

**CABINET
5 SEPTEMBER 2023**

REVENUE BUDGET MONITORING 2023/24 – QUARTER 1

**Responsible Cabinet Member -
Councillor Mandy Porter, Resources Portfolio**

**Responsible Director -
Elizabeth Davison, Group Director of Operations**

SUMMARY REPORT

Purpose of the Report

1. To provide an early forecast of the 2023/24 revenue budget outturn as part of the Council's continuous financial management process.

Summary

2. This is the first revenue budget management report to Cabinet for 2023/24. The latest projections show an overall decline of £0.773m on the 2023-27 Medium Term Financial Plan (MTFP). This is due to £2.167m of departmental pressures, offset by £1.2m of resources returned to reserves, £0.509m of additional balances following the 2022/23 outturn and a decline in corporate resources of £0.315m.

Recommendations

3. It is recommended that:-
 - (a) The forecast revenue outturn for 2023/24 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.

**Elizabeth Davison
Group Director Operations**

Background Papers

No background papers were used in the preparation of this report.

Brett Nielsen : Extension 5403

S17 Crime and Disorder	There are no specific crime and disorder implications in this report.
Health and Wellbeing	There are no issues relating to health and wellbeing which this report needs to address.
Carbon Impact and Climate Change	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.
Council Plan	The subject matter of the report, the Councils financial standing and financial management, is critical to delivery of the Council Plan, 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

5. This is the first revenue budget management report to Cabinet for 2023/24 and provides an early forecast of the 2023/24 revenue position as part of the Council's continuous financial management process.
6. To enable timely information to be presented and in accordance with the report publication requirements, this report has been compiled before the end of the first 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.
7. The information in this report has been taken from the financial records to May, with June updates for social care placement budgets, and managers' projections for the remainder of the year, using their knowledge of events affecting the services they manage.
8. As has been the case in previous years, a review of the 2023/24 budgets has taken place in consideration of the 2022/23 outturn position and known changes to estimates used in setting the 2023/24 budget. £1.2m of savings have been identified, which can be removed from budgets into reserves without impacting on service delivery.
9. Overall, the projected General Fund reserves position as at the 31 March 2024 is £16.349m, which is £0.773m less than the planned balances in the 2023-27 MTFP. This position relates to £2.167m of departmental pressures, offset by £1.2m of resources returned to reserves, £0.509m of additional balances following the 2022/23 outturn and a decline in corporate resources of £0.315m.

Departmental Resources

10. Departmental resource projections are summarised in **Appendix 2** and detailed in **Appendices 2(a) to 2(e)**. It is difficult to exactly predict year end positions at this early stage of the year, therefore many management projections indicate budgets to be online in this report. Budgets with identified significant early variances are detailed in the following paragraphs.
11. The **People Group** budget is projected to be overspent by £2.425m at the end of the financial year. The main changes to the MTFP position are detailed below:
 - (a) **Children's Services** are projecting an overspend of £2.885m at the year end.
 - (i) Adoption and Placements budgets are forecast to be overspent by £2.688m due to higher levels of demand on the service and increased costs of placements. There is an increase of 10 external residential placements at a projected cost of £2.405m, an increase of 15 Special Guardianship Orders at £0.178m, 5 additional Independent Foster Care placements costing £0.077m and 4 additional Child Arrangement Orders costing £0.053m.

- (ii) The overall children's staffing divisions are projected to be overspent by £0.160m. This is a combination of additional staffing and agency costs of £0.061m, to accommodate the increase in children's referrals and case load levels and additional demand for support for children and families currently not in care of £0.099m.
 - (b) **Adult Social Care and Health** is projected to be underspent by £0.477m at the year end.
 - (i) As part of the rebasing exercise undertaken in Adult Services ongoing savings were identified in residential packages due to attrition rates, some of this saving has been reprofiled against increased usage of short break stays, however £0.500m of savings have been identified that can be returned to reserves without impacting on service delivery.
 - (ii) The External Purchase of care budget is projected to be underspent by £0.588m at the year end from:
 - (1) A pressure of £0.220m has been identified in the Learning disability budget for four new people requiring support.
 - (2) A pressure of £0.100m to support the handling of complaints.
 - (3) Savings of £0.908m have been identified from a reduction in the numbers of home care hours and direct payment packages due to attrition and the movement in care activity. Additional income is also projected from an increase in client contributions, mainly due to full fee payers which is a continuation of the 2022/23 outturn position.
12. The **Services Group** is projecting an underspend of £0.200m. The headline areas are detailed below:
- (a) **Capital Projects, Transport & Highways Planning** the overall projected underspend is £0.010m.
 - (i) As part of the MTFP, inflationary increases were built into the budget for energy price increases using information provided by the North East Procurement Organisation (NEPO) who our energy is purchased through. Following updated information from NEPO there is a projected reduction in energy costs of £0.200m within street lighting, as electricity prices are not expected to increase as significantly as estimated. Therefore £0.200m can be returned to reserves without impacting on service delivery.
 - (b) **Community Services** is expected to be overspent by £0.100m as detailed below:
 - (i) The Crematorium is projected to see a shortfall in income of £0.250m which is primarily driven from increased choice in the market following the opening of several new crematoriums in the surrounding region over the last few years.

