

CABINET
9 SEPTEMBER 2025

REVENUE BUDGET MONITORING 2025/26 – QUARTER 1

**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 an early forecast of the 2025/26 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 2025/26. The latest projections show an overall decline of £2.166m on the 2025-29 Medium Term Financial Plan (MTFP). This is due to £3.489m of departmental pressures, a decline in corporate resources of £0.166m, offset by £1.489m of additional balances following the 2024/25 final outturn.

Recommendation

3. It is recommended that:-
 - (a) The forecast revenue outturn for 2025/26 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
Executive Director - Resources and Governance

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 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

5. This is the first revenue budget management report to Cabinet for 2025/26 and provides an early forecast of the latest revenue position as part of the Council's continuous financial management process.
6. 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 over the year, therefore changes in the projected outturn are inevitable as the Council is a large and complex organisation.

7. Overall, the projected General Fund reserves position as at the 31 March 2026 is £6.223m, which is £2.166m less than the planned balances in the 2025-29 MTFP. This change relates to £3.489m of departmental pressures, a decline in corporate resources of £0.166m, offset by £1.489m of additional balances following the 2024/25 outturn.

Departmental Resources

8. Departmental resource projections are summarised in **Appendix 2** and detailed in **Appendices 2(a) to 2(e)**.
9. **People Group** budgets are projected to be overspent by £3.825m at the end of the financial year. The main changes are detailed below:
 - (a) **Children's Services** are projecting an overspend of £3.895m at the year end, the main changes from the MTFP are;
 - (i) The Adoption and Placements budget is projected to be overspent of £3.677m.
 - a) There are five new residential placements, with projected costs of £2.135m. Additional costs are projected for two existing placements where the needs have increased substantially from budget setting, with increased costs of £1.389m. There has been an independent home closure and two children who were placed there have therefore moved with increased expenditure of £0.437m and remand costs of £0.080m. These pressures have been offset in part by additional Home Office grant income of £0.111m.
 - b) Independent Foster placements (IFA's) are projected to be underspent by £0.261m as four placements have ceased. Further placements in IFA's have not been secured because there is no suitable capacity in the market, therefore requiring the use of more costly residential placements (as above) to meet the statutory care needs of the children.
 - (ii) The children's staffing divisions are projected to be overspent by £0.218m, this is a combination of additional staffing and agency costs to cover demand in children caseloads.
 - (b) **Adult Social Care & Health** is projected to be underspent by £0.018m, the main changes from the MTFP are:
 - (i) External Packages of Care budgets are projected to underspend by £0.069m. There have been additional placements within residential and domiciliary care, however these have been offset by additional grant income.
 - (ii) Long Term Conditions are projected to be £0.040m over budget due to additional costs at the short break stay facility and additional staffing costs.

11. **Environment, Highways and Community Services** budgets are projecting an underspend of £0.389m, the main changes are detailed below:

- (a) **Highways & Capital Projects** is projected to be underspent by £0.172m. Following agreement between TVCA and the bus operators on the English National Concessionary Travel Scheme (ENCTS) scheme for 2025/26. Concessionary Fares should underspend by £0.142m as the final agreed cost to Darlington is slightly better than the estimates used when setting the MTFP. An ongoing budgeted underspend for electricity in Car Parking R&M is expected to see the service underspend by £0.030m.
- (b) **Community Services** is expected to be underspent by £0.250m. Waste Management tonnages over the first quarter have not risen as greatly as estimated compared to the levels used when setting the MTFP. Overall disposal costs are expected to be underspent by £0.250m. Tonnages will be monitored over the year and projections updated as appropriate.
- (c) **Community Safety** overall is expected to be underspent by £0.250m. Car Parking and Enforcement is expected to be over target income by £0.250m as patronage at the Council's car parks has remained positive and continues to perform better than levels projected as part of the MTFP.
- (d) **Leisure and Cultural Services** is expected to overspend by £0.220m. Work on the business plan at Hopetown Darlington continues at pace to drive income and efficiencies at the museum. One area that has been identified as a pressure is income generation associated to Skerne Bridge car park which is expected to have a shortfall of £0.220m due to low patronage as visitors to the site use alternative parking or transport solutions.
- (e) **Corporate Landlord** is expected to overspend by £0.076m due to pressures associated with utilities. Delays outside the control of the Council associated with the replacement of the CHP unit at the Dolphin Centre is the main driver for the overspend. The unit is installed but awaiting inspection by an external body which is expected shortly.

12. **Resources and Governance** budgets are projecting a year end budget overspend of £0.053m, the changes from MTFP are detailed below:

- (a) **Law & Governance** is projecting an overspend of £0.061m. The main areas of variance are,
 - (i) The Coroners service is projecting an overspend of £0.048m due to the increased costs of running the service, resulting in a higher recharge from Durham County.
 - (ii) Legal Services division is reporting an overspend of £0.059m, from additional agency costs to support the demand of Children's legal cases, (including backfill

of vacant posts) offset in part by a projected underspend in the costs of independent legal services for children's legal cases.

- (iii) The overspends have been offset in part by running cost and staff turnover savings across the division.

13. The **Economy and Public Protection** budgets are projected to break even.

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

Council Wide and Corporately Managed Resources

15. The Council Wide budget is projected to be £0.166m overspent at the year end from the pay offer of 3.2%. At the time of writing the pay offer has been accepted for the National Joint Council employees and Chief Officers, though some of agreements remain outstanding. The MTFP included an estimated pay award of 3% the projected overspend therefore is due to the additional 0.2%. All other Corporate Resources are forecast to be on target at this stage of the year.

Housing Revenue Account (HRA)

16. HRA projections are shown in **Appendix 3** with an overall projected balanced budget. There has been a reduction in the estimated working balance of £0.116m, which is primarily due to:

- (i) Dwelling rental income is forecast £0.154m lower, due to 31 right to buys since the budget was set and voids.
- (ii) Sundry rents are forecast to be £0.037m better due to an increase in income from garages and shops and income from charges for facilities is forecast £0.089m better from an increase in flats, communal areas and lifeline.
- (iii) Operational Costs are forecast £0.103m higher than planned, due to increases in staffing costs following a restructure and an increase in subscription costs.

Conclusion

17. The Council's projected revenue reserves at the end of 2025/26 are £6.223m, £2.166m lower than the initial 2025-29 MTFP position. This position relates to £3.489m of departmental pressures, a decline in corporate resources of £0.166m, offset by £1.489m of additional balances following the 2024/25 outturn.

18. The Council is facing significant pressures from increases in the complexity of need and the lack of suitable provision for children in our care. This is not only impacting on Darlington but is a national issue that has been a pressure for all Councils with social care responsibilities in recent years. In Darlington we have invested in our own provision through placement sufficiency which has provided positive outcomes to date, but this

takes time to build capacity. We continue to develop options to further our provision to provide solutions to all needs.

19. As a Council we continue to lobby the Government to highlight the pressures that Councils face to deliver statutory services, particularly the issues with supporting the needs of our Children.
20. The Government is consulting on funding reform with a revised financial settlement due towards the end of the year. There is an acknowledgement that areas with deprivation are not being funded correctly and that significant budget cuts through the austerity years were unsustainable for many Local Authorities in areas including the North East. It is anticipated that Darlington will benefit from these reforms although at present it is not clear the extent of this.
21. All services continue to scrutinise their budgets to reduce expenditure or generate additional income to assist with the in-year budget position and provide savings for inclusion in the next MTFP.

Outcome of Consultation

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