

**CABINET
16 JULY 2024**

REVENUE OUTTURN 2023/24

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

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

SUMMARY REPORT

Purpose of the Report

1. To present the 2023/24 revenue outturn position (subject to Audit), to allow Members to consider the results in light of the Council's Medium Term Financial Plan (MTFP) and also to consider the Housing Revenue Account outturn.

Summary

2. This is the final revenue budget management report to Cabinet for 2023/24. The year-end projection shows an overall improvement in the 2023/24 financial position of £0.545m. This is a £1.283m improvement on the 2024/25 MTFP projected opening balance.
3. Details of variances from the original budget along with changes since the quarter 3 projected position are contained within the main report.
4. There are a number of carry forward requests detailed in paragraphs 17 – 19, which will assist with projected slippage and pressures in the coming year.

Recommendation

5. It is recommended that:-
 - (a) The revenue outturn for 2023/24 be noted.
 - (b) The carry forward of resources referred to in paragraphs 17 - 19 be noted and approved.

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 of 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 final revenue budget management report to Cabinet for 2023/24 and provides the 2023/24 revenue outturn position as part of the Council's continuous financial management process.
8. Overall, the projected General Fund reserves position at the 31 March 2024 is £17.667m, which is an improvement of £0.545m on the planned balances in the 2023-27 MTFP. This improvement relates to £0.485m underspend in the Council's 2022/23 financial results, £1.059m projected Group overspends in the 2023/24 financial year and a £1.119m improvement in corporate resources.

Departmental Resources

9. Departmental resource projections are summarised in **Appendix 2** and detailed in **Appendices 2(a) to 2(e)**.
10. The **People Group** outturn position is an overspend of £2.458m, after carry forward requests of £0.186m. This is an improvement of £1.294m on the position reported at Q3. The main changes to the previously reported position are detailed below:
 - (a) **Children's Services** are projecting an overspend of £4.394m, an improvement of £0.263m on Q3. The main changes since Q3 include the following:
 - (i) Adoption and Placements have overspent by £4.419m, a decrease of £0.188m from the Q3 report. This is mainly due to a reduction of six residential placements with part-year savings of £0.092m, lower charges for one complex case of £0.115m, offset by increases in Special Guardianship Orders.
 - (ii) Assessment and Care Planning and First Response Services have overspent by £0.082m which is an increase from the Q3 report of £0.106m. This is due to the use of agency workers to cover vacant posts and to meet increased demand in assessments.
 - (iii) Disabled Children has underspent by £0.076m, an improvement from the last report of £0.124m. This is due to a reduction of day care provision taken up by families and various staffing and running costs savings in the social work team and in-house provision.
 - (iv) Youth Offending Services has underspent by £0.055m, an improvement of £0.055m from Q3 mainly due to grant income and running cost savings.
 - (b) **Development and Commissioning** budgets have underspent by £0.366m after carry forward requests of £0.128m, which is an improvement of £0.216m on quarter 3. This is mainly due to Integrated Care Board (ICB) funding received of £0.130m and changes in demand for services, vacancies and running cost savings across the whole division.

(c) **Education Services** budget is on target to be balanced, after carry forward requests of £0.058m, a decrease of £0.045m on the position reported at Q3. The main changes since Q3 are as follows,

- (i) Transport Services has underspent by an additional £0.237m due to staffing and route savings. This follows a reduction in out of area SEND placements in line with Council's Safety Valve action plan.
- (ii) The Education division is overspent by £0.294m after a carry forward request for SEND services (see paragraph 18I). The overspend includes a transfer of funds into an Academisation earmarked reserve, to cover future costs of school academy transfers. This has been funded by the savings in the Transport Unit.

(d) **Adult Social Care and Health** outturn position is an underspend of £1.528m, an improvement of £0.892m on Q3. The main changes since Q3 include the following:

- (i) The External Purchase of Care budget has improved by £1.022m on the position reported at Q3 as follows,
 - a) £0.522m reduced expenditure. Mainly due to the recovery of direct payment contingencies, changes in direct payment care activity of £0.303m and a reduction in Home Care activity of £0.194m.
 - b) £0.500m increased income due to additional one off grant income and contributions for care.
- (ii) The bad debt provision has increased by £0.100m for non payment of client charges. Additional resources are being employed to chase the payment of debt.

