

**CABINET
7 NOVEMBER 2023**

REVENUE BUDGET MONITORING 2023/24 – QUARTER 2

**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 a forecast of the 2023/24 revenue budget outturn as part of the Council's continuous financial management process.

Summary

2. This is the second revenue budget management report to Cabinet for 2023/24. The latest projections show an overall decline of £1.119m on the 2023-27 Medium Term Financial Plan (MTFP). This is due to £0.509m of additional balances following the 2022/23 outturn, and £1.200m of resources returned to reserves, offset by £2.602m of projected departmental overspends in 2023/24 and a £0.226m decline in corporate resources.
3. The decline relates to the significant demand being placed on our children's services, where numbers of children in care have increased by 33% from pre pandemic levels, despite the council using the government backed Strengthening Families approach, one of the governments social care innovations programmes. Darlington is not alone, the pressure in children's social care is manifesting itself across the country. We are lobbying government and have provided evidence to the Local Government Association to be used to demonstrate the issues, and disproportionate strain on Darlington's finances in this one area.
4. All departments have been scrutinising their budgets, reducing spend where possible to assist the financial position and subsequently most divisions are showing an underspend or an improvement on the quarter one position.

Recommendation

5. 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

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.

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

7. This is the second revenue budget management report to Cabinet for 2023/24 and provides a mid-year forecast of the 2023/24 revenue position as part of the Council's continuous financial management process.
8. To enable timely information to be presented 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.
9. The information in this report has been taken from the financial records for August and managers' projections for the remainder of the year, using their knowledge of events affecting the services they manage.
10. Overall as summarised in **Appendix 1**, the projected General Fund reserves position as at the 31 March 2024 is £16.003m, which is a decline of £1.119m on the planned balances in the 2023-27 MTFP. This decline relates to £0.509m additional underspend in the Council's 2022/23 financial results and £1.200m of resources returned to reserves, offset by £2.602m of projected departmental overspends in 2023/24 and a £0.226m decline in corporate resources.

Departmental Resources

11. Departmental resource projections are summarised in **Appendix 2** and detailed in **Appendices 2(a) to 2(e)**.
12. The **People Group** budget is projected to be overspent by £3.867m, which is an increase of £1.442m on the position reported at Quarter 1. Childrens' services across the country are seeing significant increases in demand following the aftermath of the pandemic and Darlington is no different. The significant financial pressures are as a result of the increased number and complexity of children's placement costs and the additional staffing required to deal with the caseload levels. The main changes to the budget position are detailed below:
 - (a) **Children's Services** are projecting an overspend of £4.486m at the end of the financial year, an increase of £1.601m on the position reported at Quarter 1. The main changes in projections since Quarter 1 are as follows:
 - (i) Adoption and Placements budgets are forecast to be overspent by £4.201m at the year end, which is an increase in overspend from the previous report of £1.513m. This is due to higher levels of demand, with a further increase of 10 additional external residential placements at a projected cost of £1.266m and an increase of 6 Independent Foster Care Placements at £0.236m.
 - (ii) The overall children's staffing divisions are projected to be overspent by £0.297m, which is an increase from the Quarter 1 report of £0.137m. This is a

combination of additional staffing and agency costs to accommodate the increased children's referrals and case load levels, as well as further increases in support for children and families currently not in care.

