
REVENUE BUDGET MONITORING 2016-17 – 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 2016-17 revenue budget outturn as part of the Council's continuous financial management process.

Summary

2. The latest projections show an overall decline against the Medium Term Financial Plan (MTFP) of £0.099M. The People Group is forecasting an over spend of £2.217M with significant pressures in Children and Adult services. Offsetting this are departmental and corporate savings of £1.001M and £0.845M respectively that are detailed later in this report. Included within the departmental savings are carry forward requests of £0.270M for which approval is sought and these are referred to in paragraphs 13 to 17 below.

Recommendation

3. It is recommended that :-
 - (a) The forecast revenue outturn for 2016-17 and actions being taken to manage the Council's finances be noted.
 - (b) The proposed carry forward of resources referred to in paragraphs 13 to 17 of this report be noted and approved
 - (c) Further reports be made to monitor progress and take prompt action if necessary.

Reasons

4. 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 2601

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

5. 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.
6. The information for 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.
7. Overall the projected General Fund reserves position at 31st March 2017 is £15.386M, which is £0.099M worse 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, including proposed carry forward requests, are £1.216M worse than planned and corporate resources are £0.845M better than planned.

Departmental Resources

8. Departmental Resource projections are summarised in **Appendix 2** and detailed in **Appendices 2(b) to 2(d)**.
9. The **People Group** is forecasting an over spend of £2.217M, of which £1.054M relates to Children's Services and £1.163M relates to Adult Social Care and Health;

Children's Services

- (a) Pressures in management and social work in two main areas amount to £0.909M. Firstly £0.464M for Interim arrangements that have been used in two main circumstances. Firstly to strengthen capacity in areas requiring particular management focus, and secondly to provide management cover for vacancies subject to development and implementation of new structures. These costs are one-off in 2016/17 and hence should cause no pressures in future years.
- (b) Secondly, £0.462M of pressures from the use of agency workers to cover for maternity, sickness and vacant posts. Due to service demands, all social work posts are required to deal with the current caseloads, therefore any post that is vacant is filled with an agency worker in the short term. The cost of agency workers far outweighs permanent staff, hence the large pressure in this area. Currently 30% of social work posts are vacant within the team, therefore these pressures are expected to continue into next year. The cost of agency staff is a national problem and work is ongoing in regard to recruitment strategies to try and ease the pressure including a North East Group looking at Regional Social Work Agencies which is being led by Darlington's Director of Children and Adult services.

- (c) There is a pressure of £0.691M within the Looked after Children budget, £0.923M of which is within external fostering and residential placements due to the increased number of children in placements and increased costs due to the complex nature of a small number of placements. There are also pressures with connected carer placements (placements with family members and friends) due to an increase in the number of looked after children being placed in this way. This group of carers are paid at the standard in-house fostering rate. These pressures are offset by savings within the in-house fostering budget. Currently there are approximately 40 more LAC children in Darlington than in the previous year which has arisen due to a number of local and national factors, as a result it is expected that these current pressure will continue into next year. Nationally the numbers of children being placed into care has increased.
- (d) Significant savings of £0.500M are projected within the Family Support and Early Help teams. These savings are early realisations of future years savings that are planned for 2017/18 and onwards as part of the current MTFP. Posts that have become vacant are being held in preparation for the outcome of the new Early Help model. As a result of this these savings will only show as a one year effect on the agreed budget.

Adult Social Care & Health

- (e) The savings target of £3.000M, identified as part of previous year MTFP savings, is not expected to be fully achieved in 2016/17 and it is estimated there will be a shortfall of £1.200M in the year. A comprehensive transformation programme has been developed and work is currently being undertaken under this programme to bring the budget back in line. It is anticipated that this is back on target and should be achieved from 2017/18.
10. The **Economic Growth Group** is projecting an under spend, after carry forward requests of £0.175M, of £0.456M;
- (a) Costs associated with the Water & Flooding Act are expected to be under spent by £0.020M, however if there is a significant event during the remainder of the year this may need reviewing.
 - (b) Within Transport and Capital Projects there is a pressure of £0.150M within Highways Asset Management (HAM) due to the large volume of works required to be carried out on routine maintenance, including patching, pothole repair and paving. There is also a pressure on the Highways DLO service of £0.100M, expected as turnover is lower than anticipated due to slippage on a number of scheme works which will now be completed in 2017/18..
 - (c) Pressures are being offset against under spends in street lighting of £0.217M due to lower maintenance costs needed as a result of the lantern replacement scheme and under spends in supplies and services budgets of £0.060M expected within Highways Network Management.
 - (d) An under spend of £0.164M is expected in Concessionary Fares following lower inflationary growth on the scheme operated by bus operators as well as additional contributions made to fund the bulk issue of bus passes.

