

## Cabinet

8 July 2020

### 2019/20 Final Outturn for the General Fund and Collection Fund



## Ordinary Decision

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### Report of Corporate Management Team

**John Hewitt, Corporate Director of Resources**  
**Councillor Alan Napier, Portfolio Holder for Finance**

#### Electoral division(s) affected:

Countywide

#### Purpose of the Report

- 1 To provide Cabinet with information on the:
  - (a) final revenue and capital outturn for the General Fund for 2019/20;
  - (b) final outturn for the Council's Council Tax and Business Rates Collection Fund for 2019/20;
  - (c) use of and contributions to earmarked, cash limit and general reserves in year and the closing position regarding balances held at 31 March 2020.

#### Executive summary

- 2 The final revenue outturn position for 2019/20 is a net cash limit overspend of £5.088 million plus an overachievement of core government grant and underspend on all other budgets of £5.061 million. The total net overspend is £27,000, which represents less than 0.01% of the revised net expenditure budget of £421.576 million.
- 3 Total general, earmarked and cash limit reserves (excluding school reserves) decreased by £5.530 million in 2019/20, from £234.175 million at 31 March 2019 to £228.645 million at 31 March 2020, although this reduction would have been £17.5 million higher were it not for the receipt of the first tranche of the Covid 19 Support Grant on 27 March 2020. The unutilised element of the first tranche of £17.5 million has been transferred into an earmarked reserve.

- 4 The final capital outturn position for 2019/20 is an underspend of £7.446 million, which is 6.3% of the revised capital budget of £117.574 million.
- 5 The final outturn for the Council Tax Collection Fund is a surplus of £0.220 million. Durham County Council's share of the actual surplus generated in 2019/20 is £0.184 million.
- 6 The actual outturn for the Business Rates Collection Fund is a net surplus of £9.949 million of which Durham County Council's share (49%) is £4.875 million.

## **Recommendations**

- 7 It is recommended that Cabinet note:
  - (a) the final revenue outturn overspend of £27,000 which represents less than 0.01% of the revised net expenditure budget of £421.576 million;
  - (b) the decrease in the Cash Limit Reserves of £1.158 million during 2019/20 with closing Cash Limit Reserves of £11.757 million. These sums will continue to be held as Earmarked Reserves and be available for Service Groupings to manage their budgets effectively;
  - (c) the closing General Reserve balance of £23.950 million;
  - (d) the closing balance on General Fund Earmarked Reserves (excluding Cash Limit Reserves) is £192.938 million;
  - (e) the closing balance on Schools Reserves is £12.142 million;
  - (f) the outturn position for the Collection Funds in respect of Council Tax and Business Rates.
- 8 It is recommended that Cabinet approve:
  - (a) a capital budget of £10.978 million is carried forward into 2020/21;
  - (b) that service groupings regularly review capital profiles throughout 2020/21, reporting revisions to Cabinet as necessary.

## **Background**

- 9 The financial landscape for the council is likely to remain challenging for the foreseeable future. By 31 March 2020, the council will have delivered savings of £234 million since 2010.

- 10 The financial outlook will continue to be extremely uncertain as the expected Comprehensive Spending Review has been delayed until the Autumn of 2020 and may only cover one year due to the impact of Covid 19. In addition the Fair Funding Review and move to 75% Business Rate Retention have been delayed again with, an earliest implementation date of 2022/23.
- 11 The outcome of these reviews will determine the quantum of funding available to local government and the share available to the council. The added uncertainty brought about by the exit from the European Union will only serve to compound these issues. There is a risk that funding reductions may continue beyond this point placing further pressure on the Medium Term Financial Plan (MTFP).
- 12 The Covid 19 outbreak will also have a significant financial impact on the council in 2020/21 with the impact then likely to be felt in future years. The council began to experience the impact of the outbreak in March 2020 when a number of front line service facilities were closed. There has been an increase in claims for Local Council Tax Support and an expected reduction in business rate income due to business closures. Consequently, the council will suffer significant reductions in income in 2020/21 and beyond.
- 13 The council's spending has also significantly increased to cope with the outbreak. Although government initially indicated that it would fund all of the additional costs associated with the pandemic, this is no longer a certainty. Local Authorities may be expected to use their own reserves to fund any shortfall in future funding.
- 14 On 20 February 2019, County Council agreed a net revenue budget of £411.050 million for 2019/20. Factoring in cuts in Government grant, inflation and other budget pressures, £10.334 million of savings were required in 2019/20 to deliver a balanced budget.
- 15 Quarterly forecast outturn reports have been considered by Cabinet throughout the 2019/20 financial year. Detailed reports on individual service groupings have also been considered by the various Overview and Scrutiny Committees.
- 16 This final outturn for 2019/20 has been prepared as part of the production of the Annual Statement of Accounts. During the process of finalising the Statement of Accounts, the Corporate Director of Resources is required to make a number of technical decisions in the best financial interests of the Council. Such decisions will be fully disclosed in the Statement of Accounts.

## **General Fund Outturn**

- 17 This section of the report details the following:
- (a) cash limit outturn for service groupings;
  - (b) overall revenue outturn for the General Fund with summarised service grouping commentary;
  - (c) overall capital outturn of the General Fund with summarised service grouping commentary.

## **Cash Limit Outturn for Service Groupings**

- 18 The overall outturn for the council is shown in Appendix 2 which details how the cash limit outturn for each service grouping is calculated. Two key elements have been excluded from the service grouping outturn when calculating the cash limit outturn as detailed below:

### **(a) Sums Outside the Cash Limit**

Certain expenditure and income items are excluded from the Cash Limit for a range of reasons. Examples of these are as follows:

- (i) items not controlled by the service groupings e.g. technical accounting entries such as capital charges and central administration recharges processed at year end;
- (ii) exceptional items and expenditure pressures which were not accounted for in the service grouping base budget build and which are funded from contingencies or earmarked reserves held corporately e.g. redundancy and early access costs linked to restructuring activity to achieve MTFP savings proposals.

### **(b) Use of or Contribution to Earmarked Reserves**

Sums that service groupings have utilised or contributed to earmarked reserves have been excluded from their outturn position in order to calculate the year end cash limit position.

