

**CABINET
10 SEPTEMBER 2024**

REVENUE BUDGET MONITORING 2024/25 – 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 2024/25 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 2024/25. The latest projections show an overall decline of £1.376m on the 2024-28 Medium Term Financial Plan (MTFP). This is due to £2.542m of departmental pressures, a reserves contribution of £0.155m, offset by £1.321m of additional balances following the 2023/24 outturn.

Recommendations

3. It is recommended that:-
 - (a) The forecast revenue outturn for 2024/25 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

Council Plan	The Council's revenue budget contributes to all priorities outlined within the Council Plan.
Addressing inequalities	This report is providing an update on the revenue budget position therefore there is no impact as a result of this report.
Tackling Climate Change	This report is providing an update on the revenue budget position therefore there is no impact as a result of this report.
Efficient and effective use of resources	This report contains updated information regarding efficiency savings contained within the MTFP.
Health and Wellbeing	This report is providing an update on the revenue budget position therefore there is no impact as a result of this report.
S17 Crime and Disorder	This report has no implications for crime and disorder
Wards Affected	No specific impact on an individual area as a result of this report
Groups Affected	No specific impact on an individual area as a result of this report
Budget and Policy Framework	This report does not recommend a change to the Council's budget or policy framework
Key Decision	This is not a key decision
Urgent Decision	This is not an urgent decision
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 2024/25 and provides an early forecast of the 2024/25 revenue position as part of the Council's continuous financial management process.
6. As this report is early in the financial year, the focus is on budget areas where there are known pressures and potential savings from the final 2023/24 outturn position and budget managers knowledge of events affecting the services they manage, therefore several budget lines are shown as on target or with a small variance at this stage of the year.
7. The information in this report has been taken from the financial records to June and managers' projections for the remainder of the year. Assumptions have been made

concerning future demand for services particularly in social care, therefore changes in projected outturn are inevitable as demand materialises and as the Council is a large and complex organisation.

8. The Council operates frequent, regular and predictive budget management processes, including quarterly reports to Cabinet, changes in projected outturn, will be reported to future meetings.
9. Overall, the projected General Fund reserves position as at the 31 March 2025 is £10.967m, which is £1.376m less than the planned balances in the 2024-28 MTFP. This change relates to £2.542m of departmental pressures, a general reserves contribution of £0.155m, offset by £1.321m of additional balances following the 2023/24 outturn.

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 £0.859m at the end of the financial year. The main changes to the MTFP position are detailed below:
 - (a) **The Group Director of People** budgets are showing a projected year end overspend of £0.071m due to ongoing increased demand falling on the Child Protection and Review service, with the use of additional agency workers.
 - (b) **Children's Services** are projecting an overspend of £0.275m at the year end.
 - (i) The Assessment and Care Planning & LAC budgets are projected to be overspent by £0.195m due to additional staffing requirements across the teams to accommodate the increase in children's referrals, additional costs of supporting families to prevent children coming into care and providing support for young people who are leaving care. These increased costs have in part been offset by additional DfE and Home Office grant funding.
 - (ii) The Adoption and Placements and Disabled Children's budgets are projected to have a combined net budget pressure of £0.110m due to increased and more complex packages of care. There is one new complex high-cost domiciliary package and an increase over budgeted places of 23 Special Guardianship Orders, which have been offset by lower growth in other placements to date. Further placements have been forecast in the current projection, however this budget area is very volatile and demand for further places and more complex places could materialise during the remainder of the year. This budget area is closely monitored and further updates will be provided in future budget management reports.

(c) **Adult Social Care & Health** is projected to be overspent by £0.533m.

(i) This pressure is mainly in the External Purchase of Care budgets due to increased projected spend in domiciliary care through additional high costs packages and increased direct payments.

12. The **Services Group** is projecting an overspend of £0.260m. The main changes to the MTFP position are detailed below:

(a) **Capital Projects, Transport & Highways Planning** is projecting an overall overspend of £0.405m.

(i) Concessionary Fares are projected to be overspent by £0.327m. TVCA have calculated the expected cost based on the most recent passenger numbers which are higher than estimated by TVCA at budget setting. Bus patronage will be monitored monthly throughout the year and the actual cost of the scheme will be dependent on actual patronage.

(ii) Highways, there is a projected net overspend of £0.080m for electricity within street lighting & car parks. Figures are based on projections calculated by NEPO and are subject to change given the volatility of the energy market.

(b) **Community Services** is projected to be overspent by £0.168m.

(i) The Cemeteries and Crematorium services are projecting a pressure of £0.040m on burials and a shortfall on cremation income of £0.070m. While projected cremation numbers have increased to 1,360 per year there has been an increase in direct cremations which are charged at a lower fee and therefore result in lower income. Whilst income is below target, the income shortfall would have been more had direct cremations not been offered.