11. The **Services Group** is projecting an underspend of £1.986m after carry forward requests of £0.344m, an improvement of £0.848m on the reported position at Q3. The headline areas are detailed below:

(a) **Capital Projects, Transport and Highways Planning** the overall underspend is £0.898m after carry forward requests of £0.154m, this is an improvement of £0.272m from Q3. The main elements of this movement are broken down into:

- (i) Concessionary Fares and Sustainable Transport, following the yearend reconciliation of the concessionary fare scheme by TVCA, the service was refunded £0.103m.
- (ii) Building Design Services and Capital Projects, the income from fees performed better than originally projected due to a strong programme of works at £0.162m.

(b) **Community Services** is overspent by £0.414m after carry forward requests of £0.103m, an increase of £0.070m from Q3.

- (i) Cemeteries and Crematorium, the overall the position has worsened by £0.127m. Income has fallen further below target because of increased choice of facilities in the area and services nationally.
 - (ii) Leisure Services has improved by £0.164m due to a strong performance over the final quarter following the re-opening of the main pool and the positive impact this has had on various income streams. Leisure memberships have experienced significant growth as well as the increase in secondary spend within the catering service.
 - (iii) The Waste Disposal overspend increased by a further £0.059m as tonnages associated with the Household Waste Recycling Centre (tip), fly-tipping, street cleaning and bulky lane collections remained at slightly elevated levels compared to previous years.
- (c) **Community Safety** is underspent by £0.699m after carry forward requests of £0.017m, an improvement of £0.047m Q3 position. This is mainly due to Car Parking and Enforcement which improved by a further £0.054m as income levels continue to perform better than expected following the end of the free parking offer.
- (d) **Building Services** underspend increased by £0.100m following the release of some historical retentions on completed projects as well as good performance on the building services programme.
- (e) **Corporate Landlord** underspent by £0.497m after carry forward requests of £0.070m, an improvement of £0.497m from the Q3 position. The improvement is mainly in utility costs including:
- (i) A reconciliation process carried out by NEPO in quarter 4 resulted in a refund on electricity costs of £0.064m.
 - (ii) Throughout the year a prudent position was taken on the cost of gas due to some uncertainty in figures. The final position saw an improvement on projected costs of £0.145m.
 - (iii) A review of the cost of the data centre housed in Town Hall resulted in additional income contributions of £0.163m, covering both 2022/23 and 2023/24 financial years.
 - (iv) Changed energy usage at Bishopsgate House has resulted in an improvement on projections of £0.074m.
12. The **Operations Group** overall budget outturn position is an overspend of £0.501m after carry forward requests of £0.309m. This is a decline of £0.589m on the position reported at Q3. The main changes to the previously reported position are as follows:
- (a) **Resources** has underspent by £0.321m, after carry forward requests of £0.125m, an improvement of £0.106m on Q3. There has been additional savings identified across all service areas including additional staff vacancies, reduced running costs and additional grant income. The reported increase in external audit fees noted at Q3 are

now confirmed and have been allocated to corporate management budgets in the Law and Governance division.