- 19 After taking into account the above exclusions, three of the service groupings generated a cash limit underspend in 2019/20 whilst two service groupings overspent. Children and Young Peoples Service (CYPS) did not have a cash limit reserve balance and have overspent by £6.217 million. This has required a drawing from General Reserve to this value. Regeneration and Local Services overspent by £1.790 million which was drawn from the service grouping cash limit. Further detail can be found within service grouping commentaries.
- 20 Overall in 2019/20 there was a net use of cash limit reserves of £1.158 million. The cash limit position for each service grouping is detailed in the table below:

Type of Reserve	Opening Balance at 1/4/19	Budgeted use at 1/4/19	Movement during 2019/20		Closing balance at 31/3/20
			Contribution to (-) or use of Reserve during 2019/20	Final Outturn	
<b>Service Grouping Cash Limit</b>	<b>£ million</b>	<b>£ million</b>	<b>£ million</b>	<b>£ million</b>	<b>£ million</b>
Adult and Health Services	-7.919	0.000	1.084	-1.520	-8.355
Children & Young People's Services	0.000	0.000	-6.217	6.217	0.000
Regeneration & Local Services Resources	-3.152	0.000	1.036	1.790	-0.326
Transformation & Partnerships	-1.572	0.009	0.115	-1.311	-2.759
	-0.272	0.000	0.043	-0.088	-0.317
<b>Total Cash Limit Reserve</b>	<b>-12.915</b>	<b>0.009</b>	<b>-3.939</b>	<b>5.088</b>	<b>-11.757</b>

- 21 In closing the accounts for 2019/20, a review of all reserves has been undertaken. Consequently the following earmarked reserve has been replenished as part of the final accounts closedown process via a transfer from the Insurance Reserve:
- (a) Commercialisation Reserve (£2.600 million) – to provide resources to enable the authority to improve value for money in the context of its commercialisation agenda.
- 22 The council received £18.588 million from central government on 27 March 2020, the first tranche of Covid 19 Support Grant funding. A sum of £1.067 million was utilised and allocated to the relevant Service Groupings in 2019/20 to meet the additional costs and lost revenue incurred due to the Covid 19 outbreak. A new earmarked reserve has been created with the remaining £17.521 million, which will be utilised in 2020/21 to fund additional expenditure and lost income related to Covid 19.

## Revenue Outturn

23 Appendix 2 provides a more detailed outturn position for the council's general fund by service grouping. In addition, Appendix 3 provides a detailed outturn position for the council by type of expenditure and income. The following table provides a summary of the final outturn position:

	£m	£m
Gross expenditure		1,532.272
Gross income		-1,102.577
<b>Net Expenditure</b>		<b>429.695</b>
<b>Financed by:</b>		
Council Tax	-222.267	
Estimated net surplus on Collection Fund	-2.168	
Business Rates	-54.473	
Top up grant	-71.613	
Levy Account Surplus Grant	-0.427	
Revenue Support Grant	-27.620	
Covid 19 LA Support Grant	-17.521	
New Homes Bonus	-6.709	
Section 31 Grant	-11.348	
Adult/Childrens Pressures Grant	-4.822	
Net contribution from Cash Limit Reserve	-1.159	
Use of (-) / contribution to earmarked reserves		
Schools and DSG	-5.199	
Non- schools	-3.213	
Net contribution from the General Reserve	-1.156	
		<b>-429.695</b>

- 24 The final outturn position for 2019/20 was an overspend of £27,000. The table below details the transfers to/ from reserves:

	<b>£m</b>
2019/20 underspend transferred to General Reserve	-5.061
2019/20 overspend transferred from Cash Limit Reserves	5.088
<b>Total 2019/20 Overspend</b>	<b>0.027</b>

- 25 The final outturn position for the Council's General Reserve is detailed below:

	<b>£m</b>
Opening Balance as at 1 April 2019	-25.106
2019/20 Underspend to General Reserve	-5.061
<b>Less:</b>	
Transfer to CYPS Cash Limit Reserve	6.217
<b>Closing General Reserve Balance at 31 March 2020</b>	<b>-23.950</b>

- 26 The general reserve balance carried forward of £23.950 million is within the council's general reserves policy of retaining between 5% and 7.5% of the net budget requirement, which in cash terms is between £21.503 million and £32.254 million. The £23.950 million balance at 31 March 2020 equates to 5.57% of the 2020/21 net budget requirement.

- 27 The main reasons for the movement in the general reserve balance during 2019/20 are as follows:

- (a) a transfer of £6.217 million to CYPS cash limit reserve at year end to eradicate the negative cash limit reserve. This negative cash limit reserve has resulted from intense pressure upon the CYPS revenue budget which is detailed later in the report;
- (b) interest payable and similar charges - £0.916 million more than budget relating to an adjustment required regarding the outstanding loan with Newcastle Airport, linked to the impact of

Covid 19 upon the airport. The loan repayments will be made over a revised profile;

(c) sums outside the cash limit - £80,000 more than budgeted;

substantially offset by:

(d) levy account surplus grant - £0.427 million which was not budgeted for. This is a payment from the government relating to surplus national levy funding within the business rate retention process which was not expected, but distributed in March 2020;

(e) interest and investment income - £1.881 million more than budgeted. This underspend is mainly generated from higher than forecast returns on loan investments and commercial activities;

(f) section 31 grant income - £0.925 million more than budgeted, relating mainly to changes in business rate reliefs resulting in an increase in Section 31 grant;

(g) corporate costs - £0.415 million less than budgeted, relating mainly to increased capital receipts below the £10k de minimus level and underspends on audit fees, subscriptions and bank charges. These budgets will be reviewed to determine if savings can be included in MTFP(11);

(h) contingencies - £2.345 million less than budgeted;

28 The following tables show that in 2019/20 the total non schools reserves decreased by 2.4%, from £234.175 million to £228.645 million. The reduction would have been £17.5 million higher were it not for the receipt of the first tranche of the Covid 19 Support Grant on 27 March 2020. The unutilised element of the first tranche of £17.5 million has been transferred into an earmarked reserve.

29 The schools balances reduced by 30.0%, from £17.341 million to £12.142 million during 2019/20, mainly as a result of an overspend in the centrally retained DSG reserves, which is detailed later in the report. Appendix 4 details the movement on earmarked reserves during 2019/20.



## Total Non School Reserves

	General Reserve	Earmarked Reserves	Cash Limits	TOTAL
	£m	£m	£m	£m
Opening Balance at 1 April 2019	-25.106	-196.154	-12.915	-234.175
Contribution to (-) / Use of Reserves	1.156	3.216	1.158	5.530
<b>Balance at 31 March 2020</b>	<b>-23.950</b>	<b>-192.938</b>	<b>-11.757</b>	<b>-228.645</b>

## Schools Balances

	Schools Balances	Centrally Held DSG	TOTAL
	£m	£m	£m
Opening Balance at 1 April 2019	-17.690	0.349	-17.341
Contribution to (-) / use of Reserves	1.741	3.458	5.199
<b>Balance at 31 March 2020</b>	<b>-15.949</b>	<b>3.807</b>	<b>-12.142</b>

## Service Grouping Commentary

30 A summary of the outturn for each service grouping is provided below. Detailed outturn reports will be provided to the relevant Overview and Scrutiny Committees.

### Adult and Health Services (AHS)

31 The 2019/20 outturn for Adult and Health Services (AHS) was a cash limit underspend of £1.520 million, representing circa 1.3% of the total budget for AHS. This takes into account adjustments for sums outside the cash limit such as redundancy costs which are met from the strategic reserve, year-end capital entries and contributions to and from earmarked reserves.

