
REVENUE BUDGET MONITORING 2015-16 – QUARTER 2

**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 provide an up-to-date forecast of the 2015-16 revenue budget outturn as part of the Council's continuous financial management processes.

Summary

2. The latest projections show an overall improvement of £3.743M, of which £2.533M relates to balances carried forward from the 2014-15 outturn. The remaining £1.210M is made up from the £1.505M realised from the budget rebasing exercise undertaken in Quarter 1 and reported to Cabinet on 7 July 2015, less a number of pressures that have emerged in the last quarter which are discussed in the main body of the report.
3. The in-year improvement compared with the Medium Term Financial Plan (MTFP) for 2015-16 is £1.210M and is to be welcomed.

Recommendation

4. It is recommended that :-
 - (a) The forecast revenue outturn for 2015-16 and actions being taken to manage the Council's finances be noted.
 - (b) Further regular reports be made to monitor progress and take prompt action if necessary.

Delegations

5. This report does not require any delegation.

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 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.
8. The information for this report has been taken from the financial records for April to August 2015 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 31st March 2016 is £17.229M, which is a welcome £3.743M improvement on planned balances in the 2015-20 MTFP. Of this, the improvement in the Council's 2014-15 financial results carried forward to 2015-16 is £2.533M and the remainder relates to the £1.505M realised from the budget rebasing carried out in quarter 1 offset by some pressures that have come to light in the last quarter.

Departmental Resources

10. Departmental Resource projections are summarised in **Appendix 2** and detailed in **Appendices 2(a) to 2(d)**.
11. The **People Group** is forecasting a slight over spend of £0.018M compared with the break even position reported previously, but there are no causes for concern at this point as the adult's savings targets are on track to be achieved.
12. The **Children's Services Group** is forecasting a slight over spend of £0.028M,.
 - (a) At quarter one, the Looked after Children budget was projected to be under spent, however as this budget area is extremely volatile a decision was made not to claw back the budget. Whilst lower than quarter 1 this budget area is still forecasting an overall under spend of £0.148M.
 - (b) There have been some pressures in this period mainly due to an increase in external fostering and residential placements although they have been partially offset by a reduction in adoption and in-house fostering/guardianship payments. Overall there has been a net increase of three placements but there has also been large increases in the package cost of seven of our existing placements
 - (c) There is a pressure in the Management and Social Work area of £0.323M mainly due to the requirement to employ agency staff and use staff overtime to cover for social work team shortages and caseloads (£0.220M). Pressures are also projected from the costs of interim management arrangements and additional support costs of children leaving care. These pressures are being offset in part by a projected

saving of £0.156M within the Family Support division. This is made up from a number of small savings across the Contact service, early intervention teams and children's centres mainly from vacant posts and savings in running costs.

(d) Excluded at this stage from the projected outturn are additional costs associated with delivering the Ofsted Improvement plan and these will be reported to Cabinet in due course.

13. The **Economic Growth Group** is forecasting a small under spend of £0.029M, a slight improvement from Quarter 1's break even position.

(a) Regeneration Projects is expected to be over spent by £0.139M due to a challenging year for the property portfolio which has seen both a number of calls for essential maintenance to be carried out as well as a reduction in rental income. Underspends in staffing within the overall service area has helped to reduce the pressure.

(b) Highways is forecast to see a £0.050M under spend on electricity costs as a result of the on-going replacement scheme that is seeing old street lights replaced with more efficient models.

(c) Due to a number of vacant posts across the Group it is anticipated there will be an under spend of £0.087M and supplies and services across the Group is also expected to be £0.031m lower than expected due to lower demand on services.

14. The **Neighbourhood Services and Resources Group** is forecasting an under spend of £0.399M, an improvement of £0.549M as follows;

(a) There are a number of staffing savings under the Assistant Chief Executive (ACE) heading, including the deletion of the ACE post of £0.067M. Organisational Planning are forecasting savings of £0.228M mainly due to holding vacant posts within the Head of Organisational Planning team (£0.020M), the Information team (£0.051M), the Business team (£0.108M) and the Communication and Engagement Management team (£0.040M).

