
REVENUE BUDGET MONITORING 2012-13 – QUARTER 2

**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 £2.969M compared with the approved Medium Term Financial Plan (MTFP) for 2012-16. This is a reduction of £0.046M compared with that previously reported to Cabinet on 10 July 2012.

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 29 be noted.
 - (c) Further regular reports be made to monitor progress and take prompt action if necessary.

Reasons

5. 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

6. To enable timely information to be presented to Cabinet and in accordance with the statutory report publication requirements, this report has been written before the end of the second quarter's results were available. However all known variances at the point of completion have been taken into account.
7. The information for this report has been taken from the financial records for April to August 2012 and managers' projections for the remainder of the year, using their knowledge of events affecting the service they manage.
8. Overall the projected General Fund reserves position at 31st March 2013 is £13.648M, which is £2.969M better than planned in the 2012-16 MTFP. Corporately managed resources are forecast to be £5.030M better than the MTFP, however, departmentally-managed net expenditure is forecast to be £2.061M higher than the MTFP. The projections are summarised in **Appendix 1**.
9. Projections which have previously been reported to Cabinet and Chief Officers Board/Executive are presented graphically in **Appendix 2**.

Financial Implications

Departmental Resources

10. 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 £2.061M compared with the MTFP which is £0.042M better than previously reported to Cabinet and the significant variances are explained below.
11. The People Group is forecasting an over spend of £2.107M, which is an increase of £0.845M from that previously reported to Cabinet.
12. The looked after children pressure against budget is now £1.577M, an increase of £0.440M from the last report. This increase is as a result of the cost of new placement costs being higher than those leaving and in particular a number of very expensive specialist placements since the quarter one report. The budget was set to support 65 places, currently there are 92 children in placements, however across the year to date 108 places have been supported resulting in the budget pressure. Management are taking action to reduce this over spend and prevent the costs further increasing by looking to reduce the numbers of children requiring placements and secondly trying to reduce the cost of each placement.
13. With regard to reducing the number of placements there is a recruitment drive to secure more in-house carers as in-house fostering is far more cost effective than external provision. There is also close working across the region with regard to fostering placements and options for a tri-borough fostering service are being explored.

14. Residential external specialist placements can vary in cost but account for a significant part of the pressure accruing. Work is ongoing to explore a Tees wide brokerage service to deal with placement finding and cost negotiation. It is anticipated that this will allow the market to be managed more efficiently through economies of scale.
15. All placements go through a risk assessment and assessment of need before being placed. Ongoing early intervention work is continuing and work through the Troubled Families programme is aimed at reducing future placements.
16. There is also an overall pressure of £0.250M in children and families social care, being a combination of unachieved staff turnover savings with turnover being lower than in previous years, the use of agency workers which come at a high premium due to the shortage in the market of social worker staff and increased costs in supporting children in need and their families.
17. Within the Family Support division, there is a pressure of £0.300M on supported and supervised contact costs due to an increase in the numbers requiring this service, this is closely linked to the number of looked after children we have. A decision was taken earlier in the year to recruit in-house temporary staff rather than to use external agencies to provide these services, this has already resulted in a reduction in the over spend within this area. This pressure is partially offset by savings totalling £0.080M in staffing, running costs and one-off additional income. There is also a pressure of £0.050M in the Kids & Co nursery due to a reduction in income on this service. Consultation is currently underway regarding the future provision of this service.
18. Overall Adults Social Care is in line with the budget however this masks an increase in the number of new packages in the Learning Disability and Physical Disability services which are being offset by under spends in Older People External Purchase of Care. A transformation project looking at all aspects of Adult Care is underway and is looking amongst other areas at package costs, reablement and eligibility and systems to reduce expenditure across the whole service area.
19. The Place Group is forecasting an under spend of £0.112M, an improvement of £0.744M from that previously reported.
20. Based on anticipated patronage figures the over spend on Concessionary Fares is now expected to be £0.310M, an improvement of £0.090M. The anticipated over spend is as a result of changes made to the charging model by the DfT and the use of local data by Arriva to calculate their recharges.
21. Due to a delay by Government in allowing the Council to introduce localised planning fees, there is a pressure on planning fee income of £0.050M. This, however, will be met from the planning fees Contingency established in the MTFP in March 2012.
22. Due to a fall in trade waste income as a result of lost business, Street Scene is now expected to have a £0.100M pressure at year end. Despite this the trade waste service is still profitable and work is ongoing to address how this will impact on the