This has allowed customers to select a crematorium more relevant to where they live.

- (ii) Overall, Leisure Services is projected to underspend by £0.150m from improved income levels and staff savings following a recent review. The closure of the pool has been managed in budget, with any loss of income offset by savings in staffing and running costs.
 - (c) **Community Safety** overall is expected to be underspent by £0.250m from Car Parking and Enforcement following the decision to extend the free parking offer over the first quarter of the year and increased patronage where charges apply.
 - (d) **Corporate Landlord.** As part of the MTFP, inflationary increases were built into the budget for energy price increases using information provided by the NEPO who our energy is purchased through. Following updated information from NEPO there is a projected reduction in energy costs of £0.500m as electricity costs are expected to be reduced by £0.400m and gas by £0.100m. Therefore £0.500m can be returned to reserves without impacting on service delivery.
 - (e) **General Support Services** should see pension related costs linked to the pension increase act to be £0.040m less than budget. This is in line with the on-going trend which has seen payments fall over the last few years.
13. The **Operations Group** is projecting a year end budget underspend of £0.058m. The main changes to the MTFP position are detailed below:
- (a) **Law & Governance** is projecting an underspend of £0.002m. This includes:
 - (i) An underspend of £0.096m in the Administration division due to a combination of staffing vacancies and running costs of £0.056m and savings within the postage budget of £0.040m from the increased use of electronic mail.
 - (ii) The Complaints and FOI division is reporting a projected overspend of £0.060m due to the higher costs of the archive service of £0.019m and additional costs associated with Childrens' and Adults complaints of £0.041m.
 - (iii) The Coroners service is projecting an overspend of £0.027m due to the increased charges from Durham Council for running the service.
 - (b) **Resources** is projecting an overall underspend of £0.118m. This is due to staff turnover, reduced running costs and additional recharge income across all services of £0.182m. This is offset by an estimated overspend in the D&S Partnership of £0.068m following the pay award and reduced income as academies groups move to providing their own payroll services.
 - (c) **Housing and Revenues** is projecting an overspend of £0.062m. This is mainly due to additional staffing costs covering maternity and reduced recharge income within Customer Services.

14. The **Chief Executive & Economy Group** is on target and not projecting any over/under spend at this stage of the year.
15. The School balances and allocations are shown in **Appendix 2(f)**.

Council Wide and Corporately Managed Resources

16. The 2023/24 MTFP assumed a pay award of 5%, however due to the increased cost of living, the current employers pay offer is for an increase of £1,925 for all pay scales up to point 43, with an increase of 3.88% from point 44 and 3.5% for Chief Officers, which equates to approximately 6.5% across all pay scales. At the time of writing no agreement has been made regarding this year's pay award with the exception of Chief Officers. For budget management purposes, it has been assumed that this pay offer will be approved and therefore creates a pressure to the budget of £0.850m. This pressure is included within Council Wide budgets pending agreement and payment through departmental budgets.
17. The pressure for the increased pay award has been offset by an estimated saving in National Insurance (NI) costs following the reversal of the increase NI rate implemented in April 2022. This change in NI came in after the detailed estimates for the 2023-27 MTFP were finalised and it is estimated this will offset the pay award pressure by £0.210m.
18. Corporately managed budgets have improved by £0.325m as a result of the release of additional grant income received by the Council over that included within the current MTFP, for services delivered through existing budgets.

Housing Revenue Account

19. HRA projections are shown in **Appendix 3** with an overall projected balanced budget. There is an increase in contribution from balances of £0.122m, which has arisen mainly due to a shortfall on rental income of £0.117m due to changes in the number of right to buys since budget setting. Further operational pressures of £0.047m have arisen, from an increase in consultancy and IT costs (£0.025m) and staffing and equipment in the Lifeline service (£0.020m).

Conclusion

20. The Council's projected revenue reserves at the end of 2023/24 are £16.349m, £0.773m lower than the initial 2023-27 MTFP position. This position relates to £2.167m of departmental pressures, offset by £1.2m of resources returned to reserves, £0.509m of additional balances following the 2022/23 outturn and a decline in corporate resources of £0.315m.
21. Of the £16.349m projected reserves, we have a commitment to use £21.015m to support years 2 – 4 of the current MTFP, leaving a shortfall of £4.666m in the 2026/27 budget.

Outcome of Consultation

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