
REVENUE OUTTURN 2016-17

Responsible Cabinet Member - Councillor Stephen Harker
Efficiency and Resources Portfolio

Responsible Director -
Paul Wildsmith, Director of Neighbourhood Services and Resources

SUMMARY REPORT

Purpose of the Report

1. To present the revenue outturn 2016-17 (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 an improvement of £0.639M from the opening balance projections reported in the MTFP report 2017/18 to 2020/21. This in the main is due to the improved position in Adult Social Care where the early achievement of savings and additional income have resulted in an additional £0.582M from the last reported position.
3. Cabinet have previously approved carry forwards of £1.135M, in addition to this further year end carry forward requests of £0.610M have been made and are detailed in the report. The provisional outturn figure makes the assumption that all of these carry forwards are approved.
4. A budget rebasing exercise has been undertaken where the outturn figures have been compared against the 2017-18 MTFP. Areas for possible claw back have been identified and are reported in the Quarter 1 Cabinet report later on the agenda.
5. The Outturn figures are welcomed especially as they in the main relate to the early delivery of savings which provides a solid base for moving forward with future year efficiencies. The increase in balances will assist the Council in managing the risks inherent in the MTFP in relation to the delivery of savings and mitigate potential pressures.

Recommendation

6. It is recommended that :-
- (a) The revenue outturn for 2016-17 be noted
 - (b) The additional carry forward requests of £0.610M referred to in paragraphs 15 to 19 below be approved and carried forward into 2017-18.
 - (c) The Earmarked Reserves referred to in paragraph's 26 to 30 be approved.

Reasons

7. 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
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 and also spend to save requests included in the carry forward totals. |

MAIN REPORT

Information and Analysis

8. The year end position shows an improvement of £0.698M from the opening balance projections reported in the MTFP report 2017/18 to 2020/21.
9. The draft General Fund Reserve position at 31 March 2017 is £17.336M, a summary of which is shown in **Appendix 1**. Of this, £8.641M is planned to be used in 2017-2021 to assist the MTFP and £4.330M is set aside to cover our risk balances. The remaining £4.365M is available to assist the Council in the period 2017–2021 to manage the risks inherent in the MTFP in relation to the delivery of savings and mitigate potential pressures, and beyond 2021 where there is a significant budget gap predicted.
10. The improvement is to be welcomed and in the main is has occurred due to the early achievement of savings and additional income in Adult Social Care. Further detail is noted below.

Departmental Resources

11. Departmental Resource projections are summarised in **Appendix 2** and detailed in **Appendices 2(a) to 2(e)**. The outturn identifies an under spend of £0.646M compared with the 2016-20 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 2017/18 MTFP and therefore any variances reported below are from both the third quarter report and the 2017/18 MTFP. Significant variances are explained below.
12. The **People Group** is forecasting an over spend of £1.080M, an improvement of £0.485M. Of this overall improvement, the Children's Services position has worsened by £0.097M and the Adult Social Care position has improved by £0.582M.
 - (a) Management and Social Work has seen an increase in over spend of £0.161M resulting from the continued use of agency staff within the Safeguarding, First Response and the Through Care/After Care team to cover vacant posts, maternity leave and increased caseloads. In addition, as a result of increased demands in the Leaving Care team, additional costs have accrued in supporting those care leavers for accommodation and living expenses and support. A significant amount of work has gone into recruitment and retention initiatives which are now beginning to see results with the vacancy rate dropping to the national average which will help ease the financial pressure along with providing workforce stability.
 - (b) Looked After Children have seen a reduction in over spend of £0.086M. The cost of externally placed children has remained more or less in line with previous projections having an outturn over spend of £1.000M, however this

has been offset by savings in in-house fostering provision through lower usage costs and some expenditure moving into the next financial year.

- (c) Family Support has seen an improvement of £0.053M due to the early implementation of the new Early Help model and Commissioning has improved by £0.062M due to demand reductions being higher than anticipated.
- (d) Adult Social Care – As highlighted in the Quarter three report additional income from a review of client charges was likely and this has come to fruition with an additional £0.280M received. Furthermore there has been additional Continuing Health Care income of £0.132M received and a reduction in package costs of £0.169M following the review work that is on-going. The majority of this income will also feed through to 2017/18 to assist in the savings targets.