32 The cash limit outturn compares to the previously forecast position at quarter 3 of £2.355 million under budget.

33 The outturn is a managed position, reflecting the proactive management of activity by Heads of Service across AHS to remain within the cash

limit and to prepare for 2020/21 MTFP savings requirements. The outturn position is accounted for as follows:

- (a) early achievement of a number of future years' MTFP savings from management and support service proposals across the Adult Care and related areas, together with the careful management and control of vacant posts and supplies and services budgets across the service, particularly in County Durham Care and Support Services, has created a net underspend for the year of £2.307 million.
- (b) net spend on adult care packages was £0.787 million over budget, with spending on Learning Disabilities and Mental Health packages increasing in comparison to the previous forecasts. Spending on adult care packages continues to be closely monitored to assess the impact of demographic and procedural/ operational changes, where significant MTFP savings have been taken in previous years.
- (c) net expenditure on Public Health related activity is in line with grant allocations.

34 Further to the quarter 3 forecast of outturn report, the following items have been excluded from the outturn arriving at the cash limit at the year end:

- (a) £0.322 million relates to net contributions to earmarked reserves to support specific projects:
  - (i) A net use of the Social Care Reserve of £1.856 million to fund future social care activity;
  - (ii) A £2.178 million contribution to the Public Health Reserve, reflecting net underspending in year and ensuring this ring-fenced grant is retained for Public Health spending in future years.
- (b) £0.078 million net use of reserves in relation to ER/VR costs and insurance recharges incurred in quarter 4.
- (c) £4.273 million relates to a range of adjustments associated with capital charges, centralised repairs and maintenance and central administration charges outside the cash limit.

35 Taking the outturn position into account, the cash limit reserve to be carried forward for Adult and Health Services is £8.355 million as at 31 March 2020.

## Children and Young People's Services (CYPS)

- 36 The 2019/20 outturn for CYPS is a cash limit overspend of £6.217 million, representing circa 5.4% of the total budget for CYPS. This takes into account adjustments for sums outside the cash limit, such as redundancy costs, which were met from corporate reserves, year end capital entries and contributions to and from earmarked reserves.
- 37 The cash limit outturn position compares to the previously forecast position at quarter 3 of a cash limit overspend of £4.614 million.
- 38 The outturn position is accounted for as follows:
- (a) The Education Service was £2.535 million over budget. Within this area, there was an overspend of £3.127 million on Home to School Transport budget, which is largely as a result of various pressures linked to increased demand, increased contract prices and the effect of the implementation of Public Service Vehicle Accessibility Regulations (PSVAR) which was introduced in 31st December 2000 (with all vehicles expected to be fully accessible from 1st January 2020). This overspend was partially offset by savings of £0.355m due to the alternative funding arrangements for the nursery sustainability service and the early achievement of MTFP restructure savings of £0.237 million.
  - (b) Children's Services were £3.682 million over budget for the year. This is primarily related to a £5.431 million overspend (22%) on costs associated with children's placements, which have increased to circa 920. Placements are both those who have a legal status of looked after and those young people in permanent placements that are financially supported by the council. In addition, there was a £0.124 million overspend on associated legal expenses for child care cases and a shortfall on income from joint funded placements £0.406 million, which is mitigated in part by savings resulting from employees related costs mainly related to staff vacancies (£2.279 million).
- 39 The pressure on the budget in children's social care has been evident over the last few years, as the number of children in the care system has increased significantly and their needs have become more complex. There are now circa 920 looked after children, compared to an average of 795 in 2017/18. This budget was increased by £5.5 million in 2018/19 and a further increase in the base budget of £6.5 million was approved by County Council on 20 February 2019 to cover anticipated care costs, as well as additional costs for staffing in order to meet the expected challenges and pressures identified for 2019/20. The 2020/21 budget includes provision for a further increase in the Children's Social

Care budgets - where growth of £3.417 million is included for placement costs in 2020/21.

- 40 The 2020/21 budgets also include additional budget growth of £3.2 million to recognise the financial pressures being experienced in delivering home to school transport, which has seen costs increase by 54% over the last two years. A review of commissioning arrangements is underway with a view to considering how these pressures can be contained going forward.
- 41 In arriving at the outturn position it is of note that CYPS accessed a net £1.425 million use of CYPS reserves and £3.048 million of corporate reserves as detailed below:
- (a) £0.346 million use of Tackling Troubled Families Reserve linked to temporary posts and one off projects in year;
  - (b) £0.235 million use of SEN Reform Reserve following the ending of grant funding;
  - (c) 0.583 million use of Secure Services Reserve to cover a shortfall in income from the sale of high dependency beds in year;
  - (d) £84,000 use of National Assessment and Accreditation (NAAS) Reserve to fund the implementation of the new NAAS system for strengthening practice in social work;
  - (e) £3,000 use of Youth Justice Development Reserve to fund resources and training materials for communication purposes;
  - (f) £39,000 contribution to Personal Advisor Reserve for personal adviser support for care leavers;
  - (g) £0.165 million use of Emotional Well Being Reserve to cover a shortfall in income in year;
  - (h) £4,000 use of Movement Difficulties Reserve to cover a shortfall in income in year;
  - (i) £1.874 million use of Corporate ER/VR reserve to cover redundancy and early access costs incurred;
  - (j) £1.174 million transfer to the Corporate Insurance reserve;
  - (k) £0.402 million use of ESF 2018-2021 Reserve to cover costs associated with Durham Works and other ESF associated projects in year;

- (l) £0.393 million use of ESF 2015-2018 YEI Reserve to cover costs associated with Durham Works and other ESF associated projects in year;
  - (m) £73,000 use of North East Social Work Alliance (NESWA) to pay over monies owed to Gateshead Council as this function has now been transferred to Gateshead Council;
  - (n) £81,000 use of Music Service Reserve to cover a shortfall in income in year;
  - (o) £3,000 use of School & Governor Support Reserve to cover a shortfall in income for this service in year;.
  - (p) £3,000 contribution to Easington Schools Sports Partnership reserve – generated from the surpluses relating to this partnership;
  - (q) £19,000 contribution to Swimming Reserve – generated by surplus income from Primary School Swimming;
  - (r) £18,000 contribution to the Early Years Activity Reserve generated by surpluses from the Early Years Sustainability budget in year;
  - (s) £43,000 contribution to the Adult Learning Reserve generated from surpluses in the Adult Learning Support Service in year;
  - (t) £0.314 million contribution to the DSG Schools Block Reserve – generated by surpluses on the Building Schools for the Future PFI Initiatives;
  - (u) £0.573 million contribution to the PFI Lifecycle Reserve – generated by surpluses on the Building Schools for the Future PFI Initiatives; and
  - (v) £16,000 contribution to the Durham Learning Resources Reserve – generated by a surplus on the Durham Learn.
- 42 In 2018/19, £1.632 million was transferred from general reserves to the CYPS cash limit reserve to prevent the service having a deficit reserve balance carried forward at 31 March 2019 and to balance the CYPS cash limit reserve to zero. Taking the outturn position into account, there is a £6.217 million negative cash limit position at the 2019/20 year end.
- 43 The council's financial procedure rules state that where a service groupings cash limit reserve is in deficit, the relevant service is required to make savings/ underspends the following year to bring the reserve back into balance. In this case, given the financial pressures and issues facing CYPS a further transfer from general reserves has been actioned at year end to reduce the CYPS cash limit reserve to zero.

