

CABINET
08 SEPTEMBER 2026

REVENUE BUDGET MONITORING 2026/27 – 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 2026/27 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 2026/27. The latest projections show an overall decline of £2.726m on the 2026-30 Medium Term Financial Plan (MTFP). This is due to £3.079m of departmental pressures, a decline in corporate resources of £0.219m, offset by £0.572m of additional balances following the 2025/26 final outturn.

Recommendation

3. It is recommended that: -
 - (a) The forecast revenue outturn for 2026/27 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 2026/27 and provides an early forecast of the revenue budget 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 2027 is £3.357m, which is £2.726m less than the planned balances in the 2026-30 MTFP. This change relates to £3.079m of departmental pressures, a decline in corporate resources of £0.219m, offset by £0.572m of additional balances following the 2025/26 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 £2.654m at the end of the financial year. The main variances are detailed below:
 - (a) **Children's Services** are projecting an overspend of £2.835m at the year end, the main changes from the MTFP are;
 - (i) The Adoption and Placements budget is projected to be overspent by £2.715m.
 - a) There have been fifteen new external residential placements since the budget was set, four since April. The cost of external placements continues to rise with the complexity of need and supply of places (e.g. one of the new packages is projected to cost £0.730m). Growth was built into the budget which has covered three of the new placements, leaving a projected net cost for the new placements of £2.948m. Two children were expected to move to DBC's Blossom children's home however due fire safety requirement this move has been delayed, requiring existing placements to be extended costing an additional £0.483m. One placement cost has doubled since budget setting (to circa £1.104m), creating an additional pressure of £0.592m. These increases have been offset by seven children leaving reducing spend by £0.480m and by children moving into step down supported accommodation arrangements and other placement moves reducing net projected spend by £0.830m.
 - b) Overall, all the other placement budget variances broadly offset each other, the main areas of note are that we have had four new Independent Foster Care placements costing £0.115m and four new Child Arrangement Orders £0.045m, these have been offset by additional grant income.
 - (ii) The Children's staffing budgets are projected to be overspent by £0.117m overall, which is a combination of additional staffing, agency cover costs and changes in grant funding, offset by savings in running costs across the service.

- (b) **Education**, the Transport Unit is projected to be overspent by £0.273m an ongoing pressure from 2025/26 due to,
 - (i) Contracted routes £0.148m, due to an additional route and price increases.
 - (ii) Pupil transport costs are projected to be overspent by £0.052m.
 - (iii) Staffing costs for drivers and personal assistants are projected to be overspent by £0.073m to cover routes.
 - (c) **Adult Social Care & Health** is projected to be underspent by £0.454m, the main changes from the MTFP are:
 - (i) External Packages of Care budgets are projected to underspend by £0.493m. There have been net increases of £0.371m in residential and nursing placements and increase in non-residential packages of £0.092m due to activity changes. This has been offset by additional health funding of £0.780m and respite activity has reduced by £0.176m.
 - (ii) Older People Long Term Condition budgets are projected to be overspent by £0.118m in the main due to pressures in Advocacy of £0.100m.
 - (iii) Services Development and Integration is projected to be underspent by £0.080m due to staff vacancies.
10. **Environment, Highways and Community Services** budgets are projecting an overspend of £0.355m, the main changes are detailed below:
- (a) **Highways & Capital Projects** is projected to break even overall.
 - (i) Following final agreement between Tees Valley Combined Authority (TVCA) and bus operators on the English National Concessionary Travel Scheme (ENCTS) for 2026/27, Concessionary Fares is expected to underspend by £0.129m.
 - (ii) Due to continued demand for responsive repairs within Highways Maintenance there is an expected overspend, this will partially be offset by increased fee generation, giving a net pressure of £0.091m.
 - (iii) Slippage on several capital schemes is expected to see turnover reduce for the Highways DLO service which will impact on achievable profit targets by £0.038m.
 - (b) **Community Services** is projected to overspend by £0.250m in Waste Management. Changes to the mix of recycling materials within kerbside collections has added an increased level of complexity to the processing of the materials and therefore an increased cost.