13. The **Economic Growth Group** position has improved slightly with an outturn under spend position of £0.513M. The improvement over the last quarter is mainly down to general underspends in supplies and services across the Group as well as additional income in Regulatory Services . This small improvement includes £0.121M of carry forward requests that are referred to later in this report.

14. The **Neighbourhood Services and Resources Group** underspent by £1.213M, £0.017M less than previously reported. Included within this improvement are carry forward requests of £0.430M that are referred to later in this report. The improvement before carry forward requests across the Group is made up of a combination of a reduction in staffing (vacant posts and early achievement of back office savings) along with a general reduction in supplies expenditure and increased income from our traded services.

Carry Forward requests

15. There are a number of carry forward requests to 2017-18 amounting to £0.610M relating to underspends from departments detailed below and are additional to the £1.135M already approved previously. The requests are categorised into the four areas: slippage, spend to save/MTFP transition, assist in achieving the conditions of the MTFP and emerging pressures and approval is requested to carry these amounts forward into the new financial year.

16. **Slippage** – There is £0.279M of slippage on planned projects across the Council in the following areas:

- (a) £0.025M remaining balance on the contingency budget for Feethams Multi Storey Car Park.
- (b) £0.020M to continue the work already started to develop the Highways Asset Management System (HAMS) from level 2 to 3. Work began on this project during 2016/17 but due to delays in the software interface development by third party developers, some elements of the project have fallen into 2017/18.

- (c) £0.010M to move E-forms to a cloud hosted solution from the current server hosted solution following problems with upgrades and security patches as this project was delayed in 2016/17.
- (d) £0.025M for Leisure Services which includes equipment associated with the gym refurbishment that due to tight timescales have slipped as well as staff training which has been delayed due to the availability of training courses.
- (e) £0.023M slippage on various Street Scene projects which include installation of new play equipment at Brinkburn Dene, replacement fencing works and repairs to the footbridge at Cocker Beck.
- (f) £0.090M to support the implementation of an improved mobile and job costing solution for Housing and Building Services. The project has been delayed due to the complexities of the integrations between various ICT systems.
- (g) £0.076M for the Lagan upgrade. As outlined in the Procurement Plan, the Lagan system (which is used in Customer Services) is due to be upgraded to keep the system updated with the latest system facilities. This includes on-line forms that enable local processes to be streamlined and produce efficiencies within the Customer Services team.
- (h) £0.010M for the completion of statutory equalities scheme which has slipped due to resourcing pressures.

17. **Spend to Save/MTFP transition** – £0.045M of the carried forward is for spend to save schemes and assistance in the MTFP transition year that the Council will reap the benefits of in the coming and future years.

- (a) £0.010M to allow for refurbishments to the changing and training rooms at Eastbourne Complex as part of the long term development of the Eastbourne business plan, which is working towards a break-even budget. Improvements to the facility will provide additional rent as well as allow for the retention of existing users of the facilities.
- (b) £0.035M is requested for the continuation of a staff wellbeing campaign that was initiated in November 2016 and resulted in 24 wellbeing activities being carried out engaging 882 members of staff in a variety of ways. There was positive feedback from managers, trade unions and employees on the events and there is strong evidence that this type of activity reduces sickness absence levels so we would like to continue into the 2017/18 with a particular focus on Mental Health which has had an increased national focus this year. Managers have highlighted that mental health and links to stress are the harder topics to address with employees so we would like to run a Mental Health Lite awareness course for all managers. To enable the continuation of wellbeing activities and running the course £0.035m is request to be carried forward from the HR underspend.