## Dedicated Schools Grant and Schools

- 44 The Dedicated Schools Grant (DSG) allocation for 2019/20 was £393.267 million. A sum of £108.325 million was deducted from this figure and paid directly to academies by the Education Skills Funding Agency (ESFA) and likewise a sum of £3.981 million was deducted and paid directly by the ESFA to high needs providers. Additional funding in relation to the Early Years Block for 2018/19 of £0.111 million was received in July 2019 and therefore £281.072 million was the sum paid to the council and includes both the delegated schools budget and the centrally retained DSG budget.
- 45 Maintained schools are responsible for their delegated budgets and carry forward accumulated surpluses and deficits from one year to the next. At the end of 2019/20 the net balances carried forward by maintained schools totalled £15.592 million, a net decrease of £1.523 million in year. The total carried forward after adjusting for other balances was £15.949 million, a reduction of £1.741 million year on year. The difference between the change in the maintained schools balances and the overall change in balances is mainly due to the impact of academy conversions.
- 46 The changes in balances were as follows:

	<b>31 March 2019 £ million</b>	<b>Movement in Year £ million</b>	<b>31 March 2020 £ million</b>
<b>Maintained Schools</b>			
Nursery	0.874	0.063	0.937
Alternative Provision	0.000	0.000	0.000
Primary	18.078	0.078	18.156
Secondary	-4.122	-2.151	-6.273
Special	2.286	0.486	2.772
<b>Total for maintained schools</b>	<b>17.116</b>	<b>-1.524</b>	<b>15.592</b>
Other School Balances	0.581	-0.224	0.357
<b>Total Schools</b>	<b>17.697</b>	<b>-1.748</b>	<b>15.949</b>
Loans to Schools	-0.007	0.007	0.000
<b>Total</b>	<b>17.690</b>	<b>-1.741</b>	<b>15.949</b>

- 47 Other School Balances includes balances in respect of schools that converted to academies during the year. Where this happens the balance is paid over to the academy trust, unless the school becomes a sponsored academy and has a deficit balance. In such cases the deficit balance is charged to the councils schools reserve.
- 48 Maintained school balances held at 31 March 2020 are circa 5% of gross expenditure in 2019/20:

Gross expenditure and balances	Gross expenditure 2019-20 £ million	Balance at 31 March 2020 £ million	Balance as % of gross expenditure
Nursery	5.164	0.937	18%
Alternative provision	6.196	-	-
Primary	202.357	18.157	9%
Secondary	62.873	-6.273	-10%
Special	28.801	2.772	10%
<b>All schools</b>	<b>305.391</b>	<b>15.593</b>	<b>5%</b>

- 49 The quarter 3 forecast of outturn prepared by the schools themselves, excluding schools that have now converted, indicated that school balances would reduce to £15.2 million by 31 March 2020. This was not the case and the outturn was more in line with the expected position calculated by the council's finance team in line with previous years' experience.
- 50 Loans to schools relates to the remaining balances on loans made to schools under the old loan scheme, which ended in 2013. There are now no outstanding loans for this scheme. Schools are now able to obtain loans from a new scheme, financed by the council.
- 51 For maintained schools, the balances carried forward form part of the available resources available to school to fund future year's activity. The retained balances supplement the budget share determined by the current formula, pupil premium and other income.
- 52 All schools have delegated budgets and carry forward under or over spends to the following financial year as either a surplus or deficit. At 31 March 2020, 21 schools had a deficit balance, where their spending had exceeded their accumulated balances in previous years, totalling £8.402 million:

<b>Schools with deficits at 31 March 2020</b>		
	<b>Number</b>	<b>£ million</b>
Nursery	-	-
Alternative provision	-	-
Primary	15	-0.362
Secondary	6	-8.040
Special	-	-
<b>TOTAL</b>	<b>21</b>	<b>-8.402</b>

- 53 At 2019, there were also 21 schools with deficit balances, with a total accumulated deficit of £6.723 million. Of the schools in deficit at 31

March 2020, 16 were also in deficit at 31 March 2019, of which 10 had agreed a budget to correct the deficit brought forward at 31 March 2019 but this was not achieved. Nine schools increased their deficit carried forward at 31 March 2020 whereas 12 school decreased their deficit carried forward at 31 March 2020 when compared to the previous year end.

- 54 Included in the 21 schools with a deficit balance at 31 March 2020 are four with long-standing difficulties and where officers from CYPS and Resources continue to provide additional support and oversight.
- 55 Other schools have either set a budget which will clear the deficit by the end of 2020/21, or will be working with officers during the year to review their budget position and put in place a deficit recovery plan. Any of schools wishing to set a deficit budget for 2020/21 will require permission from the Corporate Director of Resources. A seprate report on school budget setting will be included on a future Cabinet Agenda.

### **Dedicated Schools Grant Centrally Retained block**

- 56 The outturn position for the centrally retained DSG budgets was an overspend of £9.058 million against a total budget of £52.861 million which represents a 17% overspend.

<b>DSG Block</b>	<b>Budget £ million</b>	<b>Outturn £ million</b>	<b>Over / (Under) Spend £ million</b>
Schools	0.595	0.966	0.371
High Needs	18.534	27.132	8.598
Early Years	30.876	30.971	0.095
Central Schools Services	2.856	2.850	-0.006
<b>Total</b>	<b>52.861</b>	<b>61.919</b>	<b>9.058</b>

- 57 The forecast overspend position mainly relates to spending against the high needs block, which was £8.598 million higher than budget in 2019/20.
- 58 It was anticipated that high needs block expenditure would significantly outstrip available grant in 2019/20 and therefore in February 2019 the County Council agreed to meet the then forecast shortfall of £5.600 million in 2019/20 from its general fund budget on a one-off basis. The final outturn position shows that expenditure was £8.598 million in excess of grant funding and the additional overspend of £2.998 million over the council contribution will be added to the DSG deficit balance carried forward at 31 March 2020.



- 59 The expenditure in excess of that originally forecast position has been largely driven by increasing demand in the post-16 sector, in both independent and non-maintained special schools and in further education institutions. The number of students receiving support from the high needs block to access education continues to increase as the reforms increasing the upper age limit from 19 to 25 continue to play out.
- 60 The following table shows the DSG earmarked reserve position as at 1 April 2019 and the position as at 31 March 2020, taking into account the outturn and the use of £5.600 million of Council funding to support the high needs block position.

