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**REVENUE BUDGET MONITORING 2011-12 – QUARTER 2**

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

**Responsible Director - Paul Wildsmith, Director of Resources**

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**SUMMARY REPORT**

**Purpose of the Report**

1. To provide an up-to-date forecast of the 2011-12 revenue budget outturn as part of the Council's continuous financial management processes.

**Summary**

2. The latest projections show an overall improvement of £2.093M compared with the approved Medium Term Financial Plan (MTFP) for 2011-15. This is an improvement of £1.379M compared with those previously reported to Cabinet on 19 July 2011.

**Recommendation**

3. It is recommended that :-
  - (a) The forecast revenue outturn for 2011-12 and actions being taken to manage the Council's finances and services be noted.
  - (b) Further regular 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 Resources**

**Background Papers**

No background papers were used in preparing this report other than those referred to in the 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 carbon impact implications in this report
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	The report does not propose changes to the budget or 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 statutory 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 2011 and service 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 31<sup>st</sup> March 2012 is £9.277M, which is £2.093M better than planned in the 2011-15 MTFP. Corporately managed resources are forecast to be £1.272M better than the MTFP, however, departmentally-managed net expenditure is forecast to be £577,000 higher than the MTFP. The increase in resources following the conclusion of the external audit of the 2010-11 accounts is £1,398,000, which is £112,000 less than previously reported. The projections are summarised in **Appendix 1**.
8. Projections which have previously been reported to Cabinet and Chief Officers Board are presented graphically in **Appendix 2**.

### Departmental Resources

9. Departmental Resource projections are summarised in **Appendix 3** and detailed in **Appendices 3(a) to 3(d)**. Budget management projections show a deficit of £577,000 compared with the 2011-15 MTFP.
10. Council Wide Budgets – there is a projected over spend of £206,000 forecast due partly to a pressure of £100,000 as a result of a shortfall in procurement savings. The procurement saving target for 2011/12 is high at £729,000 and whilst the majority of savings are being achieved it is anticipated there will be slippage of £100,000 into next financial year. There is also a forecast pressure of £106,000 as a result of premium payment savings that are unlikely to be made although this is partly offset by additional management savings.
11. The People Group is projecting an over spend of £290,000, a reduction of £179,000 from that previously reported. The most significant pressure remains the number of children entering the social care system and requiring looked after provision. A contingency of £248,000 was made in the 2011/12 MTFP and this has now been released however there is still a projected pressure of £1.3m and relates to an additional 27 children being brought into care this financial year. Work is ongoing to reduce this pressure by increasing fostering placements along with Tees Valley wide work looking at contracting arrangements.
12. This over spend is being offset by savings on Supporting People contracts and a large under spend on Adults external purchase of care. Although placements in residential care have not decreased from budgeted numbers there has been a significant reduction in funded placements, this is a continuation of the savings identified at the end of last financial year.

There has also been a reduction in the cost of care packages and inflation has been removed from the budget of £200,000.

13. The Housing division is projecting an under spend of £190,000, an improvement of £196,000 from that previously reported due to the release of staff vacancy savings following a full service review.
14. The Place group is projecting an under spend of £17,000, an improvement of £281,000 from that previously reported. The most significant improvement is in Concessionary Fares which is forecasting an under spend of £650,000 as a result of the new charging model. Data from the operator suggests this under spend may improve if patronage remains at current levels.
15. Pressures in Place include Street Scene where the loss of Trade Waste business and rising fuel prices account for an over spend of £92,000. Joint Levies and Boards is projecting an over spend of £72,000 due to higher Coroners costs than previous years and the DLO is forecasting a pressure of £190,000 due to a lower than expected construction turnover, lower uptake of school meals and lower catering sales at Stressholme Golf Course.
16. The Resources group is projecting an over spend of £98,000, an increase of £35,000 from that previously reported. The increase is due to a loss of income, in HR from schools, in Legal from Land charges and in Communications from advertising in the Town Crier. These pressures are offset by savings of £72,000 in Democratic Services on audit fees, subscriptions and Member allowances and staffing savings in Transformation and Secretarial Services.
17. School balances are shown in **Appendix 3(e)**.

### **Corporately Managed Resources**

18. There is a return to General Fund balances due to unexpected grant allocation of £321,000 for the Youth Offending Service, £20,500 for Pathfinder services, £35,500 as a result of a reduction in the Landfill Allowance Trading Scheme liability and £575,000 as a result of the 2011/12 pay freeze. This is offset by a transfer from General Fund balances of £100,000 in respect of the Civic Theatre as agreed by Cabinet on 21 June 2011. Cabinet approval was for a transfer of £300,000. £100,000 is to be utilised in 2011-12 with the balance of £200,000 in 2012-13.
19. There is also a forecast under spend of £420,000 on Financing Costs due to the reduced repayment of debt relating to slippage of the 2010/11 Capital Programme and reduced interest paid due to greater internal borrowing than expected, offset by reduced interest received on investments.

### **Housing Revenue Account**

20. HRA projections are shown in **Appendix 4**. The HRA remains stable.

## **Savings**

21. Progress in implementing planned savings in the 2011-15 MTFP is reported in **Appendix 5**. The total planned savings in 2011-12 is £6.205M against a target of £6.828M, a shortfall of £623,000. This shortfall is primarily due to savings in Adult Social Care with regard to eligibility criteria and disability disregard where Cabinet has deferred making a decision until such time as it considers its wider budget strategy and associated impacts.

## **Collection Fund**

22. 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 predicted for 2011-12.

## **Conclusion**

23. The Council's projected revenue reserves at the end of 2011-12 are £9.277M, which is £2.093M better than the planned position. Departmental reserves are projected to be in deficit by £577,000 and corporately managed reserves in surplus by £2.670M compared with the 2011-15 MTFP. Management action is continuing to deliver improvements in efficiency both in the current year and the longer term.

## **Outcome of Consultation**

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