- (e) Following the successful award of the Sustainable Travel Transition Year (STTY) fund in early 2016/17, Sustainable Transport does not require the previously agreed carry forward and £0.100M can be released into reserves.
 - (f) The Group has also seen an overall under spend of £0.060M arising from vacant posts as well as general improvements in spend on supplies and services of £0.055M, some of which has arisen due to lower than expected inflationary increases.
11. The **Neighbourhood Services and Resources Group** is forecasting an under spend, after carry forward requests of £0.095M, of £0.545M;
- (a) Finance and Governance are projecting an under spend of £0.336M; £0.059M resulting from holding vacant of a number of posts pending a restructure of the service, a one-off NNDR rebate of £0.177M following a revaluation of the crematorium and £0.100M of early realised savings across the department.
 - (b) HR and Health & Safety are forecasting savings of £0.035M from staff changes and additional income gained through Construction Design and Management (CDM) regulation works.
 - (c) Legal and Procurement are projecting savings of £0.021M from additional land charges income and various small savings in staffing and running costs budgets.
 - (d) Democratic Services and Administration are forecasting savings of £0.083M arising from the early realisation of future years MTFP savings by holding vacant posts in Democratic Services and Secretarial Support, and Savings of £0.020M are also forecast from additional income in Customer Services and Register of Electors.
 - (e) As a result of four schools ceasing to use services from September for both School Meals and Building Cleaning there is a pressure of £0.070M expected due to falling income levels.
 - (f) A reduction in businesses operating from within the Covered Market is also resulting in lost rental income of £0.065M. This is not expected to improve until after the procurement exercise for the market service is completed.
 - (g) Given the competitive market in which the Dolphin Centre operates, a pressure of £0.073M is anticipated. Work continues on a business plan that will address the future direction of the service with options for reducing the deficit.
 - (h) Lower than expected inflationary growth has resulted in an under spend in Waste Management of £0.088M.
 - (i) Following review of salary costs across the full service a £0.100M under spend is anticipated following the new pension regulations and subsequent National Insurance increases where initial estimates were too high.

- (j) Housing is forecast to be under spent by £0.041M due to vacant posts being held in Local Taxation and Housing Benefits plus an expected reduction in the spend on the e-billing / e-forms project.

12. The School balances and allocations are shown in **Appendix 2e**. Four primary schools converted to academy status on 1 October 2016; Corporation Road Primary, High Coniscliffe CE Primary, Mount Pleasant Primary and St Mary's Cockerton CE Primary.

Carry Forward Requests

- 13. Savings following the early implementation of MTFP savings and additional income achieved in development management amounting to £0.145M is requested to be carried forward to help fund the work of the Economic Initiative teams in supporting delivery of current and future developments to promote growth within the borough and assist in achieving future savings.
- 14. £0.030M for slippage on the HAM from level 2 to level 3. The DfT have introduced an incentive element for funding whereby if HAM systems and practices are not developed over the next 3 years to levels that the DfT consider to be exemplar it may result in significant loss in future funding levels. Work is already underway in 2016/17 and the carry forward request is to fund areas of development that have slipped into 2017/18. An example of work that is already on-going includes the expansion of the existing Symology PMS (pavement management system) to allow condition projection and costing; the provision of hand-held smart devices and software development to allow connectivity for the highways inspectors, with the Symology and Lagan systems, in real-time when out on site. This will result in efficiency saving contributions towards the MTFP.
- 15. £0.035M to carry out works within the Denes following the completion of the HLF funded restoration. Following settlement of the final grant payment from the HLF it is proposed that this surplus is carried forward to 2017/18 to allow for additional seasonal works to be carried out.
- 16. £0.050M for a fund for ward based volunteering within Street Scene Services. As part of the MTFP Phase 2 plan a fund was agreed to support ward based volunteering over 2 years. Alternative funding for 2016/17 has been found and it is proposed to carry forward the full fund into 2017/18 to support this initiative going forward to ultimately reduce pressure on future year expenditure.
- 17. Following implementation of the mobile radio solution in Street Scene, there is an annual rental charge which is proposed to be funded from the under spend from the previous years carry forward for the project and £0.010M is requested to be carried forward.

Council Wide and Corporately Managed Resources

18. The improvement in Corporately Managed Resources is £0.617M. Council Wide Resources is forecasting an improvement of £0.170M from the early realisation of public health service programme re-profiling and £0.033M from additional one-off savings from procurement projects. Following review a carry forward request from 2016/17 in regard to enhancing mitigation options for MTFP proposals is not required as work is being carried out within existing budget, it is therefore proposed the £0.100m allocated is returned to reserves given the pressures on the MTFP. Improvements in the Financing Costs budget of £0.264M are projected due to reduced interest payable on debt and increased interest receivable on additional investments. A saving of £0.050M on the employers past service deficit contingency is also expected based on actual charges to date.

Housing Revenue Account

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

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. At this stage in the year, no surplus or deficit is forecast.

Conclusion

21. The Council's projected revenue reserves at the end of 2016-17 are £15.386M, which is £0.099M worse 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 over spent by £1.216M and corporately managed resources are forecast to be under spent by £0.845M.
22. Of the £15.386M projected reserves, we have a risk reserve balance of £4.330M, leaving £11.056M one off funding to further support the general fund moving forward. Members may recall that £9.345M of balances is already identified within the 2016-20 MTFP for usage between 2017-18 and 2019-20.

Outcome of Consultation

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