



RECORD OF EXECUTIVE DECISIONS

The following is a record of the decisions taken at the meeting of **CABINET** held on **Wednesday 15 March 2023**. The decisions will come into force and may be implemented from **Monday 27 March 2023** unless the Corporate Overview and Scrutiny Management Committee or its Committees object to any such decision and call it in.

Forecast of Revenue and Capital Outturn 2022/23 - Period to 31 December 2022 and Update on Progress towards achieving MTFP(12) savings

Summary

The Cabinet considered the report of the Corporate Director of Resources which provided information on the following:

- (a) the updated forecast revenue and capital outturn for 2022/23, based on the position to 31 December 2022;
- (b) the dedicated schools grant and updated forecast schools position as at 31 March 2023, based on the position to 31 December 2022;
- (c) the updated forecast for the council tax and business rates collection fund position at 31 March 2023, based on the position to 31 December 2022; and
- (d) details of the updated forecast use of and contributions to earmarked, cash limit and general reserves in 2022/23 and the estimated balances that will be held at 31 March 2023.

The report also sought approval of the revised capital programme 2022/23, other budget adjustments and proposed sums treated as outside of the cash limit in year and provided Cabinet with an update on progress towards achieving MTFP(12) savings in 2022/23.

During the last two financial years the council has faced unprecedented budget pressures as a consequence of the Covid-19 pandemic. Across that period the government provided significant additional funding to local authorities to ensure they were able to respond to and manage the financial challenges faced.

In County Durham, the funding received more than offset the costs incurred, net of Covid-19 related underspending, over the last two years, but no further funding is available to the council to offset any legacy impacts arising from the pandemic.

In 2022/23 the council has faced further financial challenges, mainly resulting from the impact of the Ukraine conflict. Consumer Price Index inflation (CPI) in the UK economy is presently 10.5% and this is driving significant upward pressure across a range of expenditure budgets. Some specific areas of council spending are well in excess of the current CPI level of 10.5%, especially in relation to energy, fuel, and external contracts where energy and fuel are a major factor, such as waste disposal and in home to school transport budgets.

On 8 September 2022, the Government announced a package of measures to cap energy costs for households and businesses across the winter period (October 2022 to March 2023), with further detail published on 22 September 2022. The North East Purchasing Organisation (NEPO) has provided regular forecasts based on known detail and these updates have been factored into the quarter three outturn position.

The risk arising from escalating inflation, which is also impacting household incomes, was recognised during the 2021/22 final outturn. On 13 July 2022 Cabinet agreed to the creation of a Budget Support Reserve of £10 million to assist with cost inflationary pressures in 2022/23.

The Local Government Employers offer of £1,925 flat rate increase to 'Green Book' employees (covering the vast majority of council employees) was accepted on 1 November 2022. These uplifts equate to a circa 6.6% increase in the council's 2022/23 pay budget. The 2022/23 original budget included provision for up to 3.25%. After taking into consideration in year vacancies, this has added a forecast circa £6.5 million per annum to council costs in the current year.

On 23 September 2022, it was announced that the 1.25% increase in National Insurance & the Health and Social Care Levy, was being withdrawn from November 2022. This equates to an in-year saving in 2022/23 of circa £0.7 million.

Local authorities have not received any additional financial support from the government in 2022/23 and will instead need to rely upon available contingencies and reserves to finance any 2022/23 overspends.

Inflationary pressures are resulting in significant overspends in 2022/23 and this is also resulting in additional forecast costs across the MTFP(13) planning period. The updated impact of inflation upon the MTFP(13) forecasts was

reported to Cabinet on 8 February 2023, with the 2023/24 budget proposals considered by Council on 22 February 2023.

Based on the position to 31 December 2022 service grouping cash limit budgets are forecasting an overspend of £31.719 million this year. A sum of £7.294 million was available in general contingencies to partially offset the pay award, resulting in a net cash limit overspend of £24.425 million.

Budget pressures in relation to areas such as energy, waste disposal and transport are being covered corporately and have been treated as outside the cash limit budgets. Sums covered corporately are forecast to be £11.166 million, resulting in a residual net cash limit overspend of £13.259 million for the year.

At quarter three, Children and Young People's Services are forecasting a cash limit overspend of £13.832 million (compared to a forecast £12.832 million overspend reported at quarter two). The service does not have a cash limit reserve to offset this overspend so, as in previous years, this overspend will need to be financed from the General Reserve.

