

CABINET
4 FEBRUARY 2025

REVENUE BUDGET MONITORING 2024/25 – QUARTER 3

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

**Responsible Director -
Elizabeth Davison, Executive Director - Resources and Governance**

SUMMARY REPORT

Purpose of the Report

1. To provide a forecast of the 2024/25 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 2024/25. The latest projections show an overall decline of £0.885m on the 2024-28 Medium Term Financial Plan (MTFP). This is due to £1.982m of departmental pressures, a decline in corporate resources of £0.224m, offset by £1.321m of additional balances following the 2023/24 outturn.
3. The change in the forecast year end budget position has improved by £0.479m between Quarter 2 and Quarter 3, however a small number of service areas continue to have significant budget pressures that have increased during the year. These increases have been offset by all departments scrutinising their budgets and reducing spend where possible to assist with the overall Council financial position.

Recommendations

4. It is recommended that:-
 - (a) The forecast revenue outturn for 2024/25 be noted.
 - (b) The carry forward request at paragraph 14 be noted and approved.
 - (c) Further regular reports be made to monitor progress and take prompt action if necessary.

Reasons

5. 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
Executive Director - Resources and Governance

Background Papers

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

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| 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 provides an update on the revenue budget position, which supports the council's responsibilities and ambitions to tackle climate change. |
| 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

6. This is the third revenue budget management report to Cabinet for 2024/25 and provides the latest revenue position forecast as part of the Council's continuous financial management process.
7. To enable timely information to be presented and in accordance with publication requirements, this report has been completed before the end of the third quarter. The information in this report has been taken from the financial records to November and managers' projections for the remainder of the year. Assumptions have been made concerning future demand for services over the final quarter, therefore changes in the projected outturn are inevitable as the Council is a large and complex organisation.
8. Overall, the projected General Fund reserves position as at the 31 March 2025 is £11.458m, which is £0.885m less than the planned balances in the 2024-28 MTFP. This change relates to £1.982m of departmental pressures, a decline in corporate resources of £0.224m, offset by £1.321m of additional balances following the 2023/24 outturn.

Departmental Resources

9. Departmental resource projections are summarised in **Appendix 2** and detailed in **Appendices 2(a) to 2(e)**.
10. **People** budgets are projected to be overspent by £0.143m at the end of the financial year, an improvement of £0.314m from Quarter 2. The main changes are detailed below:
 - (a) **Children's Services** are projecting an overspend of £0.294m at the year end, which is a decline of £0.256m on the Quarter 2 reported position. The main changes are;
 - (i) The Adoption and Placements and Disabled Children's budgets are projected to have a combined net overspend of £0.222m, a decline of £0.278m from Quarter 2. The Adoption and Placements budget has seen an increased net pressure of £0.397m, from four additional complex high cost residential placements and the continuing use of residential placements due to the availability of foster carers, offset in part by savings in running costs in DBC homes and additional Home Office grant. Following extensive work, there has been a cost reduction for a complexed package of care for a disabled child, reducing expenditure by £0.120m.
 - (ii) The Assessment and Care Planning & LAC teams are projected to be overspent by £0.048m, an improvement of £0.081m from Quarter 2. This is due to a reduction in projected expenditure to support families to prevent children coming into care, additional Home Office grant income, staff changes and reduced running costs.
 - (b) **Education** is projected to have an underspend of £0.111m, an improvement of £0.135m from Quarter 2. This improvement is due to additional income from traded

services and lower than projected costs of SEND pupil transport following the confirmation of routes for the autumn term.

(c) **Adult Social Care & Health** is projected to be overspent by £0.357m, an improvement of £0.391m from Quarter 2. The main changes since the last report are;

(i) External Packages of Care budgets are projected to overspend by £0.131m an improvement of £0.619m from Quarter 2. This is mainly due to a reduction in planned Domiciliary Care costs from delays in hospital discharges due to availability of provision and a savings on a complex high costs package of care (£0.742m). Offset by increases in the number of short break stays in residential homes and new placements (£0.133m).

(ii) Learning Disability Long Term Condition budgets are projected to overspend by £0.031m a decline on Quarter 2 of £0.089 from the continued use of agency workers as the service has not been able to recruit to vacant posts.

(iii) Mental Health Long Term Condition budgets are predicted to be overspent by £0.102m at the year end, a move of £0.058m on the Quarter 2 position, from additional and extended use of agency workers to undertake deprivation of liberty assessments. In house staff have been trained and therefore the use of agency workers will reduce.

11. **Environment, Highways and Community Services** budgets are projecting an overspend of £0.851m, a decline of £0.242m from Quarter 2. The main changes are detailed below:

(a) **Highways & Capital Projects** is projected to overspend by £0.395m, a small improvement of £0.012m from Quarter 2. While **Highways DLO** is expected to be overspent by £0.060m due to slippage on some capital highway schemes, this has been offset by the release of £0.067m previously carried forward resource, no longer required for subsidised bus routes in **Sustainable Transport**, following alternative funding streams being identified.

(b) **Community Services** is expected to be overspent by £0.418m, an improvement of £0.103m from the Quarter 2 reported position and is detailed below:

i. Due to resourcing issues, additional staffing costs were incurred over the first half of the financial year in **Building Cleaning** which is expected to overspend by £0.042m. These resourcing issues have now been resolved.

ii. The **Cemeteries and Crematorium** services pressure has increased by £0.052m. This is due to ongoing reduced income levels, due to an increase in direct cremations and wider choice of facilities in the region.

iii. **Waste Management** has seen an improvement in the level of tonnages projected for both household waste and at the civic amenity site with an associated decrease in cost of £0.200m.

