. Against budget the most significant variation is the lower Revenue Contribution to Capital Outlay, this is due to slippage on schemes into 2019/20 and there is a subsequent saving on the capital financing costs in respect of these schemes.

Collection Fund

25. 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.
26. The Business Rates Collection Fund outturn deficit is £0.248M, of which Darlington's share is £0.121M. Darlington's deficit will be met from Section 31 grant received during 2018/19 from Central Government for various exemptions and discounts granted under statute.
27. The Council Tax Collection Fund outturn is a deficit of £0.172M, of which Darlington's share is £0.144M. This is an increase of £0.045M, of which Darlington's share is £0.038M. The previous forecast was a break even position. Any council tax surplus or deficit cannot be released or charged to the General Fund in the financial year it is incurred, therefore the deficit will be held within the Collection Fund pending monitoring of the performance of the Council Tax Collection Fund during 2019/20.

Earmarked Reserves

28. EU Exit Preparation – In January 2019 the Government announced funding for Councils across England to help support their preparations for Brexit and to help with specific costs which may arise following Brexit. Darlington has received
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£0.105M in 2018/19 and will receive a further £0.105M in 2019/20. Given the late notification of this grant income, an earmarked reserve has been created whilst spending plans are identified.

29. Hippodrome Activity Plan – as a requirement of the HLF funding contribution made towards the Hippodrome restoration the Council must undertake heritage and engagement activity for the period 2016/17 to 2020/21. It is requested to set up a reserve to earmark the remaining funding of the activity plan.
30. In 2001 the Council entered into a 10 year JV agreement with One Northeast (it's legacy activity transferred to Homes England on abolition) in respect of providing key infrastructure to open up 27.99 acres of economic development land at Morton Palms Office Park. In this agreement One Northeast (now Homes England) and the Council were to share the capital receipts of any land sales – in effect repaying some of the monies invested previously. In 2011 the Council sought to, and successfully extended the agreement for a further 5 years with Homes England to June 2016. On expiry of this agreement, which states that for any unsold plots (about 13.65 acres), the council pay the equivalent share of the plot value or transfer land ownership to Homes England.
31. The Council has tried to extend the agreement further, offered interest in other economic sites to reduce or mitigate this repayment but those attempts have been rejected. Homes England has concluded that it wishes to receive a final settlement and therefore, given our desire to hold this land for benefit over the medium to long term, it is felt prudent to earmark £1m as the amount calculated to be Homes England's share of the undisposed plots. The Council will then fully own the land at Morton Palms. It should be noted that overall the Council has a very strong relationship with Homes England and is currently, and expects to benefit in future, from considerable funding for future housing build and infrastructure.
32. £0.200m to transfer to the ICT architecture fund. The planned and required roll out of Windows 10 requires a PC/Laptop refresh to around 880 devices as they do not have the capacity to run the software efficiently. Whilst there is a provision in the Architecture budget it is not sufficient to cover the whole programme.

Conclusion

33. The Council's draft revenue reserve at the end of 2018-19 is £18.310M, which is £0.131M better than the initial 2019-20 MTFP position.
34. An additional £0.249M is being requested to be carried forward into 2019/20 to meet future commitments on top of the £2.592M already approved.
35. Whilst the improved position is helpful it does not change the financial context in which the Council is currently planning. The additional reserves of £0.131M are welcomed, particularly in the context of the significant savings required over the coming years.

Outcome of Consultation

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