Overall, after also taking into account corporate budgets, it is estimated that the council's 2022/23 budget will be overspent by £15.264 million, representing 2.99% of the net expenditure budget of £510.986 million. The £10 million Budget Support Reserve created to finance inflation related pressures in 2022/23 will be fully utilised leaving a £5.264 million overspend (1.03% of the council net revenue expenditure) to be financed from the General Reserve, resulting in a forecast end of year balance of £20.634 million. This is a further £0.677 million reduction in the forecast balance from the quarter two position reported in November 2022.

Total earmarked and cash limit reserves (excluding school reserves) are forecast to reduce by £47.883 million in 2022/23, from £235.529 million to £187.646 million. This compares to the position forecast at quarter two when reserves were forecast to reduce by £44.915 million in 2022/23, from £235.529 million to £190.614 million. Within the £187.646 million of earmarked reserves are £30.913 million of reserves held on behalf of other organisations whilst £10.028 million of the MTFP Support Reserve has been utilised in the setting of the 2023/24 revenue budget. This notionally reduces the value of usable earmarked reserves to £146.705 million. This sum, allied with the forecast £20.634 million of the General Reserve, can be compared with the 2023/24 gross expenditure budget of the council of £1.7 billion, meaning that notional usable reserves represent circa 10% of total council annual revenue expenditure.

The forecast reserves position is considered to be prudent given the financial uncertainties facing local government beyond 2022/23. The MTFP(13) report to Council on 22 February 2023 highlighted the ongoing budget concerns for the council with a forecast savings requirement of £41.438 million over the

2023/24 to 2026/27 period (with £22.411 million falling into 2023/24 necessitating a forecast £10.028 million use of reserves to balance the budget next year).

To ensure budgets can be balanced whilst clarity is provided and to provide time to work up proposals to reduce expenditure to address the underlying budget position going forward, a review of all earmarked reserves was undertaken (and reported to cabinet at its meeting on 18 January 2023), to ensure that corporate reserves are in place to ensure that the council can set a balanced budget for 2023/24.

Earmarked reserves totalling £38.119 million were identified and approved for transfer to corporate reserves to replenish and support the council in setting balanced budgets and making savings in a timely manner. These transfers have been factored into Appendix 4 to the report.

The council's current reserves policy aims to maintain general reserve balance of between 5% and 7.5% of the net budget requirement in the medium term. The forecasted general reserves balance falls below the budgeted 2023/24 policy minimum of £26.009 million (5%) by circa £5.4 million.

At final outturn consideration will be given to replenishing the general reserve via a transfer from the MTFP Support Reserve to ensure the minimum general reserve level agreed by Council on 22 February 2023 is met.

The updated forecast position for all maintained schools shows a forecast use of reserves of £7.845 million (£0.524 million above budget). This position has however improved significantly from quarter two where schools were forecasting to require £12.678 million of reserves to balance the in-year financial position. In addition, the forecast position for Dedicated Schools Grant centrally retained block shows a £0.798 million deficit in relation to High Needs Block (this compares to a quarter two forecast deficit of a £0.250 million).

The updated projected capital outturn this year is £165.074 million, with the capital budget having been augmented with reprofiled budget from underspending against the 2021/22 capital programme, new spending commitments and funding in year since the budget was agreed, and reprofiling proposals set out in the report to defer capital expenditure to future years where necessary.

In line with best practice, the report now includes performance against the various prudential indicators agreed by County Council in February 2022, these are set out at paragraph 123 to 129 of the report and show that the council continues to operate within the boundaries agreed.

The updated forecast outturn for the Council Tax Collection Fund shows an in-year deficit of £0.251 million, and a cumulative deficit of £2.840 million to 31 March 2023 after accounting for the deficit brought forward from 2021/22 and the third and final instalment of the phasing of the 2020/21 deficit (£1.907 million). Durham County Council's share of this forecast net deficit is £2.396 million.

The forecast outturn for the Business Rates Collection Fund is an in-year deficit of £4.499 million, but a cumulative deficit of £3.668 million after taking into account the 2021/22 undeclared surplus. Durham County Council's share (49%) of this forecast deficit is £1.797 million.

The in year business rates deficit, is offset in the General Fund by the receipt of additional Section 31 grants of £4.548 million.

The in year collection rates for both Council Tax and Business Rates has increased from 2020/21 and 2021/22 following the re-instating of full formal recovery action from June 2021, though are not yet back to pre-pandemic levels.

As at 31 December 2022 the council has delivered savings totalling £1.960 million, which is 81% of the £2.427 million savings target for the year.

