
REVENUE BUDGET MONITORING 2017-18 – QUARTER 2

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 2017-18 revenue budget outturn as part of the Council's continuous financial management process.

Summary

2. The latest projections show an overall improvement against the Medium Term Financial Plan (MTFP) of £3.792M, an improvement of £3.452M from the Quarter 1 reported position to Cabinet in July 2017. In the main this is due to Corporate Resources showing an improvement of £2.321M following the scrutiny and release of a number of Contingencies budgets and Earmarked Reserves balances that are deemed to be no longer required.
3. A further saving has been achieved in financing costs of £0.416M, due primarily to the investments in property funds as noted in the Treasury Management Strategy at Council in February. The Council Wide budget is forecast to be under spent by £0.264M and the Departmental position has improved by £0.451M with details shown in the main report.
4. Whilst this overall improvement is welcomed it does not change the context in which the MTFP is set, it will however assist the Council in managing the risks inherent in the MTFP in relation to the delivery of savings and mitigate potential pressures.

Recommendation

5. It is recommended that :-
 - (a) The forecast revenue outturn for 2017-18 be noted.
 - (b) The proposed carry forward of resources referred to in paragraphs 15 and 16 of this report be noted and approved.

- (c) The creation of the earmarked reserves requested in paragraphs 17 and 18 of this report be noted and approved.
- (d) Further regular 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.

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 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.
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

7. 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.
8. 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 service they manage.
9. Overall the projected General Fund reserves position at 31st March 2018 is £18.804M, a welcome £3.792M improvement on the planned balances in the 2017-21 MTFP. Of this, the improvement in the Council's 2016-17 outturn results is £0.698M, corporate resources are £3.342M better than planned and departmental resources, taking account of carry forward requests, are £0.248M worse than planned.

Departmental Resources

10. Departmental Resource projections are summarised in **Appendix 2** and detailed in **Appendices 2(a) to 2(d)**.
11. The **Children and Adults Services Group** is forecasting a year-end pressure of £1.170M, with the Adults division reporting a break even position. This is £0.471M worse than the position projected in the Quarter 1 report to Cabinet. Although there are movements in the projected outturn position on a number of budget lines within this area, the main variances are described below.
 - (a) First Response and Early Help is projected to be under spent by £0.416M, an increase of £0.398M from Quarter 1. As Members will be aware, significant savings were agreed in the 2016/17 MTFP across early intervention and children's centres with a remodelling of services into a new Early Help provision. This new service required incrementally increasing savings profiled across a four year implementation period. For 2018/19, an additional £0.400M savings are required above the 2017/19 target. To ensure this target is met posts that have become vacant during the current year have been held vacant pending deletion within 2018/19. This, along with in-year staff turnover has resulted in savings of £0.170M. In addition to staffing, savings of £0.130M have been made on all running costs budgets, in particular children's centre running cost budgets pending the implementation of the recently agreed children's centre review. One-off savings of £0.070M have also been made from the receipt of a backdated rates rebate.

- (b) Adoption and Placements is projected to be over spent by £1.280M, an increase of £1.006M from Quarter 1. This increase has, on the whole, materialised from additional children in the looked after system requiring externally provided residential or foster care. The number of children in external placements has risen from 90 at Quarter 1 to 105 at Quarter 2. In addition a number of the children have required very high cost specialist placements. The increase in numbers is in line with local and national trends with many Councils facing budget pressures in this area. Work is on-going with a number of transformation projects designed to decrease the expenditure in this area.
- (c) Education is projected to be under spent by £0.061M, an improvement of £0.016M. Savings in Education services of £0.050M are being made from staff turnover and vacant posts and additional grant income of £0.089M is expected. This grant, however, ceases in 2018/19 and so does not represent on-going savings.
- (d) Pressures are arising for transporting additional children, over and above the 2016/17 levels, to Beaumont Hill Academy and Marchbank Free School. In addition, there has been an increase in children at out-of-Borough schools as capacity has been exceeded within Darlington. This has resulted in a budget pressure of £0.128M.

12. The **Economic Growth Group** is forecasting an under spend and improvement from Quarter 1 of £0.238M, after a carry forward request of £0.025M.

- (a) CCTV is expected to over spend by £0.057M due mainly to some essential equipment works as well as a slight fall in income due to the recent loss of a customer.
- (b) Car parking income is down across both short and long stay car parks. This has also been mirrored in a reduction seen in other modes of travel. As a result there is a projected shortfall on income of £0.173M.
- (c) The planned introduction of new pay and display machines, which will offer card (including contactless) payments and provide much better intelligence on how each car park is performing will see transaction processing costs associated with card payments present a pressure of £0.033M over the latter part of the year.
- (d) Underspends within Highways arising from one-off staff savings due to vacancies, improved income levels from developments and inspection fees, as well as early achievement of savings from street lighting in both electricity and routine maintenance following the significant column replacement programme is expected to result in a better position of £0.395M.
- (e) Overall, the Group is also seeing further net under spends in staffing of £0.023M and supplies and services of £0.087M.