<b>DSG Reserves</b>	<b>High Needs Block £ million</b>	<b>Early Years Block £ million</b>	<b>Schools Block £ million</b>	<b>Total DSG £ million</b>
<b>Balance at 1 April 2019</b>	<b>-2.728</b>	<b>1.370</b>	<b>1.009</b>	<b>-0.349</b>
Contribution in/ -use 2019/20	-8.598	-0.095	-0.365	-9.058
Transfer from Council Reserves	5.600	0	0	5.600
<b>Balance as at 31 March 2020</b>	<b>-5.726</b>	<b>1.275</b>	<b>0.644</b>	<b>-3.807</b>

- 61 New regulations came into force on 21 February 2020 which require councils to carry forward deficits to be funded from future DSG income, and only allow deficits to be funded from general resources with the specific permission of the Secretary of State for Education.
- 62 In January 2020, Cabinet approved plans to recover the element of the deficit relating to the high needs block over a five-year period. At that stage the high needs block deficit was forecast to be £6.468 million at the end of 2019/20 and, as the table above shows, the final outturn position has resulted in a deficit of £5.726 million being carried forward.
- 63 The five-year financial plan for the high needs will be revised to reflect the updated position and will be presented to Cabinet in July 2020 for approval.

## **Regeneration and Local Services**

- 64 The 2019/20 outturn for Regeneration and Local Services is a cash limit overspend of £1.790 million. This takes into account adjustments for sums outside the cash limit, such as redundancy costs, that are met from corporate reserves, year-end capital accounting entries and use of/ contributions to earmarked reserves.
- 65 The previously forecast position at quarter 3 was a cash limit overspend of £1.996 million to year end.

66 The main reasons for the overspend position are as follows:

- (a) Environmental Services was £1.484 million overspent. This is mainly the result of overspends on the Waste Disposal contracts of £0.785 million due to increased tonnages, and also unachieved MTFP savings within Fleet of £0.204 million and Clean & Green of £73,000. In addition, there was a £66,000 overspend on business rates at Joint Stocks landfill site, a £0.156 million overspend in Refuse due to additional transport costs, and a £91,000 overspend in Bereavement due to lower levels of income than anticipated and an increase in public health burials. There was also a £119,000 overspend at Meadowfield depot due to one-off utility costs.

The Waste Disposal and Collection budget pressures in 2019/20 are recognised in the 2020/21 budget with growth of £0.650 million factored into MTFP(10) for the current year

- (b) Culture Sport and Tourism was overspent by £0.749 million. This is mainly the result of an overspend of £0.197 million at the Gala Theatre linked to reduced income and a £0.499 million overspend relating to the former Leisureworks facilities. In addition, there was £0.186 million of unachieved MTFP savings pending a service restructure in year. These are partially offset by other underspends across the service of approximately £0.133 million. The reduced income levels generated by the Gala Theatre are recognised in MTFP(10), with additional budget growth of £0.400 million provided in 2020/21.
- (c) Technical Services was £0.194 million overspent. Within this service area there was an overspend of £1.370 million attributable to additional policy led expenditure on highways maintenance, mainly in relation to Category 1 and 2 defects and footway maintenance. This was offset by additional surpluses generated within the Highways Services Trading Accounts of £0.384 million, additional Section 38 income of £0.690 million and other savings of £0.102 million across this service in year.
- (d) Business Durham is forecast to be £0.248 million underspent due to income relating to industrial estates and other trading areas exceeding budget.
- (e) Transport and Contracted Services was £0.237 million underspent at the year end. This was mainly due to reduced costs on local bus routes of £0.188 million, and efficiency savings in Care Connect of £0.146 million, offset by increased traffic management costs of £0.122 million.

- (f) Development and Housing was £0.480 million overspent, mainly due to the Durham Employment & Skills (DES) contract which was withdrawn during the year.
- (g) Community Protection underspent by £97,000. This was mainly due to a number of vacant posts which are proving difficult to recruit to, resulting in an underspend of £121,000 offset by £24,000 under achieved licensing income.
- (h) Corporate Property and Land underspent by £0.358 million, mainly due to an extra £0.713 million of trading income surplus. This underspend was however partially offset by a £0.176 million overspend on professional services to support the service, pending a future restructure, and a £0.162 million overspend on Centralised Repairs and Maintenance in the year.

67 Further to the quarter 3 forecast outturn report, the following items have been excluded from the outturn in arriving at the cash limit:

- (a) £1.328 million - relating to a net contribution to earmarked reserves and cash limit reserves to support specific projects in 2020/21. This includes:
  - (i) £0.112 million contribution to reserves in respect of Housing and Homelessness projects;
  - (ii) £0.444 million contribution to reserves in respect of North Pennines AONB funding received in year which will be expended in future years;
  - (iii) £0.175 million use of earmarked reserves in respect of Events and externally funded Culture and Sport projects;
  - (iv) £0.120 million use of earmarked reserves for Transport related schemes.
  - (v) £0.398 million contribution to reserves in respect of Property related projects.
- (b) In addition, the movement on Reserves includes a use of £0.612 million from the Winter Maintenance Reserve that was established at the end of 2013/14. This has been drawn down to offset the in-year overspend on Winter Maintenance. The Winter Maintenance Reserve now stands at £0.658 million and is available to be drawn down when severe winter or weather events occur in the current or

future years and where the annual budget is insufficient to meet the associated unavoidable costs.

- (c) a £1.275 million net contribution to reserves in relation to ER/VR costs, and Insurance costs.
- (d) £5.079 million relating to a range of items outside the control of the service were also excluded from the outturn, with the major component relating to capital charges.

68 Taking the outturn position into account, the cash limit reserve to be carried forward for Regeneration and Local Services is £0.326 million. The balance held at 31 March 2020 will be reallocated to the new service groupings in 2020/21.

## Resources

69 The 2019/20 outturn for Resources was a cash limit underspend of £1.311 million. This takes into account adjustments for sums outside the cash limit such as redundancy costs which are met from corporate reserves, year-end capital accounting entries and use of/ contributions to earmarked reserves.

70 The cash limit outturn position compares to the previously forecast position at quarter 3 of a cash limit underspend of £0.738 million.

71 The underspend reflects the proactive management of activity by Heads of Service across Resources throughout the year to remain within the cash limit and to prepare for 2020/21 MTFP savings requirements. The outturn position is accounted for as follows:

- (a) Corporate Finance and Commercial Services was underspent by £0.158 million, of which £0.123 million relates to a managed underspend position on employee costs and £26,000 on supplies and services costs. There were also a number of other minor variances in this service area.
- (b) Finance and Transactional Services was underspent by £0.481 million, consisting of a managed underspend position on employee costs of £0.129 million, offset by a managed overspend on supplies and services expenditure £47,000. The other major area of underspending relates to income, which was £0.465 million higher than budgeted, offset in part by other minor variances across this service.
- (c) Digital and Customer Services was underspent by £57,000, consisting of a managed underspend on employee costs of £0.190 million in Customer Services and £0.146 million in ICT Services.

There was a net overspend of £0.622 million on supplies and services costs, consisting of a £54,000 underspend in Customer Services and a £0.676 million overspend in ICT Services. Income was £0.764 million higher than budgeted, with £0.168 million overachieved in Customer Services and £0.750 million overachieved in ICT Services. These underspends were however offset by funding of ICT capital schemes from revenue contributions in 2019/20 totalling £0.432 million. There were also a number of other minor variances in this service area.

