

**CABINET
6 FEBRUARY 2024**

REVENUE BUDGET MONITORING 2023/24 – QUARTER 3

**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 third revenue budget management report to Cabinet for 2023/24. The latest projections show an overall decline of £0.738m on the 2023-27 Medium Term Financial Plan (MTFP), however this is an improvement of £0.381m on the Quarter 2 projection. This is due to £0.509m of additional balances following the 2022/23 outturn, £1.200m of resources returned to reserves and a £0.225m improvement in corporate resources, offset by £2.672m of projected departmental overspends in 2023/24.
3. The decline relates to the significant demand being placed on our Children's Services, where numbers of children in care during this year have increased by 33% from pre pandemic levels, despite the Council using the 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 continue to highlight to government the disproportionate strain on Darlington's finances from this one service area.
4. All departments continue to scrutinise their budgets in year, reducing spend where possible to assist the financial position and offset the demand pressures within Children's Services and subsequently most divisions are showing an underspend, or an improvement on the quarter two position.

Recommendation

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

- (b) The carry forward of resources referred to in paragraphs 18-20 be noted and approved.
- (c) 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.

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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 third revenue budget management report to Cabinet for 2023/24 and provides the latest 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 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.
9. The information in this report has been taken from the financial records for November and managers' projections for the remainder of the year, using their knowledge of events affecting the services they manage.
10. The projected General Fund reserves position as at the 31 March 2024 is £16.384m, a decline of £0.738m on the planned balances in the 2023-27 MTFP, however this is an improvement of £0.381m on the position reported at Quarter 2. The decline relates to £0.509m additional underspend in the Council's 2022/23 financial results, £1.200m of resources returned to reserves and a £0.225m improvement in corporate resources, offset by £2.672m of projected departmental overspends in 2023/24.

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 £3.752m, an improvement of £0.115m on the position reported at Quarter 2. The main changes to the budget position are detailed below:
 - (a) The **Group Director of People** budgets are showing a projected year end overspend of £0.053m an increase of £0.042m on the Quarter 2 position. This is due to increased demand falling on the Child Protection and Review service, with the need to use additional agency workers.
 - (b) **Adults & Childrens Services** budgets are projecting a year end underspend of £0.127m, an improvement of £0.053m, due to savings in staffing vacancies and running costs.
 - (c) **Children's Services** are projecting an overspend of £4.657m at the end of the financial year, an increase of £0.171m on the position reported at Quarter 2. The main changes in projections since Quarter 2 are as follows:
 - (i) Adoption and Placements budgets are forecast to be overspent by £4.607m at the year end, an increase in the period of £0.406m. This is due to three new high-cost residential placements, changes in end dates for two placements and

block bed arrangements (totalling £0.467m). This increase has been offset by other changes in placement budgets, including a reduction of seven Independent Foster Carer placements.

- (ii) The overall children's staffing divisions (Management, Assessment Care Panning & LAC and First Response & Early Help) are projected break even at the year end, an improvement from the Quarter 2 report of £0.295m. This is a combination of staff vacancies, savings in running costs and additional grant funding.
 - (iii) The Disabled Children's division is projected to be overspent by £0.048m, a decline in position from the Quarter 2 report of £0.060m. This increase is due to demand with additional carers allowances and day service provisions (although still projected to underspend) and additional staffing and agency costs.
 - (d) The **Development and Commissioning** division is reporting an underspend of £0.150m, an improved position from the previous report of £0.111m. The movement is mainly due additional grant funding of £0.071m and the overspend on the Financial Inclusion and Community Care budgets being offset by the Cost of Living fund.
 - (e) **Education** is projected to be underspent by £0.045m, an improvement of £0.057m on the Quarter 2 projection. The change in position is from the Transport Unit, due to staffing vacancies and route changes.
 - (f) **Adult Social Care and Health** are forecasting an underspend of £0.636m, which is an improvement of £0.107m from Quarter 2. The main changes are as follows.
 - (i) The underspend on the External Purchase of Care budgets has increased by £0.147m due to additional client contributions, reductions in domiciliary care hours and increased attrition. These reductions have been offset in part by an increase in individuals accessing short break stays.
 - (ii) The Services Development & Integration budgets has a projected overspend of £0.039m a decline of £0.090m on the position reported at Quarter 2, this has resulted from a change in the bad debt provision which has been increased by £0.098m.
13. The **Services Group** is projecting an underspend of £1.138m after new carry forward requests of £0.110m (see paragraph 18 – 20), an improvement of £0.022m from the position reported at Quarter 2. The headline areas are detailed below:
- (a) **Capital Projects, Transport and Highways Planning** is projected to be underspent by £0.626m after new carry forward requests, an improvement of £0.095m on the position reported at Q2. This change is due to increased savings in the Concessionary Fares and Sustainable Transport budgets from additional underspends in general supplies and reduced contributions due to alternative funding.
 - (b) **Community Services** is expected to be overspent by £0.344m after new carry forward requests, an increase of £0.234m from the reported position at Quarter 2 as detailed below:

- (i) **Cemeteries & Crematorium** – overall the position has worsened by £0.168m. This is due to a predicted income shortfall and additional works at the Cemeteries. There are also changes to borrowing costs following the refurbishment of the crematorium.
 - (ii) Following slippage of the introduction of an additional refuse round, **Street Scene** is expected to underspend by £0.163m. While household collections have increased, the additional collections have been managed through extensions to existing rounds during 2023/24.
 - (iii) **Waste Disposal** has seen increases in tonnages associated with the Household Waste Recycling Centre (tip), fly-tipping, street cleansing & bulky lane collections which will see the budget predicted to overspend by £0.150m.
- (c) **Community Safety** overall is projected to be underspent by £0.652m an improvement of £0.102m from Quarter 2, this is mainly due to **Car Parking** where income levels continue to perform better than expected following the end of the free parking offer.
14. The **Operations Group** is projecting a year end underspend of £0.088m, a decline of £0.024m on the position reported at Quarter 2. The main changes to the MTFP position are detailed below:
- (a) **Resources** is projecting a yearend underspend of £0.215m, a decline of £0.013m on the Quarter 2 position. There has been additional savings identified across all service areas including staff vacancies, reduced running costs and additional grant funding. However these additional savings have been offset by an increase in external audit fee costs of £0.135m following the finalisation of the national tender exercise.
 - (b) **Head of Strategy, Performance and Communications** is projecting a year end underspend of £0.059m, an improvement of £0.054m on the Quarter 2 position. The Communications division is reporting an underspend of £0.082m, from a reduction in resources allocated to the roundabouts and the Community Survey, and savings in general running costs and staffing.
 - (c) **Law and Governance** is reported to be overspent by £0.148m, which is a decline in position from Quarter 2 of £0.071m. This is due to increased costs in the Complaints and Information Governance Team to clear the back log of subject access requests, as well as reviewing the Council's historic adult and children's social care records. Once the historic social care records are reviewed, they will be digitised significantly increasing the efficiency with which the Council is able to deal with future requests.
15. The **Chief Executive & Economy Group** is expected to overspend by £0.146m, an increase of £0.183m from Quarter 2. The main changes are detailed below:
- a) Development Management is projecting a fee income shortfall of £0.265m. Challenging market conditions driven by several factors, including the impact of nutrient neutrality, bio-diversity net gain and market saturation has seen a fall in new planning applications by large developers which is impacting on fee income in 2023/24.

- b) Environmental Health is performing well against targets due to the award of additional funding leading to a predicted underspend of £0.049m in 2023/24.
- c) Place Strategy has improved by a further £0.055m due to staff savings from vacant posts and additional income.

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 £0.225m underspent at year end, an improvement of £0.451m on the Quarter 2 position. This includes the previous reported pressure for the Pay Award of £0.550m which is now shown as a contribution from General Fund Reserves rather than within the Council Wide budget. £0.302m of grant income above the 2023/24 MTFP estimate has been identified and is not required in year and so will be returned to general reserves. In addition funding of £0.148m set aside in the contingency budget is not required as funding has been identified through other funding streams.

Carry Forward Requests

18. There are a number of carry forward requests to 2024/25 amounting to £0.110m from the Services Group budgets as detailed below. The requests are categorised into two areas: slippage and assisting in achieving the conditions of the MTFP. Approval is requested to carry these amounts forward into the new financial year.

19. **Slippage** – there are £0.080m of slippage on planned projects in the following areas:

- (a) £0.040m **Hippodrome** – the Hippodrome’s website receives around 700,000 visits per year and over 7.5 million page views. Most bookings and donations are made online. The existing website was launched in 2017 and now the Council requires expertise of a supplier to support the development of a new website using the existing branding and integrating with the existing box office provider, Spektrix. The new website will be designed to actively drive sales and revenue across income streams (tickets, merchandise, food and drink, corporate and event hires and donations) to help the service meet ambitious targets for income and engagement. The website will be built by the Council’s web team but due to conflicting projects impacting on resource the work has slipped into 2024/25.
- (b) £0.030m **Flood & Water Act** – following the cessation of the contract with SBC and the appointment of a new Flood & Water officer, work is required to be carried out to support schemes and projects in 2024/25. This will help fund the Council’s contribution to ongoing drainage studies in partnership with Northumbrian Water Group and the Environment Agency to assess the risk of flood in Darlington and identify any potential schemes that may need to be developed to manage that risk.
- (c) £0.010m **Street Scene** – it was previously identified and agreed to fund a storage solution at the depot for the equipment and supplies used by Street Scene. It was proposed to purchase and install a storage solution in the Street Scene garage.

Following an assessment of the garage the cost of the solution has increased slightly and it is requested that the additional cost be carried forward to allow implementation to be completed in 2024/25.

20. **Assist in achieving the three conditions set out in the MTFP** – there are £0.030m carry forward requests meeting the above criteria:
 - (a) £0.030m **Sustainable Transport** – as previously agreed by Cabinet in September 2022, funding had been identified to support bus route 16. Due to the impact of inflation, it is requested £0.010m is carried forward to supplement the funding already earmarked. Further to this it is also requested that £0.020m is carried forward to allow for a marketing campaign and traffic mapping to be completed in 2024/25.

Housing Revenue Account

21. HRA projections are shown in **Appendix 3** with an overall projected balanced budget. The contribution to balances has improved by £0.316m from Quarter 2, primarily due to £0.474m increased interest income as a result of the increase in the interest rate, offset by additional operational costs from Council Tax payments on void properties (£0.050m), additional system development costs (£0.050m) and additional staffing costs resulting from the agreed pay award.

Conclusion

22. The Council's projected revenue reserves at the end of 2023/24 are £16.384m, a £0.738m decline on the initial 2023-27 MTFP position, however this is an improvement of £0.381m on the position reported at Quarter 2. This reduction in reserves includes a brought forward amount of £0.509m from 2022/23, £1.200m of resources returned to reserves and a £0.225m increase in corporate resources, offset by £2.672m of projected departmental overspends.
23. The increase in Children's Services demand and subsequent cost pressures are of significant concern and are 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.
24. All departments continue to scrutinise their budgets in year, reducing spend where possible to assist the financial position and offset the demand pressures within Children's Services and subsequently most divisions are showing an underspend or an improvement on the reported quarter two position.
25. We are not and cannot be complacent, we continue to review all our services looking to see what efficiencies can be made and how we can generate additional income to protect our services in the future.

Outcome of Consultation

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