13. The **Neighbourhood Services and Resources Group** is forecasting an under spend and improvement from Quarter 1 of £0.684M, after a carry forward request of £0.032M.
- (a) Finance and Governance is reporting an improvement of £0.771M. This is mainly due to the review and release of three provisions that have been provided for in previous years but are no longer considered necessary; a land reclamation provision of £0.300M, an equal pay legal costs provision of £0.166M and a social care S117 costs provision of £0.178M. There has also been a rates rebate of £0.094M following the revaluation of the Town Hall.
 - (b) Legal services - There continues to be a high number of children's cases that require specialist medical, advocacy and police support for court proceedings and this has resulted in a pressure of £0.050M. In addition, there is a pressure of £0.040M on the legal services team from social care work and a vacant post that have required locum cover. This is partially offset by savings of £0.030M on printing costs across the Council due to lower usage.
 - (c) Systems team - Pressures of £0.040M are projected due to systems development requirements and the dual running of social care management systems for slightly longer than anticipated. Both the development and social care systems will however produce longer term savings which will be factored into future MTFP's.
 - (d) As a demand led services income from burials and cremations is lower than anticipated over the first half of the year due to reduced numbers using the service, resulting in a pressure of £0.045M.
 - (e) The Dolphin Centre operates within a highly competitive and challenging sector of the leisure industry. There is a projected pressure of £0.065M on staffing costs and £0.135M on income. Work is on-going on the existing business plan that will ensure the Dolphin Centre can continue to compete within this sector. Income targets are being closely scrutinised and work is being focussed on addressing shortfalls on targets.
 - (f) School Meals is projected to have a pressure of £0.036M as a result of the loss of some business. Officers are looking closely at the service and addressing its possible future direction.
 - (g) Housing is forecasting an improvement of £0.046M following the receipt of additional grant income.
 - (h) In addition to the above, the Group is seeing underspends on staffing and running costs budgets across a number of areas.

14. The School balances and allocations are shown in **Appendix 2(e)**.

Departmental Carry Forward Requests

15. Work continues on the development of Highways Asset Management (HAM) from level 2 to 3 and is now expected to be completed by 2018/19. It is requested that the balance of £0.025M on the carry forward agreed in 2016/17 be set aside to allow completion to be funded in 2018/19.
16. £0.032M was agreed as part of the 2017/18 MTFP to support the loss of business whilst the soft play facilities at the Dolphin Centre were refurbished. To minimise disruption, this work was originally planned to be carried out alongside the library relocation but delays have seen the soft play refurbishment slip. It is requested that this is carried forward.

Earmarked Reserve Request

17. It is requested that a ring-fenced reserve is set up to support the implementation of the Experience Darlington strategy, which was detailed in the 6 December 2016 Cabinet report. Slippage on the planned works saw a carry forward of resources from 2016/17 into 2017/18 and as work is anticipated to be carried out on the strategy over a number of years, it is appropriate the identified funding of £129,000 is placed in a reserve that can be drawn down as and when required.
18. To support the work being carried out to develop volunteering and enforcement initiatives as part of the savings agreed in the 2016/17 MTFP it is requested a ring fenced reserve of £124,000 is approved as the expenditure is required across a number of years.

Council Wide and Corporately Managed Resources

19. The improvement in Council Wide and Corporately Managed Resources is £2.586M as a result of;
 - (a) £1.000M relating to the release of the Achieving Real Change for Communities Earmarked Reserve. A loan of £1.000M to support the probation service in the Tees Valley was agreed by Cabinet and Council in February 2015 as part of the 2015/20 MTFP. This is no longer required and is being returned to general reserves.
 - (b) £0.765M identified within the current 2017/21 MTFP as a contribution to the Redundancy Reserve. A review of costs this year to date suggests this contribution will not be required and so is being returned to general reserves.
 - (c) £0.557M relating to elements of the Contingencies budget not being required including £0.275m Employers National Insurance Contribution contingency following IR35 legislation changes as anticipated agency costs have not increased.
 - (d) An improvement on the Council Wide position of £0.264M. £0.200M from one-off public health programme re-profiling following changes to services in line with programme delivery and £0.064M as a result of savings made through the receipt of procurement rebates for energy supplies.

20. The Financing Costs budget is showing an improvement of £0.416M. The majority of the savings relate to the investments in pooled property funds. The Treasury Management Strategy approved by Council in February 2017 approved the use of under-borrowing for investment in pooled property funds. Following a tender exercise and appropriate due diligence the Council has invested £20.000M in total in two funds and a third investment of £10.000M is expected by the end of 2017/18. These should provide £0.283M of income (net of borrowing costs) this year. A further £0.065M of income will be received as interest from loans from commercial ventures. Additionally, savings of £0.068M have been made due to debt principal (MRP) and interest payments on debt being lower than expected.

Housing Revenue Account

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

Collection Fund

22. 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, no surplus or deficit is forecast.

Conclusion

23. The Council's projected revenue reserves at the end of 2017-18 are £18.804M, £3.792M better than the initial 2017-21 MTFP position and include a brought forward amount of £0.698M from 2016-17. Departmental resources are forecast to be over spent by £0.248M and corporately managed resources are forecast to be under spent by £3.342M.

24. Of the £18.804M projected reserves, we have a risk reserve balance of £4.330M, a commitment to use £6.956M to support the 2017-2021 MTFP, leaving £7.518M one- off funding to further support the general fund moving forward.

25. Whilst the improved position is helpful it does not change the financial context in which the Council is currently planning.

Outcome of Consultation

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