- (d) Internal Audit, Risk and Corporate Fraud was underspent by £25,000, mainly comprising a managed overspend of £44,000 on employee costs in year, which was more than offset by additional income generated of £72,000. There were also a number of other minor variances in this service area.
- (e) Legal and Democratic Services was underspent by £0.242 million, mainly from the overachievement of several income budgets amounting to £0.214 million. There were also a number of other minor variances in this service area.
- (f) People and Talent Management was £0.147 million underspent due to a managed overspend position on employee related costs £60,000, offset by additional income generated of £0.149 million and an underspend on supplies and services costs of £55,000. There were also a number of other minor variances in this service area.
- (g) Service Management was £0.201 million underspent, due to a managed underspend position on employee related costs £0.234 million and overachieved income of £12,000, offset by an overspend of £45,000 on central costs.

72 Further to the quarter 3 forecast of outturn report, the following items have been excluded from the outturn in arriving at the cash limit outturn position:

- (a) £0.918 million relates to a range of adjustments associated with year end accounting entries for capital charges, centralised repairs and maintenance and central administration recharges;
- (b) £0.541 million relates to a transfer from the Corporate MTFP ER/VR Reserve to fund the cost of early retirements/ voluntary redundancies in year;
- (c) £67,895 relates to a transfer to the ICT Reserve to finance ICT developments and additional costs of software licences;

- (d) £24,607 relates to a transfer to the Microsoft Office 365 Reserve from in-year underspends to support the deployment, development and support of the Microsoft Office 365 software across the County Council;
- (e) £43,623 relates to a transfer to the Welfare Reforms New Burdens Grant Reserve in respect of the unused balance of the allocation to Customer Services;
- (f) £37,468 relates to a transfer to the Insurance Reserve from in-year underspends on central insurance provision;
- (g) £0.104 million relates to a transfer to the Corporate Procurement Reserve from additional income received from the NEPO procurement rebate which will be used to help finance future procurement initiatives;
- (h) £0.401 million relates to a transfer to the DWP Housing Benefit Subsidy Reserve to finance the potential cost of Housing Benefit backdated claims which are not fully funded by Government Subsidy as a result of the external audit;
- (i) £0.150 million relates to the establishment of a Deputy and Appointeeship Team Reserve, which has been created to fund the work of the team in future years, where a review is underway of the council's approach to these cases;
- (j) £80,000 relates to a contribution to the Internal Audit and Corporate Fraud Reserve which will be used to help finance development opportunities within the service;
- (k) £7,387 relates to a contribution to the Resources Cash Limit Reserve to help fund the purchase of new office furniture and equipment for the Coroners Service;
- (l) £0.170 million relates to a contribution to the Human Resources Reserve to help finance future corporate training costs.

73 Taking the outturn position into account, including items outside the cash limit and transfers to and from earmarked reserves, the cash limit reserve to be carried forward for Resources is £2.759 million.

### **Transformation and Partnerships (T&P)**

74 The 2019/20 outturn for the former Transformation and Partnerships (T&P) Service was a cash limit underspend of £88,000. This takes into account adjustments for sums outside the cash limit such as redundancy costs which are met from corporate reserves, year end

capital accounting entries and use of / contributions to earmarked reserves.

- 75 The cash limit position compares to the previously forecast position at quarter 3 of a cash limit underspend of £38,000.
- 76 The outturn underspend was a managed position, reflecting the proactive management of activity by Heads of Service across the former T&P throughout the year to remain within the cash limit. The outturn position is accounted for as follows:
- (a) Partnerships and Community Engagement was £47,000 underspent, primarily due to a managed underspend on supplies and services costs of £36,000, employee costs of £7,000 and transport costs of £7,000, offset by a number of other minor variances.
  - (b) Strategy was £73,000 underspent, primarily due to a managed underspend on employee related costs of £45,000, supplies and services costs of £17,000 and over achieved income of £8,000.
  - (c) Communications and Information Management was £50,000 underspent, due to a managed underspend on employee related costs of £49,000 and on supplies and services costs of £38,000, offset by under achieved income of £37,000.
  - (d) Transformation was £60,000 underspent, which included a managed overspend on employee related costs of £68,000, more than offset by an underspend on supplies and services costs of £80,000 and over achieved income of £48,000.
  - (e) Central Charges was over budget by £0.142 million, due to a managed overspend on employee costs amounting to £0.147 million. The Civil Contingencies Unit underspent by £5,000, consisting of a managed underspend on supplies and services costs of £7,000, offset by a number of other minor variances.
- 77 Further to the quarter 3 forecast of outturn report, the following items have been excluded from the outturn in arriving at the cash limit outturn position:
- (a) £14.510 million – relates to a range of adjustments associated with capital charges, centralised repairs and maintenance and central administration charges;
  - (b) £0.600 million – relates to net contributions from earmarked reserves to support specific projects in 2019/20 and beyond,

details of the main contributions to and from reserves are as follows:

- (i) £1.925 million from the MTFP ER/VR Reserve to fund the cost of early retirement/voluntary redundancies;
- (ii) £1.051 million transfer to the Syrian Resettlement Programme Reserve for funding received in relation to the resettlement of vulnerable Syrian persons from the Middle East and North Africa that will be expended in future years;
- (iii) £0.180 million from the Transformation Challenge Grant Reserve to fund activity working with community groups and other local organisations to transform the way in which local services are provided;
- (iv) £0.254 million to the AAP Reserve reflecting underspends at the year end that will be carried forward to support projects within the local community in 2020/21;
- (v) £0.159 million from the Social Isolation Reserve to support expenditure incurred in the improvement of social connectivity, emotional resilience and wellbeing of isolated older people;
- (vi) £0.142 million contribution to the Members Neighbourhoods Reserve reflecting underspends at the year end that will be carried forward to support projects within the local community in 2020/21;
- (vii) £0.105 million contribution to the EU Exit Reserve for funding received in 2019/20 where expenditure will be incurred in 2020/21;
- (viii) £77,002 to the Inspire Programme Reserve reflecting an adjustment for underspending to be carried over and earmarked for supporting the Transformation Programme in 2020/21.

78 Taking the projected outturn position into account, including items proposed to be treated as outside the cash limit and transfers to and from earmarked reserves, the cash limit reserve to be carried forward for T&P is £0.317 million.



