

**CABINET
5 NOVEMBER 2019**

ANNEX 1

REVENUE BUDGET MONITORING 2019-20 – QUARTER 2

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

Responsible Director - Paul Wildsmith, Managing Director

SUMMARY REPORT

Purpose of the Report

1. To provide an up-to-date forecast of the 2019-20 revenue budget outturn as part of the Council's continuous financial management process.

Summary

2. The latest projection shows an overall decline against the Medium Term Financial Plan (MTFP) of £0.125m, a decrease of £0.804m from the position reported at Quarter 1. This is due to a significant decline in the Children's Services position of £1.822m which comes from an increase in the numbers of children requiring support from the Local Authority. This has been in part offset by improvements in; Adults of £0.309m due to a reduction in the number of care packages provided, Resources of £0.168m due to a VAT rebate in relation to our cultural exemption, a Council wide saving of £0.258m from an unused provision and the release of £0.188m from the demand and complexity risk contingency.
3. Further details of these over and underspends can be found in this report.

Recommendation

4. It is recommended that :-
 - (a) The forecast revenue outturn for 2019-20 be noted
 - (b) Further regular reports be made to monitor progress and take prompt action if necessary.

Reasons

5. The recommendations are supported by the following reasons :-
 - (a) To continue effective management of resources.
 - (b) To continue to deliver services to agreed levels.

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 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.
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

6. 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 second 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.
7. The information in this report has been taken from the financial records for April to August and managers' projections for the remainder of the year, using their knowledge of events affecting the services they manage.
8. Overall the projected General Fund reserves position at 31st March 2020 is £16.597m, a £0.804m decrease on the planned balances shown at quarter 1.

Departmental Resources

9. Departmental Resource projections are summarised in **Appendix 2** and detailed in **Appendices 2(a) to 2(d)**.
 10. **Children's Services** is forecasting a year-end pressure of £2.050m, an increase of £1.666m on quarter 1 (after the release of risk contingency). This pressure is mainly due to an increase in the numbers of children receiving support from the Local Authority, with 477 currently receiving support. There has been increases in the number of children with special guardianship orders, placed for adoption and in the care of the Local Authority, with 279 children currently in care. The overspend projected is focused within two budget areas, namely child placement costs (£1.071m) and social work assessment and leaving care teams (£0.899m).
 - (a) Children in independent fostering placements continue to be a pressure area as previously reported, with a year-end pressure of £0.559m predicted. When the budget was set for 2019/20 a reduction of three places was anticipated, while more than three placements have ended, additional children have needed support resulting in a net increase of 18 placements. Risk contingency funding was released at quarter 1 (£0.308m) which has partially reduced the impact of the increased numbers of children.
 - (b) In-house fostering costs are projected to be overspent by £0.200m, resulting from a net increase of 21 placements since the budget was set. The new foster carer offer recently introduced (in October) aims to increase in-house capacity for foster care and therefore reduce the need to place children in more expensive independent placements. It is hoped that the number of in-house placements will continue to grow, whilst this will result in further in year overspends in this area, it is anticipated it will be more than offset by a reduction in the independent placement budget.
 - (c) In-house residential costs are projected to be overspent by £0.190m. This results from additional staffing needed within the children's homes to provide specialist support to children with complexed care requirements.
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- (d) Assessment and Intervention teams are projected to be overspent by £0.516m. Social Work staffing teams have been under pressure due to increases in demand as more children require intervention as evidenced by the increases in children being brought into care. It was agreed to increase the numbers of social workers by four through the recruitment of peripatetic social workers, however additional staffing have been required over this to cover demand. In addition to staffing, expenditure on supporting families to prevent children from coming into care and Court Approved support costs have increased with the increase in numbers of children (£0.080m).
 - (e) The Leaving After/Through Care team is projected to be overspent by £0.330m resulting from increased caseload demand. This has arisen due to changes in legislation, requiring care leavers to be supported until they reach 25 and increases in the numbers of looked after children. Temporary staff have been brought in to assist with the increase in workloads hence increased expenditure. In addition to staffing costs the cost of supporting more children in the care system has also increased leading to pressures on those budgets (for example accommodation, education and personal allowance expenditure).
 - (f) As members will be aware the Council is undertaking a programme of work with Leeds City Council and the DfE and we have been awarded a grant of £1.2m to assist in transforming children's social care practice within Darlington. The ultimate aim of the programme is to provide better outcomes for children as well as reducing the numbers of children that need to come into the council's care with the subsequent budget reductions. Work profiling these reductions is being undertaken and will be included in the forthcoming Medium Term financial Plan.
11. The **Education Service** is projected to be overspent at the year-end by £0.146m, primarily due to pressures in School Transport (£0.224m), offset by savings across the division from staff turnover and supplies and services.
- (a) The transport budget overspent in 2018/19 by £0.270m due to the increased number of children placed out of borough who required transport to and from school. A reduction in expenditure in 2019/20 was planned following approval of the SEN strategy which advocated children being returned to schools in Darlington where appropriate, along with proposals included within the SEN transport strategy. Due to slippage in the opening of new SEN provision the number of children returning to Darlington schools within 2019/20 will be limited and subsequently the overspend in budget from 2018/19 will continue this financial year.
 - (b) Members will recall that a risk contingency of £0.125m was incorporated in to the budget for School Transport for a potential increased cost of not relocating children back into Darlington. Given the level of overspend the full contingency has been released to partially offset the pressure in this area.
 - (c) Cabinet have agreed the proposals to increase the number of SEN resource bases in Darlington and the release of capital funds has been approved to allow construction of the new bases to begin. Work is continuing with schools to progress the new provision with the first resource bases planned to open in
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September 2020, reducing the need to place as many children outside of Darlington.