- (c) **Leisure and Cultural** is expected to overspend by £0.131m.
 - (i) Visitor numbers to Hopetown Darlington for the first quarter have been at anticipated levels and Wagon Woods and the catering offer have performed strongly. Car parking, The Experiment and retail sales have not performed as strongly and overall, there is an anticipated shortfall of £0.066m against budget for the year. A review of the business plan has been undertaken and an action plan is in place to build growth.
 - (ii) Following the introduction of Martyn's Law, security at Hippodrome has been reviewed in line with national guidelines and is now expected to cost the service an additional £0.065m for 2026/27.
 - (d) **Corporate Landlord** is expected to break even at the year end. There is a projected overspend of £0.140m associated with utilities, which is in part due to the ongoing conflict in the middle east driving up energy cost globally. This overspend will be offset in the current year by a one-off rebate for electricity received from NEPO which relates to historical overpayments made under the energy contract in 2024/25.
11. **Resources and Governance** budgets are projecting a year end budget overspend of £0.270m, the changes from MTFP are detailed below:
- (a) **Law & Governance** is projecting an overspend of £0.141m. The main variance is the Coroner's Service with a £0.099m deficit due to the increased costs of running the service from additional coroner capacity, resulting in a higher recharge from Durham County Council.
 - (b) **ICT** is projected to be overspent by £0.100m following a rapid global expansion of Artificial Intelligence increasing demand for processors, storage and memory components creating a shortage and inflationary price increases.
12. **Economy and Public Protection** budgets are projected to underspend by £0.200m. Development Management is expected to exceed its income target by £0.200m due to a buoyant market driven by new housing and solar farm applications. Projections based on potential applications if submitted in 2026/27 may see this further improve, but current projections are tempered to take account of possible slippage on some applications into future years. Applications will be reviewed throughout the year and projections updated as certainty strengthens.
13. The school balances and allocations are shown in **Appendix 2(f)**.
14. **Council Wide and Corporately Managed Resources**
- (a) The Council Wide budget is projected to underspend by £0.031m from the increased pay award and reduced pension contributions. At the time of writing, the employers have offered a pay award of 3.3%, which is not currently agreed with Trade Unions. In the MTFP, an estimated pay award of 3% was included in the budget, the offered

additional 0.3% is estimated to cost £0.193m. In the budget the Council's contributions to the pension scheme were set at 14.5%, however after the final actuary report these were revised to 14.1% which provides an estimated saving of £0.224m.

- (b) Financing costs are projected to be overspent by £0.250m which is made up from £0.070m lower net interest receipts from loans to joint ventures which have slipped from the estimated start dates included in the MTFP, along with additional borrowing costs as interest rates have not fallen as predicted due to global economic factors meaning the cost of borrowing remains high and are now not predicted to fall until the second half of 2027/28.

15. Housing Revenue Account (HRA)

- (a) HRA projections are shown in **Appendix 3** with an overall projected balanced budget. The additional contribution from balances is £0.819m, which is primarily due to:
 - (i) Rents are lower than forecasted by £0.462m. Of this, £0.350m is due to the current number of void properties, a works programme is in place to reduce the length of time a property is void and it is anticipated that this will result in an overall improvement in rent levels over the latter part of the financial year. Slippages on new builds being completed has also impacted on the forecasted rent levels.
 - (ii) Based on current lower than budgeted debt levels the bad debt provision has improved by £0.183m.
 - (iii) Operational costs are projected to underspend by £0.158m due to staff vacancies and staff recharges to externally funded capital programmes.
 - (iv) Additional costs associated with Lifeline Services, including utilities, equipment repairs and waste disposal have seen the cost to the service increase by £0.098m which are non-recoverable in current year.
 - (v) The repairs and maintenance budgets are anticipated to overspend by £0.593m due to remedial repairs identified across housing properties from stock condition surveys and additional works carried out above budget allocations on mould remedial works.

Conclusion

- 16. The Council's projected revenue reserves at the end of 2026/27 are £3.357m, £2.726m lower than the initial 2026-30 MTFP position. This position relates to £3.079m of departmental pressures, a decline in corporate resources of £0.219m, offset by £0.572m of additional balances following the 2025/26 outturn.
- 17. The Council continues to face significant pressures from the increase in complexity of need and the lack of suitable provision for children in our care. This is a national issue which has caused significant pressures for all Council's with social care responsibilities. We continue to invest in our own provision and develop placement sufficiency to look after the children

in our care which has provided positive returns. The Government has invested in prevention funding through its Family First programme which will aim to reduce the number of children coming into care in future years.

18. 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

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