## **Resources - Centrally Allocated Costs (Corporate Costs)**

- 79 The 2019/20 outturn for Resources – Centrally Administered Costs is a cash limit underspend of £0.415 million. This takes into account adjustments for sums outside the cash limit such as the use of/ contribution to earmarked reserves.
- 80 The cash limit outturn position compares to the previously forecast position at quarter 3 of a cash limit underspend of £0.305 million.
- 81 The outturn position is mainly due to reduced expenditure on bank charges (£60,000), payment card fees (£91,000), legal expenses (£50,000), audit fees (£56,000), corporate subscriptions (£82,000) and expenses associated with raising loans (£28,000). In addition, there was an overachievement of income from de-minimis capital receipts (£50,000) arising from the sale of assets in year. There are also a few other minor variances in this service area. MTFP savings totalling £0.142 million have been applied to the Corporate Costs budget in 2020/21.
- 82 Further to the quarter 3 forecast of outturn report, the following items have been excluded from the outturn in arriving at the cash outturn position:
- (a) £25,920 – relates to a range of adjustments associated with capital charges, centralised repairs and maintenance and central administration charges;
  - (b) £0.251 million – relates to contributions from earmarked reserves including £0.116 million from the Insurance Reserve and £26,000 from the Welfare Reform New Burdens Grant Reserve.

## **Central Budgets**

### **Interest and Investment Income**

- 83 There was an overachievement of income of £1.881 million due to higher than forecast returns on loan investments and commercial activities

### **Interest Payable and Similar Charges**

- 84 There was a small overspend of £0.916 million (2.46%) on this budget head which is due to the creation of a credit loss provision at the year end in relation to a loan with Newcastle Airport. The airport has been impacted by Covid 19 with the outstanding loan being reprofiled with no interest payments to be made for a two year period.

## 2019/20 Capital Outturn

### General Fund Capital Programme

- 85 The original capital budget for 2019/20, taking into account the budgets approved by Council on 20 February 2019 and adjustments for re-profiling of underspends at 2018/19 year end was £143.472 million. This was agreed by Cabinet on 10 July 2019.
- 86 Throughout the year, the Capital Member Officer Working Group (MOWG) has continually reviewed progress in delivering the capital programme to take into account changes in planning and delivery timescales and analysis of changes in demands on resources. Regular updates to the capital programme were reported to and approved by Cabinet as part of the quarterly budgetary control reports in year. Requests for re-profiling capital programme underspends at 31 March 2020 have also been considered by MOWG.
- 87 The following table summarises the revised capital budgets, taking into account revisions considered by MOWG and agreed by Cabinet throughout the year, together with the outturn position for each service area. The table also details the action that has been taken with regard to re-profiling and budget additions/deletions at year end.

### General Fund Capital Outturn 2019/20

Service Grouping	Original Budget 2019-20	Revised Budget 2019-20	Service Grouping Outturn	Variance	-Additions / Deletions from Budget	Reprofiling
	£m	£m	£m	£m	£m	£m
Adult and Health Services	-	-	-	-	-	-
Children and Young People's Services	25.874	20.268	19.542	-0.727	-1.128	1.889
Regeneration and Local Services	103.761	91.537	85.467	-6.071	-2.372	8.671
Resources	10.787	3.593	3.102	-0.491	-0.031	0.522
Transformation and Partnerships	3.050	2.175	2.018	-0.157	-	0.105
<b>TOTAL</b>	<b>143.472</b>	<b>117.574</b>	<b>110.128</b>	<b>-7.446</b>	<b>-3.532</b>	<b>10.978</b>

- 88 The variances in the table above include requests to carry forward budgets to fund the completion of capital schemes from 2020/21 onwards. Also included are 2019/20 overspends on some projects as a result of an acceleration in project delivery timescales and for these projects future years' budgets have been reduced. All of the resultant re-profiling is reflected in the capital budgets for 2020/2021 to 2023/24.

- 89 The capital programme is financed via various funding sources including grants, capital receipts, revenue contributions, contributions from reserves and borrowing. The financing of the 2019/20 outturn is detailed in the following table:

### Financing – General Fund Capital Programme 2019/20

Financed by	2019/20 Outturn £m
Grants and Contributions	49.032
Revenue and Reserves	23.745
Capital Receipts	10.471
Borrowing	26.880
<b>TOTAL</b>	<b>110.128</b>

### Service Grouping Commentary

- 90 The primary reasons for the net capital underspend of £7.446 million (circa 6% under budget at year end) are set out below:

#### Children and Young People's Services (CYPS)

- 91 The underspend of £0.727 million for CYPS is mainly due to:

- (a) **Childrens' Services - Planning and Services Strategy** – underspend of £0.336 million. This relates to a re-profiling of the resource plan to meet the needs of the project to review the Social Services Information Database (SSID) system in CYPS and AHS.
- (b) **Devolved Formula Capital** – underspend of £0.719 million. This is due to unpredicted changes in individual school spending decisions after December when final budget updates were made. The 2019/20 underspend will be carried forward into 2020/21.
- (c) **School Related** – overspend of £0.463 million. Although some schemes were underspent in 2019/20, there was an overspend of £0.329 million on condition works at Greenfield School, with budget being reprofiled from 2020/21 into 2019/20. There was also an overspend of £0.160 million on roofing works at East Stanley Primary due to works being completed earlier than expected. This was met by budget being reprofiled from 2020/21 to 2019/20.

#### Regeneration and Local Services (REAL)

- 92 The underspend of £6.071 million is primarily due to a combination of under and over spending within the service area as follows:

- (a) **Economic Development & Housing** – underspend of £5.291 million. The most significant underspend in this area was £3.040 million on Chapter Homes. Due to Covid 19, a deferral in a planned land acquisition and commencement of construction activity on a new site meant that funds were not required to be drawn down to support development activity. There was also an underspend of £1.383 million on the new Headquarters scheme due to monthly claims from Kier being less than the profile that they had supplied in December 2019 when final budget updates were made.
- (b) **Business Durham** – overspend of £0.899 million. This was mainly due to additional expenditure of £1.746 million on the Factory Build scheme at Jade Business Park, as expenditure in March was ahead of forecast. Budget was transferred from 2020/21 to cover this. There was an underspend of £1.009 million on the Finance Durham Investment Fund as less businesses came forward with investable projects due to Brexit uncertainty.
- (c) **Environmental Services** – underspend of £0.436 million. The most significant underspend in this area was £0.217 million on the Joint Stocks Power Generation – Replacement Engine scheme due to changes in the payment schedule with the contractor.
- (d) **Technical Services** – underspend of £1.180 million. The most significant underspend was £0.543 million on Street Lighting, with schemes being reprofiled into 2020/21. There were also underspends of £0.182 million on Chester-le-Street Deculverting project due to flood events in December 2019 and January 2020 which delayed construction on site, and £0.124 million on Chester-le-Street Riverside Bank Encroachment as a result of the scheme being stopped due to Covid 19.
- (e) **Transport and Contracted Services** – underspend of £0.137 million. There were various offsetting underspends and overspends across the service, with the most significant being an underspend of £2.177 million on Horden (Peterlee) Railway Station. This was due to a delay in the contractor's costs being processed by Network Rail and recharged to the council. The most significant overspend was £1.158 million on the A1(M) Junction 61 Capacity Enhancements, due to accelerated spend on the project.

## Resources

93 The underspend of £0.491 million mainly falls in the ICT area:

- (a) **ICT, including Design and Print** - underspend of £0.486 million. On the Digital Durham project there was a £0.140 million underspend and there was also an underspend of £0.138 million on the PC / laptop replacement programme due to difficulties in quarter 4 with supplies of equipment, particularly from China, due to Covid 19.