- (b) **Head of Strategy, Performance and Communications** division has underspent by £0.011m after carry forward requests of £0.184m, a decline of £0.048m from Q3. After the carry forward, this change is mainly due to part year staffing vacancies and running costs of savings.
 - (c) **Law and Governance** has overspent by £0.630m, an increase from the Q3 reported position of £0.482m. This is mainly due to additional legal costs of £0.254m for children's services and £0.072m for adults services. These costs reflect the demand for services and the increased complexity of cases within Children's services. As noted above the final increase in the cost of external audit fees of £0.169m has been allocated to the Corporate Management budget which has increased the cost of Democratic Services.
 - (d) **Xentrall Services ICT** has overspent by £0.122m. This is due to increased prices of Infrastructure and additional ICT equipment requirements across the Council.
 - (e) **Housing and Revenues** overspent by £0.109m, an increase of £0.056m on the Q3 position. This is due to a £0.155m loss of council tax subsidy income, offset by £0.100m additional income received for the recovery of legal costs and additional Northumbrian Water Ltd (NWL) commission income.
13. The **Chief Executive and Economy Group** underspent by £0.086m after carry forward requests of £0.063m, an improvement of £0.060m from the position reported at Q3 and is detailed below:
- (a) **Darlington Partnerships** overspent by a further £0.051m mainly from continuing to support the Youth Employment CIC Digital Hub.
 - (b) **Property Management and Estates** underspent by £0.146m because of strong estate officer fee recovery from capital projects.
14. The School balances and allocations are shown in **Appendix 2(f)**.

Council Wide and Corporately Managed Resources

15. The Council Wide and Corporately Managed Resources budgets have a projected outturn underspend of a £1.119m after a carry forward requests (including in year service rebases), which is a decline of £0.306m on the position at Q3 report. After the carry forward request (see paragraph 18h) the movement of £0.106m is mainly due to a reduction in additional income received of £0.135m and an increase in Apprenticeship Levy costs of £0.055m, however these increases have been offset by procurement rebate income movement of £0.084m.

Carry Forward Requests

16. There are a number of carry forward requests to 2024/25 amounting to £1.142m from departments and corporate budgets as detailed below. The requests are categorised into

three areas: slippage, assisting in achieving the council plan ambitions and budget pressures. Approval is requested to carry these amounts forward into the new financial year.

17. **Slippage** – There is £0.321m of slippage on planned projects across the Council in the following areas:
- (a) £0.100m **Highways** – The wet winter weather in early 2024 and delays in receiving new condition modelling software has seen planned works on road lining schemes and core test sampling slip into 2024/25.
 - (b) £0.042m **Dolphin Centre** – Delays in the purchase and implementation of equipment and unused funding available from the wellbeing scheme are requested to be carried forward to allow equipment to be purchased and the wellbeing scheme to continue into 2024/25.
 - (c) £0.021m **Street Scene and Waste Management** – It was previously agreed to fund a storage solution at the depot for equipment and supplies used by Street Scene. Following further assessments of the garage the cost of the solution has increased by £0.013m to allow implementation to be completed in 2024/25. Essential work to install a concrete base at the HWRC of £0.08m is also requested.
 - (d) £0.070m **Corporate Landlord** – To allow remodelling of the Town Hall to be carried out as part of the relocation of services from Central House Annex.
 - (e) £0.058m **Communications and Engagement** - To be used to enhance several core campaigns including, increasing the number of foster carers, encouraging people to recycle more, various activities to help tackle anti-social behaviour, climate change, encouraging benefit take up, and promoting Darlington as a visitor destination.
 - (f) £0.030m **Human Resources** - Training, to further develop our managers and support development needs coming out of My Journey reviews. In addition, we are also in the process of delivering quality conversations development supported initially by an external provider.
18. **Assist in achieving the council plan ambitions.** The following £0.761m of carry forwards all meet the criteria described above and are as follows:
- (a) £0.040m **Street Scene** – To continue the trial use of HVO (Hydrotreated Vegetable Oil) fuel in Street Scene’s waste collection fleet.
 - (b) £0.030m **Highways** - Permits scheme, essential upgrades of the Aurora software and purchase of handhelds is needed to ensure the efficient delivery of the permit scheme.
 - (c) £0.012m **Highways** - To support programmes of cycle training and pedestrian training in 2024/25.
 - (d) £0.012m **Flood and Water Act** – Following the cessation of the contract with Stockton Council and the appointment of a new Flood and Water officer, work is required to be

carried out to support schemes and projects in 2024/25. This will 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.