18. **Assist in achieving the 3 conditions set out in the MTFP, namely Building Strong Communities, Growing the Economy and Spending Wisely.** The following £0.183M of carry forwards all meet the criteria described above and are as follows:
- (a) £0.100M is requested to support the work of the Economic Initiative teams in the delivery of the economic growth agenda. This includes Darlington Business Week as well as continuing the Sector Proposition work and the Experience Darlington initiative.
 - (b) £0.005M to contribute towards children's cycling proficiency as part of the Government funded Bikeability Level 3 scheme following increased demand.
 - (c) £0.024M additional income net of the 2016/17 events programme was generated from hires of the Market Square and Joseph Pease. Due to a limited delivery budget for events in future years it is requested that the surplus be carried forward to support the program in 2017/18 which will include Darlington by the Sea, Rhythm and Blues and the popular cycling event.
 - (d) £0.040M to contribute towards a 2 year pilot with the Police and Fire Services to tackle rubbish and litter in back lanes to reduce environmental crime, secondary fires from refuse, anti-social behaviour and crime. The pilot will see the creation of a team which will be funded by all 3 organisations.
 - (e) £0.014M to purchase litter picking equipment to support the street champions and ward members.
19. **Pressures** - £0.103M of pressures have been identified for 2016/17 however at this point it is not known if they are continuing as they related to MTFP proposals therefore carry forward from the underspend is requested for this year.
- (a) £0.020M to provide additional capacity within Building Control to deal with the increased demand from housing and commercial developments.
 - (b) £0.055M to cover additional licence costs and implementation costs for Liquid Logic. The Liquid Logic care management system within adults and children's services was not fully implemented in 2016/17 with full go-live now taking place in 2017/18. As a result, the existing care management system (Care First) has continued to be used requiring an extension of licencing costs which were not originally included within the project budget.
 - (c) £0.020M to cover the cost of postage increases in 2017/18 above the level of budget set for 2017/18.
 - (d) £0.008M for the Bridge to cover service charges and statutory requirements for the building in 2017/18.
20. The School balances are in a positive position and are shown in **Appendix 2e**.

Council Wide and Corporately Managed Resources

21. There has been an improvement in Corporately Managed Resources in the last quarter of £0.222M. Financing costs have improved by £0.110M due to slippage in some capital schemes, £0.077M of unallocated non-ring-fenced grant was received during the year and £0.050M of the Redundancy and Decommissioning Transfer identified in the Phase 2 2016/17 MTFP was not required. The saving from the Employers pension past service deficit contingency reduced by £0.019M and the Council Wide budget improved by £0.004M.

Housing Revenue Account

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

Collection Fund

23. 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 and Rescue precept authorities and Central Government.
24. The Business Rates Collection Fund outturn deficit is £2.483M, of which Darlington's share is £1.217M. This represents an increase in Darlington's share of £0.057M since the last quarter. Darlington's deficit of £1.217M will be met from Section 31 grant received during 2016/17 from Central Government for various exemptions and discounts granted under statute.
25. The Council Tax Collection Fund outturn is a deficit of £0.211M, of which Darlington's share is £0.175M. The previous forecast was a break even position. The main reason for the movement is as a result of an increase in discounts and exemptions awarded over the last quarter. 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 2017/18.

Earmarked Reserves

26. Enterprise Zone Reserve - Any Non-domestic rates from Central Park Enterprise Zone can be ring-fenced and used solely for the benefit of the enterprise zone to cover borrowing costs or fund up-front infrastructure and therefore it is requested that this reserve is approved to allow further investment in the zone.
27. Direct Payments Contingency Reserve – approval is sought to create this reserve to provide for any future costs associated with the review of the Direct Payments service especially in conjunction with potential redundancy costs for personal assistants.

28. Eastbourne 3G Playing Pitch Sinking fund – As part of our agreement and a grant condition with the Football Foundation, Darlington Borough Council undertakes, warrants and agrees to use its best endeavours to manage and operate the Project and Facilities in accordance with the aims, objectives, targets and timescales set out in the Football Development plan and Business plan and operate a yearly sinking fund of £10,000 - £25,000 per annum. This is to cover the costs of any replacement surface in future years to support the sustainability of the project, therefore, approval is sought to create this reserve in order to satisfy the conditions above.
29. Traffic Signal Replacement Reserve – this reserve is required to fund the timely upgrade of the traffic signal equipment assets. The equipment has a 10-15 year life cycle and needs to be replaced on a planned basis.
30. Mercury Abatement Reserve – additional income received from cremations is to be used to fund future improvements and upgrade works needed to meet environmental targets.

Conclusion

31. The Council's draft revenue reserve at the end of 2016-17 is £17.336M, which is £0.639M better than the initial 2017-18 MTFP position. The £0.639M consists of an improvement of £0.417M in departmental resources and an overall improvement in corporately managed resources of £0.222M.
32. An additional £0.610M is being requested to be carried forward into 2017/18 to meet future commitments on top of the £1.135M already approved.
33. Whilst the improved position is helpful it does not change the financial context in which the Council is currently planning. The additional reserves of £0.639M are welcomed, particularly in the context of the significant savings required over the coming years.

Outcome of Consultation

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