12. **Adult Social Care & Health** is forecasting an under spend of £0.903m an improvement of £0.309m on the position at quarter 1. This is primarily due to a continued reduction in packages across all areas. There has also been an increase in Health funding due to Continuing Health Care (CHC) and S117 assessments.
 13. Furthermore, following a review of risk contingencies, it has been agreed to release £0.188m held for 15 beds, as it is anticipated they will not be required this financial year. This contingency has been released into general fund reserves.
 14. The **Economic Growth Services Group** is projecting an overspend of £0.082m, an improvement of £0.128m from what was reported at quarter 1.
 - (a) Planning, Economic Initiatives & Asset Management is expected to breakeven, however, there is an anticipated pressure of £0.137m on planning fees. This is linked to a general slowdown in the market. This pressure is being managed within the division through savings generated from vacant posts and supplies.
 - (b) Capital Projects, Transport & Highways Planning has a small net underspend of £0.056m, of which, £0.048m is from savings on the concessionary fares contract.
 - (c) Community Services overall is expected to overspend by £0.128m by the end of the year.
 - (i) Dolphin Centre is currently overspent by £0.048m due to the corrected treatment of overstated income in 2018/19 as well as an additional pension cost arising from the auto enrolment of a number of officers into the council pension scheme.
 - (ii) Eastbourne Complex has a pressure of £0.037m as it is not expected to achieve a previously agreed MTFP saving target from 2016/17 increase income. While income has improved since 2016/17 the original anticipated levels will not be achieved.
 - (iii) Income from Cemeteries and Crematorium as well as School Meals is projected to be better than budget by £0.050m and is helping to offset some of the above pressures.
 - (d) Community Safety's reported pressure of £0.100m at quarter 1 has improved by £0.053m with the division now expected to be overspend by £0.047m. The overall improvement is due to the agreement by Cabinet to fund the car parking offers from the Futures Fund as well as the release of £0.075m which was carried forward from 2018/19 to support the operational cost of the service. The pressure on parking enforcement has worsened since quarter 1 and this is due to reduction in car parking fines being issued as enforcement officers tackle other pressing needs of the service.
 15. The **Resources Group** is forecasting, after carry forwards, an underspend of £0.168m. As in 2018/19 there continues to be a pressure for children's legal fees
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arising in line with the increased numbers of children coming into the care of the Local Authority, with a projected pressure of £0.150m. This pressure is offset by savings in supplies and services budgets and staff turnover within Democratic Services and Administration.

- (a) There is an £84k carry forward for Equality and Diversity Training which was agreed as part of last year's carry forward.
- (b) The Council received a VAT rebate £1.420m this financial year in relation our cultural exemption. £1.170m of this has already been committed with the remaining £0.250m to be returned to balances.

16. The School balances and allocations are shown in **Appendix 2(e)**. Information on projected closing school balances is not yet available but will be included in future reports to Cabinet.

Council Wide and Corporately Managed Resources

17. Council Wide budgets are forecast to be underspent by £0.258m which is due to the release of an unused provision held centrally for increases in departmental expenditure as a result of the nationally agreed pay award. The effects of the pay award are shown with departmental budgets and therefore the central residual provision is no longer required.

Housing Revenue Account

18. HRA projections are shown in **Appendix 3**. There is currently a predicted underspend of £0.580m primarily due to increases in income from a reduction in void properties and a number of properties moving over to affordable rents. This has also had a positive effect on the income received for service and facilities charges. Savings in management costs are due to additional Northumbria Water Limited rebate received for collecting water rates on their behalf.

Collection Fund

19. 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.
20. At this stage in the year, the Council Tax Collection Fund is reporting an in-year deficit of £0.310m to add to a brought forward deficit of £0.170m, of which Darlington's total share is £0.400m and which will need to be met from general reserves in next years MTFP. The in-year deficit mainly consists of an increase in discounts and exemptions of £0.460m offset by a reduction in council tax support of £0.170m.
21. The NDR Collection Fund is reporting an in-year deficit of £1m to add to a brought forward deficit of £0.575m, of which Darlington's total share is £0.772m. The in-
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year deficit mainly consists of a decrease in gross rates income of £0.227m and an increase in discounts, reliefs and exemptions of £0.785m. Some reliefs receive grant income and it is expected that the carry forward deficit will be funded by the receipt of business rates section 31 grant income during 2019/20.

Conclusion

22. The Council's projected revenue reserves at the end of 2019-20 are £16.597m, £0.804m lower than quarter 1's reported position.
23. Of the £16.597m projected reserves, we have a risk reserve balance of £4.350m and a commitment to use £11.212m to support the 2019–2023 MTFP, leaving £1.035m one off funding to further support the general fund moving forward.

Outcome of Consultation

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