- (e) £0.017m **Community Safety** – Carry forward of funding from the Police and Crime Commissioner to deliver community safety activities/projects aligned to the outcome and objectives of the Safer Streets programme.
- (f) £0.029m **Consolidated Budget** – To fund specialist advice and activity and support the delivery/development of economic growth projects and schemes in 2024/25.
- (g) £0.018m **Climate Change** – Due to a vacancy during the year a small underspend was generated within the climate change team. It is requested that this underspend is carried forward to support the climate change aims of the council.
- (h) £0.200m **Council Wide** – Project management costs. As part of the ongoing financial challenges facing the council, many work streams have been identified to review for efficiencies. The council has limited resources to undertake the necessary work required to bring forward these possible efficiencies, therefore additional project management support will be needed in the short term to deliver transformation projects within the council.
- (i) £0.035m **Finance** – The Finance team administer the payments of free nursery entitlement to providers across Darlington, through a manual system using Excel spreadsheets. With the increases in entitlement this is becoming more of an administrative burden on the team and would require additional resource, therefore an ICT system based solution is proposed to automate the process, which will streamline the process and help with capacity.
- (j) £0.126m **Systems** – The Systems team has limited resources to undertake all identified efficiency developments proposed across the council. The use of Microsoft 365 has provided many efficiency savings across the council to date, however many service areas have as yet not fully moved across to the full use of the package. Artificial Intelligence (AI) is also another area the council is exploring to deliver efficiency savings. It is proposed to recruit a temporary post for 18 months (£0.076m) to facilitate the roll out of Microsoft 365 within the council and to provide additional resources to develop AI with the aim of increasing productivity across the council. In addition ongoing work to clear and digitise records within Central House will require a scanning solution with temporary resources required, therefore £0.050m is proposed to be rolled forward to facilitate this.
- (k) £0.128m **Commissioning** – The Commission Team is a small team and currently has additional service demands to review services and to ensure sufficiency and effectiveness of market provision. In addition a number of large service contracts are currently being recommissioned including Home Care and Residential care in Adults services. Funding is requested to be carried forward from 2023/24 underspends to provide additional short term capacity within the Commissioning Team to allow delivery of all requirements.

- (l) £0.058m **Education** – To fund a one year SEND officer post to provide additional capacity with the SEN Team to deal with the current increased demand for Education, Health, Care Plans.
- (m) £0.056m **Council Wide/Darlington Partnership** – Cost of Living Fund, to provide support to those in need in the community who are impacted by the increased cost of living. Funding allocated in the 2023/24 MTFP has been used to assist people in need of support during the year, however as the fund was a finite resource and there are ongoing needs in the community, funding is being stretched across years to provide support where it is needed the most.

19. **Pressures** - there is £0.060m of pressures identified as follows:

- (a) £0.060m **Xentrall (D&S Partnership)** – Additional systems costs to move the Agresso (Unit 4) Financial Management system into the cloud based solution. The current Agresso system will cease to be supported therefore the Council will need to move to the new host. This one off cost is Darlington's share of the total cost across both council's hosted by Xentrall.

Housing Revenue Account

20. HRA projections are shown in **Appendix 3** with an overall projected balanced budget. There has been an improvement in the working balance of £4.953m from the Q3 projection which is primarily due to a reduction in the Revenue Contribution to Capital Outlay of £4.606m due to slippage of capital schemes into the new financial year.

21. Additional movement in the working balance are detailed as follows,

- (a) There has been an improvement in Sundry rents of £0.099m due to an adjustment in the recovery of VAT.
- (b) Management costs have increased by £0.182m due to increased external audit fees and increased support service recharges.
- (c) There has been an increase in repairs and maintenance costs of £0.207m, due to inflationary price increases and additional works being carried out.
- (d) Capital financing costs have decreased by £0.506m which is lower financing costs required due to slippage on new build housing schemes.

Conclusion

22. The Council's projected revenue reserves at the end of 2023/24 are £17.667m, an improvement of £0.545m on the initial 2023-27 MTFP position. This improvement in reserves includes a brought forward amount of £0.485m from 2022/23, £1.059m of departmental overspends and a net underspend of £1.119m in corporate resources.

23. The £17.667m of projected reserves, is an improvement of £1.283m on the initial estimated 2024/25 -2027/28 MTFP opening balance of £16.384m.

Outcome of Consultation

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