
REVENUE BUDGET MONITORING 2012-13 – QUARTER 3

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

Responsible Director - Paul Wildsmith, Director of Resources

SUMMARY REPORT

Purpose of the Report

1. To provide an up-to-date forecast of the 2012-13 revenue budget outturn as part of the Council's continuous financial management processes.

Summary

2. The current economic climate and outlook specifically for the public sector mean that financial management is of paramount importance.
3. The latest projections show an overall improvement of £3.498M compared with the approved Medium Term Financial Plan (MTFP) for 2012-16. This is an improvement of £0.529M compared with that previously reported to Cabinet on 6 November 2012 but is in line with the projected General Fund Reserve in the draft MTFP noted at Cabinet on the 15 January 2013.

Recommendation

4. It is recommended that :-
 - (a) The forecast revenue outturn for 2012-13 and actions being taken to manage the Council's finances be noted.
 - (b) The proposed carry forward of departmental resources to 2013/14 referred to in paragraph 28 be noted.
 - (c) 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 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

7. To enable timely information to be presented to Cabinet and in accordance with the statutory 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 2012 and service 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 2013 is £14.177M, which is £3.498M better than planned in the 2012-16 MTFP. Corporately managed resources are forecast to be £5.676M better than the MTFP, however, departmentally-managed net expenditure is forecast to be £2.178M higher than the MTFP. The projections are summarised in **Appendix 1**.
10. Projections which have previously been reported to Cabinet and Chief Officers Board/Executive are presented graphically in **Appendix 2**.

Financial Implications

Departmental Resources

11. Departmental Resource projections are summarised in **Appendix 3** and detailed in **Appendices 3(a) to 3(d)**. Budget management projections show an over spend of £2.178M compared with the MTFP which is £0.117M higher than previously reported to Cabinet and significant variances are explained below.
12. The People Group is forecasting an over spend of £1.978M, which is a reduction of £0.129M from that previously reported to Cabinet.
13. The looked after children pressure against budget is now £2.019M, an increase of £0.442M from the last report. Although placement numbers overall have reduced by four, the increase in forecast spend is partly as a result of new placement costs being higher than those leaving and in particular a number of very expensive specialist placements since the quarter two report. There are also increased fostering and alternative regular allowance costs as children move from external placements and increased adoption allowance costs due to an increased number of adoption placements.
14. Offsetting this increase are savings of £0.063M within Family Support on staffing and running costs, a saving of £0.109M within People & Strategy Improvement due to the receipt of new grant income and utilisation of existing grant within this area and a saving of £0.072M within the Talking Together budgets primarily due to the carry forward of £0.060M from 2011/12 no longer being required. Passenger

Transport has moved from Place to People and is continuing to forecast an under spend of £0.100M.

15. Adults Social Care is forecasting an under spend of £0.164M, an improvement of £0.213M from the last report. This is largely due to a reduction in the number of people in older person's residential care.
16. The Place Group is forecasting an under spend of £0.058M, which is a reduction of £0.054M from that previously reported.
17. There have been a number of pressures on income across the group resulting from reduced patronage across our leisure and cultural facilities and lower car parking income, along with the slippage of some anticipated large planning fees. In total the change from the last report equates to £0.365M. Work is ongoing to try and mitigate these pressures and officers are reviewing expenditure and marketing initiatives.
18. The income pressures are being offset in a number of areas, in particular, Building Services where the major work account which has seen profits improve by £0.176M since the last report. Highways has also seen a further improvement in its reported under spend of £0.033M which is mainly due to managing the current workload using the existing staffing levels following a number of vacant posts.
19. Based on anticipated patronage figures the over spend on Concessionary Fares is now expected to be £0.262M, an improvement of £0.048M.
20. The previously reported over spend in Strategy & Commissioning of £0.117M has reduced to £0.060M due to a reduced need to carry out consultancy and data gathering and the overall under spend for the Programmes & Projects Team has also improved by £0.042M as the planned one year funding of a funding team officer is not required.
21. Housing is forecasting an under spend of £0.058M, which is an improvement of £0.055M from that previously reported. The Housing Benefit surplus is better than projected as a review of recovery from entitlement has been carried out and over payments are being recovered quicker than expected. Staff savings have also been achieved in Local Taxation as a result of new starters not joining the pension scheme.
22. The Place Group forecast under spend includes a number of proposed carry forwards to 2013/14 amounting to £0.134M that have been identified at this stage, however final requests will be detailed in the outturn report to Cabinet in July.
23. Resources Group is forecasting an over spend of £0.260M, an increase of £0.194M from that previously reported. The main reason being a pressure of £0.166M on children's legal fees based on spend to date and a pressure of £0.100M on legal and professional fees associated with equal pay claims.
24. School balances are shown in **Appendix 2f**.

