

CABINET
4 FEBRUARY 2020

REVENUE BUDGET MONITORING 2019-20 – QUARTER 3

Responsible Cabinet Member - Councillor Charles Johnson
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 improvement against the Medium Term Financial Plan (MTFP) of £0.545m, an increase of £0.670m from the position reported at Quarter 2. This positive change is primarily due to improvements in Adult services of £0.745m, as there has been increased contributions from Health towards joint care packages provided. We have also received additional income from the Council's Joint Venture Investment Returns of £0.105m. Conversely there has been a further decline in the Children and Education Services budgets of £0.170m. This is mainly due to increased staffing required to meet the needs of additional children coming into Local Authority care, along with the subsequent school transport requirement.
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) The proposed carry forward of resources referred to in paragraphs 16 and 17 be noted and approved.
 - (c) Further regular reports be made to monitor progress and take prompt action if necessary.

Reasons

5. The recommendations are supported by the following reasons :-
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- (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 third 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 November 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 31 March 2020 is £17.267m, a £0.545m improvement on the budget position and a £0.670m increase on the planned balances shown at Quarter 2.

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 £2.141m an increase of £0.091m on quarter 2, which as previously reported is in relation to the increase in the numbers of children needing Local Authority support, with the projected overspend mainly within child placement costs (£1.049m) and social work assessment and leaving care teams (£1.061m).
 - (a) The main change since quarter 2 is a projected growth in spend in the Looked After Through Care Team, as staffing levels rise to meet the increased caseloads. Furthermore, there are additional costs in supporting more care leavers as they move into independent living. The caseload for this team has increased due to the change in legislation within the Children & Social Work Act 2017, which requires the Council to support care leavers up to the age of 25. This has resulted in an increase of 63% in former relevant care leavers (those aged 18 to 25), since the legislation was introduced. There is also some very positive news in the fact that we now have eight care leavers at University which is great, although there is a corresponding increase in expenditure on accommodation and living allowances.
 - (b) Pressures regarding children requiring Children's Services support have been included within the 2020/21 MTFP. However work is continuing with the Strengthening Families programme to help transform social care practice with the aim of achieving better outcomes for children as well as reducing the number of children needing to come into the care of the Council.
11. The **Education Service** is projected to be overspent at the year-end by £0.220m, an increase of £0.074m on that reported at quarter 2. As previously reported this pressure relates to a projected overspend in School Transport (£0.332m), due to the increased number of children being placed out of borough with the subsequent

transport requirements. This is slightly offset by savings across the division from staff turnover and supplies and services.

- (a) The increase within the transport budget overspend since quarter 2 is due to a number of new school placements made in September at the start of the 2019/20 academic year. Additional transport costs are also projected for Darlington based pupils as new transport arrangements and additional passenger transport assistants have been put in place to meet children's needs.
- (b) New Special Educational Needs (SEN) and SEN transport strategies were agreed by the Council in the spring of 2019, which will bring additional specialist school placements into Darlington from the 2020/21 academic year which will reduce the need to transport as many children out of Darlington in future years and subsequently reduce the expenditure.

12. **Adult Social Care & Health** is forecasting an under spend, after carry forwards of £1.648m an improvement of £0.745m on the position at quarter 2.

- (a) Following on from the positive position and direction in quarters one and two there continues to be savings in Adult Services. This is mainly due to increased funding from Health towards Continuing Health Care (CHC) packages of care, which fall under Health Services responsibility along with delays in anticipated hospital discharge into social services in Mental Health provision. Furthermore, there has been a recovery of unused monies from direct payment accounts of £0.187m and a reduction in transport costs of £0.080m.

13. The **Economic Growth Services Group** is projecting an overspend of £0.051m, an improvement of £0.031m from that reported at quarter 2.

