
REVENUE BUDGET MONITORING 2016-17 – QUARTER 3

**Responsible Cabinet Member - Councillor Stephen Harker
Efficiency and Resources Portfolio**

**Responsible Director - Paul Wildsmith, Director of Neighbourhood Services &
Resources**

SUMMARY REPORT

Purpose of the Report

1. To provide an up-to-date forecast of the 2016-17 revenue budget outturn as part of the Council's continuous financial management process.

Summary

2. The latest projections show an overall improvement against the 2016/17 Medium Term Financial Plan (MTFP) of £1.212M, an improvement of £1.311M from the Quarter 2 report to Cabinet in November and relates to improvements in Departmental projections.
3. All Departments have seen an improvement in the quarter albeit there is still an over spend of £1.480M in the People group stemming from significant pressures in Children Services. Offsetting this pressure are departmental and corporate savings of £1.650M and £0.770M respectively which are detailed in the report.
4. Included within the departmental savings are carry forward requests of £0.715M, £0.270M of which were approved by Cabinet at Quarter 2 and £0.445M for which approval is now sought and referred to in paragraphs 15 to 21 below. The figures in this report increase projected balances at 31 March 2017 to £16.697M and will be reflected in the revised MTFP report to Cabinet and Council in February.

Recommendation

5. It is recommended that :-
 - (a) The forecast revenue outturn for 2016-17 and actions being taken to manage the Councils finances be noted.
 - (b) The proposed carry forward of resources referred to in paragraphs 15 to 21 of this report be noted and approved.

- (c) The earmarked reserve referred to in paragraph 24 be noted and approved.
- (d) Further reports be made to monitor progress and take prompt action if necessary.

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.

Paul Wildsmith
Director of Neighbourhood Services and Resources

Background Papers

No Background papers were used in the preparation of this report.

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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 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.

MAIN REPORT

Information and Analysis

7. To enable timely information to be presented to Cabinet 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.
8. The information for 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 service they manage.
9. Overall the projected General Fund reserves position at 31 March 2017 is £16.697M, £1.212M better than the planned balances in the 2016-20 MTFP. Of this, the improvement in the Council's 2015-16 financial results is £0.272M, departmental resources, taking account of carry forward requests, are £0.170M better than planned and corporate resources are improved by £0.770M.

Departmental Resources

10. Departmental Resource projections are summarised in **Appendix 2** and detailed in **Appendices 2(b) to 2(d)**.
11. The **People Group** is forecasting an overspend of £1.480M an improvement of £0.737M which has been seen in Adult Social Care and Health. Whilst there are variances between headings in Children's and Development and Commissioning, the overall position remains unchanged.

Children's Services

- (a) Management and Social Work is projected to be over spent by a further £0.194M since Quarter 2 due to additional costs of supporting children at £0.070M and an increase in agency and interim cover for vacant posts of £0.124M.
- (b) Family Support and Early Help is projected to be under spent by a further £0.171M. This has arisen as all vacant posts have been held open and additional savings have been created within running cost budgets pending the implementation of the early help model.
- (c) The Education projected position has worsened by £0.105M. Previously reported savings in early years budgets of £0.018M are no longer anticipated to arise due to increased demand for inclusion support. There is also an increased pressure of £0.062M within the staffing budget as a result of continuing interim management arrangements leading on areas requiring particular management focus. £0.034M of projected pressures across school transport provision are forecast in particular regarding high needs pupils.

- (d) Savings of £0.151M are projected within Commissioning. These savings have arisen mainly from lower usage in demand led services and procurement.

Adult Social Care & Health

- (e) There has been a reduction in the number of both residential and domiciliary care packages over and above our anticipated profile, saving £0.257M. There have also been a number of packages where approval for joint funding with Darlington Clinical Commissioning Group has been agreed, saving £0.260M. Following a programmed audit of the direct payment returns contingencies of £0.160M have been recovered.
- (f) A Review of client charges is currently being undertaken and £0.060M has been recouped, this is an ongoing exercise and there could potentially be additional income to be claimed, however at this point in time it is difficult to estimate so has not been included in these projections.
- (g) In line with the recent discussion at Cabinet all packages of care are being reviewed and possible savings will arising in the next quarter. As with the review of client charges any saving at this point is difficult to project and as such no provision has been included at this point.

12. The **Economic Growth Group** is projecting an under-spend of £0.505M, which after carry forward requests of £0.527M is an improvement of £0.049M from quarter 2. The carry forward requests of £0.175M have already been approved and a further £0.352M is being requested this period.

- (a) Building Design Services has seen an improvement of £0.075M due to increased turnover following the recent award of additional design works. Slippage on recruitment in the Project team has also seen an improvement of £0.028M but this will be offset by carry forward requests of £0.052M to support the team in 2017/18.
- (b) Improvements in highways maintenance and the performance of the DLO has been offset by pressures arising due to the need to carry out repairs to unclassified roads as well as purchase of essential equipment. Underspends on highways will be used to support the first year of a four year programme of works on unclassified roads. Overall the reported under spend position on Highways will be reduced by £0.047M compared with the prior quarter.
- (c) The pressure on CCTV has increased by £0.023M due to additional training and staff costs as well as the recent need to relocate a number of cameras.
- (d) The Group has seen an overall under spend of £0.069M arising from an improvement in spend on supplies and services.
- (e) There is a possibility that additional planning fee income in excess of £0.100M may be received during the last quarter of the year but as this is dependent on developer submission it may be subject to some slippage. Due to the uncertainty this has not been reflected in the projected year end position and

should simply be noted at this time.