service in 2013/14 and whether additional business can be generated. Further to this we have seen a fall in income derived from the purchase of grave rights and the associated maintenance of £0.025M.

23. The very wet start to the financial year has impacted on golf course patronage and it is now expected to see Stressholme's year end position worsen by £0.060M as a result of reduced income levels. The under spend is directly linked to weather conditions and can only be managed within these limits. Cabinet considered a report on the 11 September 2012 where a potential merger with Blackwell Golf course is being explored. A further report will be presented to Cabinet following the outcome of negotiations and consultation
24. Passenger Transport is expected to have a £0.100M under spend at the year end due to a fall in contract hire spend as more transport is handled within the internal fleet. The under spend is directly linked to the needs of the user and as new users draw on the service each term the overall under spend may fall or increase depending on their specific requirements.
25. Due to falling income from room hires at the Dolphin Centre there is an anticipated pressure of £0.080M. The management team continue to work towards increasing business as well as minimising expenditure. Second quarter figures are also showing that utilities are rising and are higher than in previous years by £0.020M. These pressures are being slightly offset by an overall under spend of £0.060M in culture, £0.030M of which is from greater profits on show income at the Civic Theatre.
26. Following the implementation of the revised structure from the Options for Place project it is expected that there will be over £450k of savings in 2012/13.
27. Following a recent review of expenditure provisions relating to Building Services works from previous years a number have been released as they are either no longer required or are felt to be overly cautious. This has released a one off amount of £0.400M.
28. Due to a number of part year vacancies within Programmes & Projects an opportunity has arisen to fund two fixed term posts. One post will work with the funding team to assist in developing and exploring new funding opportunities and another post which will primarily be funded from the Local Sustainable Transport Fund but will be part funded by the Council. The posts would be filled during the last quarter of the financial year and fall into the following financial year. It is requested £0.040M be carried forward to 2013/14 to fund these two roles.
29. Resources Group is forecasting an over spend of £0.066M, an improvement of £0.143M from that previously reported. The projected budget pressure has reduced since the first quarter as a result of work across the whole department to challenge all expenditure, introducing more efficient practices and the holding of vacant posts. This will continue throughout the remainder of the year to further drive down any over spends. This position excludes a pressure of £0.054M within ICT Schemes that will be met from the ICT Architecture Contingency established in the MTFP.

30. School balances are shown in **Appendix 2f**.

Corporately Managed Resources

31. The latest projection of corporate resources is a £5.030M surplus, which is a reduction of £0.088M from that previously reported. Unused LSSG grant of £0.132M and additional Youth Offending Service Grant of £0.079M have been returned to General Fund reserves. A saving of £0.092M is forecast on the Council's Carbon Reduction Commitment liability following a lower than expected charge in 2011/12 and contributions from schools. Offsetting these savings is a forecast pressure of £0.387M on procurement savings targets. Work is ongoing through the Procurement and Transformation teams to identify savings on the procurement of goods and services to reduce this estimated shortfall. A Procurement Board has been created to approve all contracts with strict criteria in place to ensure all procurements are in line with the Council's key priorities.

Housing Revenue Account

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

Collection Fund

33. 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

34. 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

35. The Council's projected revenue reserves at the end of 2012-13 are £13.648M, which is £2.969M better than the planned position. Departmental reserves are projected to be in deficit by £2.061M, there is a brought forward from 2011-12 results of £2.985M and corporately managed reserves are projected to be in surplus by £2.045M compared with the 2012-16 MTFP.

Outcome of Consultation

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