Decision

The Cabinet:

- (a) noted the council's overall forecast financial position for 2022/23 and the continuing uncertainty associated with the outturn forecast resulting from the significant inflationary cost pressures and ongoing Covid-19 impacts on income as set out in the report;
- (b) agreed the proposed 'sums outside the cash limit' and transfers to and from general contingencies as set out in the report;
- (c) agreed the revenue and capital budget adjustments outlined in the report;
- (d) noted performance against the various prudential indicators agreed by Council in February 2022;
- (e) noted the forecast use of earmarked reserves in year;
- (f) noted the forecast end of year position for the cash limit and general reserves;
- (g) noted the inflationary pressures which are forecast to be managed from the Budget Support Reserve and from the General Reserve;

- (h) noted the need to review the general reserve balance during final outturn, with consideration to be given to replenishing the general reserve to the minimum level agreed by Council on 22 February 2023 via a transfer from the MTFP Support Reserve;
- (i) noted the Dedicated Schools Grant and Schools forecast outturn position;
- (j) noted the position on the capital programme and the Collection Funds in respect of Council Tax and Business Rates; and
- (k) noted the amount of savings delivered to 31 December 2022 against the 2022/23 targets and the total savings that will have been delivered since 2011.

Annual Review of the Constitution

Summary

The Cabinet considered the report of the Head of Legal and Democratic Services and Monitoring Officer which presented the proposed changes to the Council's Constitution as part of the annual review to be considered by Cabinet and by Council on 24 May 2023.

The Council's Constitution sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people.

The Constitution is reviewed on an annual basis. The last review of the Constitution was presented to Council for adoption on 25 May 2022.

Decision

The Cabinet:

- (a) considered the proposed amendments to the Council's Constitution set out in the report; and
- (b) approved the delegation of executive powers as set out in the proposed amendments to the officer scheme of delegation as set out at paragraphs 40 to 56 of the report.
- (c) recommended that Council agree the proposed amendments to the Council's Constitution at its meeting on 24 May 2023.

Providing a Sustainable Solution for Wellfield School

Summary

The Cabinet considered the joint report of the Corporate Director of Children and Young People's Services and the Corporate Director of Resources which provided the current position of Wellfield school and detailed the steps taken since 2016 to prevent the school's significant deficit budget, increasing further. The report also sets out the challenges the school is facing and the difficulty of current curriculum planning, whilst still being impeded by its historic financial position.

The report recommended that the Council writes off the accumulated deficit of the school at the point of conversion to academy with New College Durham Academies Trust (NCDAT) Multi Academy Trust. This would support the Trust and school to secure the current good standard of educational provision for the communities the school serves.

Wellfield School is a 11-16 community school with a capacity for 1,154 pupils situated in Wingate, serving mainly deprived local wards and communities. It was modernised through the Building Schools for the Future programme in 2013/14.

The school was deemed 'good' by Ofsted 12 June 2018, with consistently positive KS4 progress and consistently strong attainment outcomes.

Its earlier failures in standards meant that its local catchment community lost faith in the school and first choice applications significantly declined to some of the lowest preferences for secondary schools in Durham.

Rising standards, and Ofsted recognition as a good school initially in 2014, came on the back of a successful headship appointment and leadership success within the school.

Despite this extremely successful period and turnaround, it accrued a substantial cumulative deficit and small year groups from the end of the decade, still had several years to work through the system.

Whilst the cumulative deficit is now being recovered, it is estimated it will be 2036 before it is cleared, and this will come at a cost to the school budget allocation provided for current pupils.

Closure of Wellfield was not an option because of pupil numbers within the planning area.

Cabinet agreed in 2018 to write off this deficit on the school's potential academisation in partnership with Tanfield School. This was not supported by the DfE and the Regional Schools Commissioner at the time.

The sum to be written off will be funded from the earmarked reserve previously established to meet such costs.

New College Durham Academies Trust is a Multi Academy Trust which has worked with the school and has gained the trust and support of the governing body in pursuing this conversion. It has academies in Consett and North Durham and wishes to expand within Durham and neighbouring schools.

Confirmation of DfE and Regional Schools Commissioner approval has been sought in advance of this request and was accepted by the Headteacher board on 19 January 2023, with an academy order now issued.

Decision

The Cabinet:

- (a) agreed to writing off the accumulated deficit of Wellfield Community School at the point of academy conversion with NCDAT. This solution is needed to secure the school's sustainability, maintain its strong educational outcomes, and ensure the sufficiency of pupil places within its planning area.

Helen Lynch
Head of Legal & Democratic Services
17 March 2023