13. The **Neighbourhood Services and Resources Group** is projecting an under spend of £1.145M, which after carry forward requests of £0.188M is an improvement of £0.600M from that reported at Quarter 2. Additional carry forward requests of £0.093M are being requested in this report, with £0.095M having been previously approved. The main variances are noted below;
- (a) Further savings of £0.064M in the Administration service are forecast mainly from additional staff changes and lower running costs.
 - (b) The Engagement team is forecasting further savings of £0.053M from lower running costs and additional income from advertising in 'Darlington Together'.
 - (c) School Meals has seen an improvement of £0.028M which is mainly due to improved staffing costs as well as additional income received from providing meals for breakfast clubs and after school clubs.
 - (d) The implementation of staffing changes in Street Scene and a review of the vehicles and plant across the service along with an overall reduction in spend on materials and equipment and a drive to carry out additional chargeable works the service has seen an overall improvement since quarter 2. This will be partially offset by works required to resurface a number of play areas as well as working more closely with volunteer and friends groups. Overall there has been an improvement of £0.190M.
 - (e) Waste Disposal has continued to improve over the year and is now expected to be under spent by £0.150M which is an improvement of £0.062M. This is due to reduced waste going to the main contract.
 - (f) A strong programme of works as well as savings in fleet costs has seen an improvement of £0.082M in Building Services.
 - (g) The Housing General Fund is forecasting an improvement of £0.068M, primarily due to additional income from recovery of overpaid housing benefits and some additional housing benefits subsidy identified from 2015/16.
14. The School balances and allocations are shown in **Appendix 2e**.

Departmental Carry Forward Requests

15. Economic Initiative - £0.200M to support the delivery of the Darlington Local Plan 2016-2036 as detailed in the report to Cabinet on 8 November 2016. This will cover the costs associated with Local Plan preparation (for example legal and consultants fees for evidence gathering to ensure a robust and sound evidence base, consultation events and materials and printing).
16. Economic Regeneration - £0.080M to support the Experience Darlington strategy as detailed in the report to Cabinet on 6 December 2016. There has been slippage on the planned works and it is proposed any unspent resources be carried forward to allow for the implementation of the strategy.

17. Capital Projects - £0.052M to fund the role of a Capital Project Manager within the Capital Project team for one year to help support and deliver the current and emerging programme of projects.
18. Highways DLO - £0.020M to fund for one year the associated financing costs for the purchase of an essential new vehicle within the Highways section. This vehicle only needs funding for one year as it will then replace an existing vehicle in 2018/19 which comes to the end of its operational life.
19. Outdoor Events and Healthy Darlington - £0.013M to deliver two sporting events in 2017/18 which were originally expected to take place in 2016/17 but have now slipped into the following year.
20. Street Scene - £0.020M to help provide support to volunteering and friends groups as part of the overall aim to encourage and grow public participation alongside Street Scene.
21. Street Scene - £0.060M to resurface a number of play areas within parks and open spaces when the weather is more accommodating.

Corporately Managed Resources including Council Wide

22. The Corporately Managed Resources underspend has reduced by £0.075M to £0.770M. Of this Council Wide Resources is forecasting an improvement of £0.157M from one-off early realisation of public health programme re-profiling following changes to services in preparation for future programme delivery. £0.033M is also forecast from additional procurement savings following the receipt of additional rebates on electricity contracts.
23. It is not anticipated that the Adults Packages Contingency budget of £0.235M will be required and this will be returned to general reserves. The £0.500M revenue contribution to the Civic Theatre project, agreed by Members as part of the 2015/16 Outturn Report on 22 June 2016, is also included within this report.
24. The Organisational Headroom (Project Preparation) resources of £0.100M is not now expected to be spent in year as a number of initiatives will now take place in 2017/18 and beyond. It is requested that an earmarked reserve for these resources be created.

Housing Revenue Account

25. HRA projections are shown in **Appendix 3**. The HRA remains in a stable position.

Collection Fund

26. 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.

27. At this stage in the year, no surplus or deficit is forecast on the council tax collection fund.
28. A deficit of £2.360M is forecast on the business rates collection fund, of which Darlington's proportion is £1.160M. This will be met from Section 31 grant received during 2016/17 from the Government for the various exemptions and discounts granted under statute.

Conclusion

29. The Council's projected revenue reserves at the end of 2016-17 are £16.697M, which is £1.212M better than the Phase Two 2016-20 MTFP position and include a brought forward amount of £0.272M from 2015-16. Departmental resources are forecast to be under spent by £0.170M and corporately managed resources are forecast to be under spent by £0.770M.
30. Of the £16.697M projected reserves, we have a risk reserve balance of £4.330M, leaving £12.367M one off funding to further support the general fund moving forward. Members may recall that £11.217M of balances is already identified within the Draft 2017-21 MTFP for usage between 2017-18 and 2020-21.
31. Whilst the improved position in revenue reserves is helpful it does not change the financial context in which the Council is currently planning.

Outcome of Consultation

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