

CABINET
4 NOVEMBER 2025

REVENUE BUDGET MONITORING 2025/26 – QUARTER 2

**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 second revenue budget management report to Cabinet for 2025/26. The latest projections show an overall decline of £1.872m on the 2025-29 Medium Term Financial Plan (MTEP), an improvement of £0.294m from Quarter 1.

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 second 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 August 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 £6.517m, which is £1.872m less than the planned balances in the 2025-29 MTFP. This change relates to £2.880m of departmental pressures, a decline in corporate resources of £0.481m, 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 £2.969m at the end of the financial year, a reduction of £0.856m from Quarter 1. The main changes from the Quarter 1 position are detailed below:

- (a) **Children's Services** are projecting an overspend of £4.352m at the year end, an increase of £0.457m from Quarter 1. The main changes are;

- a) The Adoption and Placements budget is projected to be overspent by £4.117m, an increase of £0.440m from Quarter 1. This movement is mainly due to residential care, with a one new placement with projected costs of £0.205m. One child has remained in an existing placement as plans to step down have been delayed costing an additional £0.112m and another child has moved to a different location to meet complex needs, costing an additional £0.100m.
- b) The Disabled Children division is reporting a projected underspend of £0.065m, this is largely due to lower usage of day services and some additional health income for complex cases.
- c) The overall Children's staffing divisions are projected to be overspent by £0.300m, an increase in overspend from Quarter 1 of £0.082m, due to additional staffing and agency costs to cover demand.

- (b) **Adult Social Care & Health** are projecting an underspend of £1.291m, an improvement of £1.273m from Quarter 1.

- a. **External Purchase of Care** has seen an improvement of £1.240m from Quarter 1. This is due to;
 - i. An increase in activity on short break stays (£0.162m) and an increase in the use of daycare (£0.036m).
 - ii. Additional assessed contributions income (£0.470m).
 - iii. Attrition across care packages (£0.161m), reduced costs due to people with mental health needs not discharged from hospital as projected (£0.118m) and a reduction in expected mental health demographic changes (£0.061m), has reduced expenditure.

- iv. A reduction for direct payments (£0.022m), domiciliary care hours (£0.586m), due to movements in care activity.
- 11. **Environment, Highways and Community Services** budgets are projecting an underspend of £0.125m, a reduction of £0.264m from Quarter 1. The main changes are detailed below:
 - (a) **Highways & Capital Projects** is projected to be underspent by £0.072m, a reduction of £0.100m from Quarter 1. Slippage of projects within the Building Design service is expected to see a net shortfall on income of £0.100m. Work is underway to address the issue to support both Building Design and Capital Projects income targets.
 - (b) **Community Safety** is expected to be underspent by £0.110m, a reduction of £0.140m from Quarter 1. Patronage at the Council's car parks has remained positive with the expected levels of income estimated to be £0.110m more than budgeted. This has been adjusted to reflect updated projections, as more data on usage has been gathered since the Quarter 1 position.
- 12. **Resources and Governance** budgets are projecting a year end budget overspend of £0.028m, a slight decrease from Quarter 1, due to the increased pay award for Xentrall Services employees, offset by additional grant income and savings on running costs across the division.
- 13. **Economy and Public Protection** is projected to break even, with any projected pressures offset by savings within the Group.
- 14. The School balances and allocations are shown in **Appendix 2(f)**.

Council Wide and Corporately Managed Resources

- 15. Corporate Resources budgets are forecast to be £0.481m overspent, a movement of £0.315m on the Quarter 1 reported position. Grant income from Government is £0.143m less than budgeted following receipt of the final Local Government Finance Settlement and Financing Costs have risen as interest rates have not fallen as predicted when the MTFP was set. In addition the ending of one of the Council's property fund investments has reduced dividend income, though the funds returned from the fund have been used to repay loans that were maturing therefore saving on interest payments, whilst options are considered for future investment opportunities.

Housing Revenue Account (HRA)

- 16. HRA projections are shown in **Appendix 3** with an overall projected balanced budget. The movement in contribution from balances is £0.764m, primarily due to continuing inflationary increases on the cost of repair and maintenance works, along with replacement of fire door and fire compartmentalisation works at the sheltered schemes following a fire audit and increased demand for repairs across properties.

Conclusion

17. The Council's projected revenue reserves at the end of 2025/26 are £6.517m, £1.872m lower than the initial 2025-29 MTFP position. This position relates to £2.880m of departmental pressures, a decline in corporate resources of £0.481m, offset by £1.489m of additional balances following the 2024/25 outturn.
18. Pressures in children's social care continue to be a concern in Darlington and nationally, with increasing complexity in child need and the lack of provision in the market increasing the cost of accommodating our children. All packages of care are continually reviewed and monitored to ensure that the placement provides the assessed care needed for the individual as well as financially to ensure the best use of resources.
19. All services continue to scrutinise their budget, challenging expenditure or increasing income to assist with the current and future years budget pressures.
20. As a Council we continue to highlight to Government the pressures Council's are facing to deliver statutory services.

Outcome of Consultation

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