Corporately Managed Resources

25. The Council Wide outturn position is an over spend of £0.646M, which is £0.334M worse than previously reported. This is due to an increase in the projected shortfall on procurement savings of £0.293M. The Procurement target for this year was £1.700M and significant progress has been made against it, however the financial climate has worsened and budgets reduced further than anticipated when the target was set. The consequential effect is a lowering of the expenditure base on which procurement savings can be met. A number of projects including the 3 Borough People collaboration, options for Place and Corporate Landlord have also had savings aligned to contracts again significantly reducing the base for savings to be realised. This of course doesn't mean savings haven't been achieved, just that they will have been captured elsewhere or that the spend has been stopped completely. There is also a pressure of £0.041M on the Customer Access points saving which has been delayed until the 2014/15 financial year.
26. The Corporate Resources position is an under spend of £6.322M, which is an improvement of £0.980M from that previously reported. A refund of £0.182M has been received from HMRC in respect of VAT incorrectly paid over on parking fines for the last four years. An overall saving of £0.030M on financing costs is forecast due to the reduced repayment of principal because of the timing of the capital programme and increased interest earned on investments, partly offset by increased interest payments on debt due to an increase in the Council's consolidated rate of interest. An allocation of £0.016M has been released in respect of the set up costs in preparation of delivering the Local Social Fund service from April 2013, as agreed by Cabinet on 6 November 2012. A total of £0.786M has been released from the Contingencies budget to general reserves, only £0.050M of the £0.100M identified for planning fees is required, the £0.018M contingency for long term vacancies in the indoor market and the £0.418M contingency for adults learning disability transitions are no longer required and only £0.100M from the £0.400M ICT Architecture contingency is required so £0.300M is being returned to general reserves this year.

Housing Revenue Account

27. HRA projections are shown in **Appendix 4**. The closing HRA Working Balance has improved by £1.909M since the last report. This is as a result of savings on financing costs of £1.409M, principally as a result of not repaying borrowings whilst interest rates are low and benefitting from low interest rates on HRA borrowing as a result of using a whole-Council treasury management pool. Management expenditure has reduced by £0.184M, primarily as a result of lower support service charges. RCCO expenditure has reduced by £0.201M due to reduced capital spend. Additional income from rents and charges for services of £0.090M is forecast.

Collection Fund

28. The Collection Fund is a statutory account for Council Tax and business rates income. Payments are made from the Collection Fund to the Council's General Fund and to the Police and Fire & Rescue Authorities, on whose behalf the

Authority collects Council Tax. At this stage in the year no surplus or deficit is forecast.

Savings

29. Progress in implementing the planned savings in the 2012-16 MTFP is reported in Appendix 5. The total planned savings in 2012-13 is £1.064M against a target of £1.151M. Management action is continuing to deliver improvements in efficiency both in the current year and the longer term.

Conclusion

30. The Council's projected revenue reserves at the end of 2012-13 are £14.177M, which is £3.498M better than the planned position. Departmental reserves are projected to be in deficit by £2.178M, there is a brought forward from 2011-12 results of £2.983M and corporately managed reserves are projected to be in surplus by £2.693M compared with the 2012-16 MTFP.

Outcome of Consultation

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