- (iii) Disabled Children's division is projected to be underspent by £0.012m, which is an improved position from the previous report of £0.050m. The estimated overspend in staffing budgets has reduced from Quarter 1 and there is a projected underspend in disabled children's care packages within day care services and short break provision.
 - (b) **Development and Commissioning** division is reporting an underspend of £0.039m, this is an improved position from the previous report of £0.077m. The movement is mainly due to staffing vacancies and running cost savings of £0.101m, offset by additional pressures within the Voluntary Sector, due to increased demands on the Financial Inclusion and Community Care funds in response to the cost of living crisis.
 - (c) **Adults & Childrens Services** budgets are projected to be £0.074m underspent at the year end, an improvement of £0.062m. The Business Support and Performance sections are reporting an underspend of £0.074m due to staffing vacancies.
 - (d) **Adult Social Care and Health** are forecasting an underspend of £0.529m, which is a small improvement of £0.052m from Quarter 1. There has been a net increase in External Purchase of Care (EPC) budgets of £0.055m from Learning Disability packages with more complex placements, this has been reduced by a decrease in Older People Learning Disability packages. This increase in EPC has been offset by savings in staffing and running costs budgets across the rest of Adult Services.
13. The **Services Group** is projecting an underspend of £1.116m, an improvement of £0.916m from the reported position at Quarter 1. The headline changes are detailed below:
- (a) **Capital Projects, Transport and Highways Planning** is projected to be underspent by £0.531m an improvement of £0.521m on the position reported at Q1. The Concessionary Fares budget is estimated to be underspent by £0.501m based on the latest operator data and confirmed levels of contributions for 2023/24 from TVCA.
 - (b) **Community Services** is expected to be overspent by £0.110m, an increase of £0.010m from Quarter 1. The Cemeteries and Crematorium budget is projected to see a further shortfall in income of £0.070m which is primarily driven from the crematorium through increased choice in the market following the opening of several new crematoriums in the surrounding regions. The impact of the shortfall has been lessened by savings of £0.031m in staffing and supplies.
 - (c) **Community Safety** is projected to be underspent by £0.550m, an improvement of £0.300m. The Car Parking and Enforcement budget overall is expected to improve by a further £0.300m. The impact of removing the parking offer has not seen as high a reduction in income as was estimated in the MTFP during the initial few months since introduction. Income levels will continue to be monitored over the remainder of the year to track car parking patronage.

- (d) **Building Services** is expected to exceed its income target for 2023/24 by £0.100m following strong turnover levels associated with new build housing.
14. The **Operations Group** is projecting a year end underspend of £0.112m, after previously approved carry forward requests of £0.276m. This is an improvement of £0.054m on the position reported at Quarter 1. The main changes to the MTFP position are detailed below:
- (a) **Resources** is projecting a year end underspend of £0.228m an improvement of £0.110m on the Quarter 1 reported position. The main changes are ongoing savings from 2022/23 in budgeted Insurance Premiums of £0.050m and additional savings from staff turnover and running costs across all budget areas.
 - (b) **Law and Governance** is reported to be overspent by £0.077m, which is a decline in position from Quarter 1 of £0.079m. This is due to increased demand for specialist children's legal services of £0.083m as a result of additional children coming into the care of the Local Authority.
15. The **Chief Executive & Economy Group** is expected to underspend by £0.037m for 2023/24 which is mainly due to savings arising from several vacant posts in the group.
16. The School balances and allocations are shown in **Appendix 2(f)**.

Council Wide and Corporately Managed Resources

17. The Council Wide and Corporately Managed Resources budgets are projected to be £0.226m overspent at year end, an improvement of £0.089m on the Quarter 1 position. This projection now includes savings shown within Children's services at Quarter 1, to give the full net impact of the pay offer and NI changes. This pressure is included within Council Wide budgets pending agreement and payment through departmental budgets.

Housing Revenue Account

18. HRA projections are shown in **Appendix 3** with an overall projected balanced budget. The contribution to balances has improved by £0.323m from Quarter 1, primarily due to:
- (a) Energy savings of £0.331m following a reduction in utility prices.
 - (b) The bad debt provision has been reduced by £0.100m to reflect a reduction in outstanding debt.
 - (c) An increase in projected repairs and maintenance costs of £0.067m due to the increased pay award and the cost of materials.

Conclusion

19. The Council's projected revenue reserves at the end of 2023/24 are £16.003m, a £1.119m decline on the initial 2023-27 MTFP position. This reduction in reserves includes a brought forward amount of £0.509m from 2022/23 and £1.200m of resources returned to

reserves, offset by £2.602m of projected departmental overspends and a £0.226m decrease in corporate resources.

20. The increase in Children's services demand and subsequent cost pressures are of significant concern and will be monitored closely. The rise in children presenting to council services, is despite using the Strengthening Families approach, which is one of the governments social care innovations programmes. Darlington is not alone, the pressure in children's social care is manifesting itself across the country. We are lobbying government and have provided evidence to the Local Government Association to demonstrate the issues and disproportionate strain on Darlington's finances in this one area.
21. All departments have been scrutinising their budgets, reducing spend where possible to assist the financial position and subsequently most divisions are showing an underspend or an improvement on the quarter one position.
22. We are not and cannot be complacent, whilst there are underspends in a number of areas assisting in softening the children's services pressure this year we know that high inflation, demand, interest rates, energy costs will impact on future budgets, and we are reviewing all our services looking to see what efficiencies can be made and how we can generate additional income to protect our services to the public as far as possible.

Outcome of Consultation

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