(ii) Overall, Leisure and Cultural Services are projected to be overspent by £0.076m. The most significant element of this overspend is linked to increased security costs required at the Dolphin Centre, Crown Street Library and Hippodrome. This security is required due to a general increase in anti-social behaviour arising in the proximity of these venues.

(c) **Community Safety** overall is expected to be perform better by £0.130m. This is mainly from Car Parking and Enforcement budgets, which are expected to be in a better position by £0.100m as patronage at the council's car parks remains positive and continues to perform better than levels projected in the MTFP.

(d) **Corporate Landlord** is projected to be underspend by £0.180m as rises in energy prices built into the MTFP for 2024/25 are not expected to be as high based on the latest information supplied by NEPO. Any such estimates are subject to change given the volatility of the energy market. Electricity is expected to underspend by £0.080m while gas is expected to be £0.100m.

13. The **Operations Group** is projecting a year end budget overspend of £1.423m. The main changes to the MTFP position are detailed below:
- (a) **Law & Governance** is projecting an overspend of £0.398m. This is due to ongoing pressures carried over from 2023/24 of specialist legal costs (£0.237m) and additional locum staffing (£0.126m) required to due to current demand for services and increased complexity of cases within children's services.
 - (b) **Housing & Revenues** is projecting an overall overspend of £1.040m.
 - (i) The main movement in this area is due to a shortfall in the housing benefit subsidy income of £1.176m. Due to an increase in homelessness and the lack of move on accommodation in Darlington, there has been a significant increase in the nights spent in emergency and temporary accommodation. In the first quarter this year, the nights spend have increased by 137%. Consequently our contracted temporary provision is fully utilised, and we have needed to place people in alternative hotels and bed and breakfast provision.
 - (ii) The housing benefit subsidy received from the Department of Work and Pensions only covers a basic rental value, which has not been uplifted since 2011, and not the actual cost of accommodation with the shortfall being paid by the council. This pressure is being seen across the country with Newham Council as an example predicting a £40m pressure this year. The issue is being raised with the government as the housing benefit subsidy levels are wholly inadequate.
 - (iii) The Local Taxation budget is anticipated to achieve additional income of £0.081m from additional legal charges.
 - (iv) Customer Services are projecting an underspend of £0.050m due to staff turnover and changes.
14. The **Chief Executive & Economy Group** is projected to breakeven at the year end. However, there are variances within **Economic Growth** as follows:
- (a) Development Management faces challenging market conditions driven by several factors, including the impact of nutrient neutrality, bio-diversity net gain and market saturation, continue to suppress the level of new planning applications coming from large developers which will see a projected under recovery on fees by £0.110m.
 - (b) Environmental Health is projected to be underspent by £0.047m due to staff turnover.
 - (c) Place Strategy is projected to underspend by £0.040m due to savings in staffing from turnover and additional funding to support service delivery.
15. The School balances and allocations are shown in **Appendix 2(f)**.

Council Wide and Corporately Managed Resources

16. Council Wide and Corporate Resources budgets are currently forecast to be on target. However within the Council Wide budget this assumes that the current pay offer is approved. At the time of writing no agreement has been made regarding this year's pay award, with the exception of Chief Officers.
17. A contribution from reserves of £0.155m has been made into Housing Benefits budget to provide for grant income that will no longer be received directly by the service.

Housing Revenue Account

18. HRA projections are shown in **Appendix 3** with an overall projected balanced budget. There is an increase in contribution from balances of £0.172m.
 - (a) There is a projected shortfall of £0.297m in the rent account as the handover of some new build properties was later than initially anticipated at budget setting time.
 - (b) Projected additional income of £0.139m on the contribution towards expenditure budget areas, from additional recovery for rechargeable works and NWL commission.
 - (c) Additional interest income of £0.444m, due to the continuing high interest rate being received on the HRA balances.
 - (d) A projected pressure of £0.390m in the operational budgets, from additional running costs, including premises insurance, subscriptions and professional fees and IT costs.
 - (e) Repairs and maintenance budgets are projected to overspend by £0.078m due to increase prices and additional works.

Conclusion

19. The Council's projected revenue reserves at the end of 2024/25 are £10.967m, £1.376m lower than the initial 2024-28 MTFP position. This position relates to £2.542m of departmental pressures, a contribution of £0.155m from general reserves, offset by £1.321m of additional balances following the 2023/24 outturn.
20. The Council is facing a significant pressure from the shortfall in the housing benefit subsidy received from the Department of Work and Pensions. This is not only impacting on Darlington but is a national issue across the country.
21. The increase in Children's Services demand and cost pressures continue to be significant concern in Darlington and nationally. Within the MTFP, Council approved investment in children's social care through ensuring placement sufficiency, which is being implemented and monitored closely. It is early days for the project, but early signs have provided some promising outcomes.
22. All services continue to scrutinise their budgets to reduce spend or generate income to assist with the in year budget and future years budget positions.

23. As a Council and a region we continue to lobby government to highlight the pressures that councils are facing to delivery statutory services.

Outcome of Consultation

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