- (a) Planning, Economic Initiatives & Asset Management is after carry forward expected to breakeven, however, there is an anticipated pressure of £0.207m in Development Management, of which £0.189m is due to a reduced level of planning fees. This is an increase of £0.052m from quarter 2. A number of applications are deferred pending resolution of the Local Plan. This pressure is currently being managed within the division through savings generated from vacant posts and supplies.
- (b) Capital Projects, Transport & Highways Planning after carry forwards has a net underspend of £0.105m, an improvement of £0.049m from quarter 2 mainly due to an underspend from staff vacancies within the team.
- (c) Community Services overall is expected to overspend by £0.169m by the end of the year, a decline of £0.073m from that reported at quarter 2.
 - (i) Essential drainage works at the Crematorium will see the previously reported underspend of £0.029m reduce to nil by the end of the year.
 - (ii) Dolphin Centre is currently overspent by £0.077m after carry forward, an increase of £0.029m from quarter 2. It should be noted that the majority of the 2019/20 overspend is due to one-off costs such as the impact of

auto enrolment of officers into the pension scheme and VAT corrections and are not expected to have an impact in the next financial year.

- (iii) Indoor Bowling Centre is now expected to be overspent by £0.011m, an increase from quarter 2 of £0.016m following the recent receipt of an invoice for additional service charges from 2018/19 for the facilities at North Road.
 - (iv) Libraries pressure has improved slightly from the reported position at quarter 2 by £0.003m and is now expected to be £0.097m.
 - (v) School Meals reported position has reduced from an underspend of £0.021m to £0.004m since quarter 2 following the withdrawal of a school from the service.
 - (vi) Improvements in Building Cleaning and Emergency Planning have helped to offset some the above pressures.
- (d) Community Safety's reported pressure of £0.048m at quarter 2 has not changed at quarter 3. However within the service area Parking Enforcement has seen an increase of £0.020m in its reported overspend but this has been offset by savings in staffing due to recent vacancies across the service.
- (e) Building Services is on target to breakeven. Resources carried forward from 2018/19 to support the upgrade of ICT software has not been required as the costs have been managed in year and as a result £0.050m has been released.
14. The **Resources Group** is forecasting, after carry forwards, an underspend of £0.129m, a decrease in underspend of £0.039m from quarter 2.
- (a) As previously reported there continues to be pressure in legal fees arising in line with the increased numbers of children coming into the care of the Local Authority, with a projected pressure of £0.294m, an increase of £0.144m. This added pressure has been offset by savings in supplies and services budgets and staff turnover within Democratic Services, Human Resources, Systems, Financial Assessments and reduced borrowing costs for Darlington's contribution towards the capital costs of the shared ICT suite.
15. 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.

Carry Forward Requests

16. Adults are requesting approval to carry forward £0.987m for the implementation of the restructure of the First Point of Contact and Reablement Team restructure which has been delayed and won't be fully implemented until 2020/21. This is in addition to the £1.213m previously approved.
17. Economic Growth are requesting approval to carry forward the £0.106M underspend within Economic Growth to support the delivery of current and future developments as well as meeting the goals of the economic growth agenda. This would include helping to support marketing campaigns to encourage investment

within the Borough. This has linkages with the Towns Fund and Future High Street Fund.

Council Wide and Corporately Managed Resources

18. Joint Venture Investment Returns are forecast to be £0.105m better than quarter 2 due to an additional dividend on Eastbourne JV of £0.145m.

Housing Revenue Account

19. HRA projections are shown in **Appendix 3**. There is currently a predicted underspend of £0.575m with little change from the quarter 2 position. As previously reported the underspend is 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. Furthermore we were anticipating a change to the furnished tenancies scheme which is scheduled to end, however a transition period is required and therefore service charge income is higher than initially predicted.

Collection Fund

20. 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.
21. 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 which will need to be met from general reserves and is identified 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.
22. 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-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

23. The Council's projected revenue reserves at the end of 2019-20 are £17.267m, £0.545m better than budget and £0.670m higher than the quarter 2's reported position.
24. Of the £17.267m 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 £1.705m one off funding to further support the general fund moving forward.

25. This projected position will be used to inform the 2020/21 – 2023/24 MTFP.

Outcome of Consultation

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