(b) Legal & Procurement - Legal Services have incurred additional staffing costs through the use of agency staff, however this cost has been offset by the generation of external income and also efficiencies elsewhere within the team resulting in an overall improvement of £0.032M. A one-off pressure of £0.019M has arisen within the land charges area resulting from the judgement requiring Council's to refund land search income received over a number of years. Savings of £0.030M have also arisen from a reduction in the amount of external professional services required for children's cases.

(c) In HR savings of £0.055M have also accrued from the ending of equal pay claims, releasing the balance of the budget required for professional fees.

(d) Pressures of £0.050M are being incurred within Business Support staffing from cover requirements and additional support required following the Ofsted report, however these pressures have been offset by a number of smaller savings

amounting to £0.055M resulting from staff turnover and the receipt of additional income across the Human Resources and Finance budget area.

- (e) The Dolphin centre position has worsened by £0.050M. Work continues to reshape the services delivered by the Dolphin Centre. Trading conditions remain difficult, providing challenges on both attendance and efficiencies in service provision.
- (f) Street Scene is forecast to be £0.110M over spent due to higher demand on the service than anticipated. Work is being carried out to manage this demand going forward within the resources available. Conversely Waste Management is expected to be £0.165M better than budget due to the continued strong performance of the waste contract and particularly with household waste.
- (g) In addition, a number of small savings totalling £0.085M have been made across the department across supplies and services budgets, in particular through lower printing usage through the Canon contract.
- (h) Housing is forecasting an improvement of £0.058M due to staff vacancy savings in Local Taxation and Housing Benefits and lower demand for Social Fund services.

15. School balances are shown in **Appendix 2e**.

Corporately Managed and Council Wide Resources

16. The **Council Wide** forecast position remains break even.

17. **Corporately Managed Resources** is currently forecasting an under spend of £3.361M, a reduction of £0.706M. Financing Costs is forecasting an under spend of £0.163M due to a combination of increased income on investments due to a greater number of investments held and a reduction on interest paid on debt. The Cabinet approval for the release of £0.210M, towards loss of income at the Dolphin Centre during the mechanical, electrical and building refurbishment, agreed at its meeting on 7 April 2015 is included. The net Collection Fund deficit forecast of £0.630M is included and explained in more detail in paragraph 19.

Housing Revenue Account

18. The HRA projections are shown in **Appendix 3** and are showing a stable position.

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. At this stage in the year there is a projected deficit on the

NDR Collection Fund of £2.040M of which Darlington share is estimated at £1.000M.

20. The main reason for the projected deficit is a combination of downward revaluations and successful appeals over the last couple of years against the Rateable Value (RV) that accounts for £0.600M of Darlington's share. There has also been an impact from the reliefs businesses are awarded which are described below.
21. All registered charities are eligible to 80% mandatory rate relief as well as being able to request up to £2,000 of discretionary relief, for Darlington there has been an increase in relief granted, 14% more than initially anticipated which equates to £0.170M.
22. As part of the national scheme business rates are not payable in the first 3 months that a property is empty (and can be up to 6 months for certain industrial properties), there has been increase in Empty Property relief granted which equates to £0.180M.
23. Reliefs are given to small businesses, any business with a rateable value (RV) of less than £2,600 is exempt from business rates, those with a RV of £6,000 or less get 100% relief up until 31 March 2016 and those with a RV up to £11,999 get a reduced rate on a sliding scale. We have seen an increase in Small Business Rates Relief awarded of £0.050M due to more businesses being eligible.
24. With regard to the council tax collection fund, there is a greater than budgeted surplus of £0.450M anticipated due to a higher collection rate and more properties being built and eligible for council tax. Darlington's proportion of this is approx. £0.370M and can be offset against the £1.000M NNDR deficit giving a net projected overall overspend of £0.670M.
25. This deficit will need to be incorporated into the MTFP for 2016/17 and beyond and the relevant reduction in resources reflected.

Conclusion

26. The Council's projected revenue reserves at the end of 2015-16 are £17.229M, which is £3.743M better than the initial 2015-20 MTFP position and include a brought forward amount of £2.533M from 2014-15. Departmental reserves are projected to be under spent by £0.382M and corporate reserves projected to be in surplus by £0.828M compared with the 2015-20 MTFP.
27. Of the £17.229 projected reserves, Members will recall that £6.593M is planned for usage in 2016/17 and we have a risk reserve balance of £4.330M, leaving £6.306M one off funding to support the general fund moving forward.
28. 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

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