- (c) **Community Safety** overall is expected to be underspent by £0.356m, an improvement of £0.180m from the position reported at quarter 2 as below:
- (i) **Community Safety and Enforcement** is expected to underspend by a further £0.051m as additional savings in staffing have arisen due to recent vacancies and grant funded posts.
 - (ii) **Car Parking and Parking Enforcement** overall is expected to underspend by an additional £0.135m as patronage at the council's car parks remains positive and continues to perform better than levels projected as part of the MTFP. There has also been increased enforcement action by the Community Enforcement Team which has seen an increase in parking fines issued helping to improve adherence to parking regulations.
- (d) **Leisure and Cultural Services** is now expected to overspend by £0.574m. This is mainly from Hopetown Darlington, where there is a projected under-performance on income recovery of £0.600m during the initial period of operation compared to the business plan and budget targets. The scale of the project and some of the challenges through the project delivery phase were underestimated and resulted in delays in some activities expected to be open from day 1 not being available. For example, 'Experiment!' was not opened until early December (a projected income shortfall of £0.270m including Wagon Woods), the complexity of delivering the private siding meant it was not ready for opening, and the show field was not available for events, all of which are a key to visitor numbers. These challenges are reflected in reviews of Hopetown's performance that identify the initial months of opening as slower than expected. There were approximately 50% fewer visitors than included in the business plan, which has impacted on forecasted merchandising and catering sales (£0.160m). There has also been lower than anticipated use of the car park (£0.215m) with visitors parking in neighbouring streets.
12. **Resources and Governance** budgets are projecting a year end budget overspend of £1.252m, an improvement of £0.235m from Quarter 2. The main changes are detailed below:
- (a) **Resources** is projected to be £0.444m underspent at the year end, an improvement of £0.402m on Quarter 2. This improvement is from staff vacancies, running cost savings and additional projected income for support services provided outside of the general fund and grant funding. In addition £0.222m has been received following the winding up of Achieving Real Change in Communities (ARCC) the company formed to bid for the Durham probation company, with Darlington's share of the guarantee fund returned.
 - (b) **Law & Governance** is projecting an overspend of £0.425m, an improvement from Quarter 2 of £0.063m. This is mainly due to slowing down Children's legal costs, offset by additional staffing and running costs across the division.
 - (c) **Xentrall ICT Services** are projected to be £0.139m overspent at the year end, a move of £0.119m on Quarter 2. This is mainly due to increased prices of infrastructure across the Council.

(d) **Housing General Fund** is projecting to be £1.223m overspent, a decline on Quarter 2 of £0.142m. This is due to additional shortfalls in Housing Benefit subsidy of £0.172m due to ongoing increases in homelessness and the lack of suitable accommodation, offset by staffing and running cost savings across the division.

13. The **Economy and Public Protection** budgets are projected to be £0.264m underspent at the year end, an improvement of £0.230m on Quarter 2. The significant movement is in **Development Management** where following planning submissions over the last few months (linked to major developments within the borough) it is now expected to achieve the income target. In addition the service has also been able to recover outstanding debt. The result of these actions has seen an overall improvement of £0.170m.

Carry Forwards Requests

14. There is a £0.030m new carry forward request from savings in the Community Safety budget for use in **General Licensing**. Following the Government announcement that they are withdrawing their electronic forms support over the coming years it is requested that resource is carried forward to develop and implement a local solution for licensing. This was previously funded by Community Safety.

15. The School balances and allocations are shown in **Appendix 2(f)**.

Housing Revenue Account (HRA)

16. HRA projections are shown in **Appendix 3** with an overall projected balanced budget. The contribution from balances has increased by £0.599m from Quarter 2, primarily due to:

- (i) A reduction in anticipated income due to additional Right to Buy sales (6 since Quarter 2) and an increase in void properties by 19 since Quarter 2, which has impacted on projected rent (£0.290m) and services charges (£0.042m).
- (ii) Increased operational costs mainly due to increased premises insurance costs from increased construction costs/insurance premium inflation and claims made.
- (iii) Additional repairs and maintenance costs from inflationary price increases from suppliers (£0.167m) for works to properties.

Conclusion

17. The Council's projected revenue reserves at the end of 2024/25 are £11.458m, £0.885m lower than the initial 2024-28 MTFP position. This position relates to £1.982m of departmental pressures, a decline in corporate resources of £0.224m, offset by £1.321m of additional balances following the 2023/24 outturn.

18. The single most significant pressure is homeless accommodation which is a national issue across the country due to the shortfall in the housing benefit subsidy received from the

Department of Work and Pensions. Work is ongoing within the Council to increase the Council's capacity to provide accommodation for our homeless people with the aim of reducing costs against external provision.

19. Although Hopetown has experienced delays in some attractions opening in 2024/25, analysis shows that the anticipated spend per head is at the levels expected, but it is the lower than anticipated visitor numbers that has impacted on budget projections. The business plan is being reviewed continually as would be expected in the opening year to adjust to actual circumstances that Hopetown is experiencing. The facility has won numerous awards and is building a reputation that will address this slow start, and further actions are identified to address the market position. A number of attractions are now open or due to open early this year, for example the private siding which will be a key attraction when steam engines are displayed, and train rides are offered as part of event days. It will be ready early this year and in good time for 2025 bicentenary celebrations which will be a major attraction driving overall visitor numbers and therefore increased income through the site. We are considering options for car parking and reviewing expenditure budgets. Moving into 2025 and beyond the operating model has been reviewed resulting in savings and an extensive programme of events and activities will take place at Hopetown to drive numbers to the business plan projections.
20. All services continue to scrutinise their budgets to reduce spend or generate income to assist with the current year budget pressures and to assist with future years budgets.
21. As a Council and a region we continue to lobby government to highlight the pressures that councils are facing to deliver statutory services.

Outcome of Consultation

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