## **Transformation and Partnerships (T&P)**

94 The underspend of £0.157 million is mainly due to:

- (a) **Members Budgets** - overspend of £0.192 million. Elected Members are encouraged to invest their annual allocation within each financial year. Current guidance states that uncommitted funds may be carried forward but not beyond an elected Member's term of office. A significant amount of the 2019/20 budget had previously been refiled into 2020/21, in line with expected spend, so the overspend in 2019/20 was met from this amount.
- (b) **Community Buildings** - underspend of £0.229 million. The uncommitted budget for the community asset transfer programme will be carried forward to be available to commit to schemes in 2020/21.
- (c) **Consett Community Facilities** - underspend of £0.114 million. This is a local grant fund that has permission to roll forward and it relies on local Councillors and AAPs to work up schemes.

## **Council Tax and Business Rates Collection Funds**

### **Council Tax**

- 95 Council Tax is charged for all residential dwellings in bandings agreed by the Valuation Office Agency, which is part of Her Majesty's Revenues and Customs (HMRC). Exemptions, reliefs and discounts are awarded dependent upon the state of the property, its use and occupiers' personal circumstances.
- 96 The collection rate at 31 March 2020 was below the annual target of 96.90%, and 0.28% points below the same position in 2018/19, reflecting the impact of Universal Credit, which produces frequent changes in entitlement to Local Council Tax Reduction and therefore multiple in-year billing and constant reprofiling of instalments, which delays the recovery processes in-year.
- 97 The in-year collection rates at 31 March for the current and last two financial years, are shown below:

<b>Billing Year</b>	<b>Position at 31 March</b>
2019/20	96.37%
2018/19	96.65%
2017/18	96.83%

- 98 The current overall collection rate for 2018/19 council tax liabilities is now 98.01% (compared to 96.65% at 31 March 2019), and for 2017/18 the rate is now 98.72% (compared to 96.83% at 31 March 2018). The council continues to recover council tax from earlier years, and currently the collection rate for all years excluding the current year is 99.69%, which is line with our medium term financial plan forecasts.
- 99 The income shown in the council tax collection fund is the amount collectable from council tax payers in the long run, rather than the actual cash collected in the year the charges are raised. Likely bad debts are accounted for by maintaining a bad debt provision. The amount estimated to be collectable is estimated each year by reference to the actual council tax base for all domestic properties in the county (schedule of all properties, discounts and reliefs) with an allowance for non-collection.
- 100 Due to changes in the number of properties (including new build and demolitions), eligibility of discounts and reliefs during the year, the actual amount collectable increases or decreases from the estimate on a dynamic day to day basis. In addition, adjustments for previous billing years take place during each accounting year. All of these adjustments mean that the actual amounts collected will always differ from the estimate.
- 101 Such differences at the end of each accounting year, after taking into account the calculated change required in the 'bad debt' provision, determines whether a surplus or deficit has arisen, which is then shared proportionately between the council and its major preceptors, being Durham Police Crime and Victim's Commissioner and County Durham and Darlington Fire and Rescue Authority.
- 102 At 31 March 2020 the final outturn for the council tax collection fund is a surplus of £0.220 million as shown in the following table, which takes into account the undeclared deficit as at 31 March 2019 of £0.124 million. Durham County Council's share of this forecasted surplus is £0.184 million.

	<b>£ million</b>
Net Bills issued during Accounting Year 2019/20	338.688
LCTRS and previous years CTB adjustments	-56.633
Calculated change in provision for bad debts required and write offs	-3.144
<b>Net income receivable (a)</b>	<b>278.911</b>
<b>Precepts and Demands</b>	
Durham County Council	222.276
Parish and Town Councils	13.148
Durham Police Crime and Victim's Commissioner	28.680
County Durham and Darlington Fire and Rescue Authority	14.463
<b>Total Precepts and Demands (b)</b>	<b>278.567</b>
<b>Net Surplus / (-) Deficit for year (a) – (b)</b>	<b>0.344</b>
<b>Undeclared Deficit Brought Forward from 2018/19</b>	<b>-0.124</b>
<b>Year end surplus</b>	<b>0.220</b>

- 103 Prior to each year, the estimated surplus/ deficit on the collection fund council tax account is notified to the two major preceptors for inclusion in the budget setting process for the following year as an additional income or expenditure item.
- 104 The council is required to determine and declare the forecast surplus or deficit on the council tax collection fund for 2019/20 by 15 January 2020. This will then need to be taken into account in the budget setting process for 2020/21. Any difference between this and the actual surplus at 31 March 2020 will be carried forward to next financial year and taken into account in estimating the surplus/ deficit position for 2020/21, which will need to be taken into account for 2021/22 budget setting.
- 105 Over the last five years, the council tax provision for bad debts has been increasing steadily. This managed approach has been necessary to minimise the risk of the council tax collection fund moving into deficit whilst securing the robustness of the levels of provision held. The position has now been reached where maintaining the provision at a prudent level does not prevent the declaration of a surplus.

## Business Rates

- 106 2013/14 was the first year of the new business rates retention scheme whereby the council has a vested budget interest and stake in the level of business rate yield, as income generated from business rates is now shared between Central Government (50%), Durham County Council (49%) and County Durham and Darlington Fire and Rescue Authority (1%). Therefore, it is not only the accuracy and timeliness of bills levied and collected that is monitored and audited, but the level of income anticipated for the year is important and new monitoring procedures have been devised for this purpose.
- 107 In 2017/18, following consultation, the Government implemented the first revaluation of business rates since April 2010.
- 108 The revaluation of the rateable values of all business properties was undertaken by the Valuation Office Agency and, along with national changes to multipliers, relief thresholds and transitional arrangements, came into effect from April 2017. The overall effect of the revaluation on the collection fund saw a decrease of an estimated £9.3 million in rates yield/ liability when compared to 2016/17. The revaluation should be cost neutral to Durham County Council and County Durham and Darlington Fire and Rescue Authority, therefore compensation arrangements are made through adjustments to Section 31 grants and top up grants for their shares of losses of income.
- 109 Bills raised, exemptions and reliefs awarded are examined, together with local knowledge of anticipated changes in reliefs such as mandatory charitable relief and discretionary rate relief, on a monthly basis to enable a comparison with the January 2019 estimate of 2019/20 business rates income that was used for budget setting purposes.
- 110 At 31 March 2020, the actual outturn for the collection fund business rates is a surplus of £9.949 million, after taking into account the undeclared surplus position as at 31 March 2019 of £1.289 million, as calculated in the following table.



	<b>£ million</b>
Net rate yield for 2018/19 including previous year adjustments	119.054
Estimate of changes due to appeals lodged and future appeals	2.326
Estimated losses in Collection – Provision for Bad Debts and Write-offs	-1.235
<b>Net income receivable (a)</b>	<b>120.145</b>
Agreed allocated shares	
Central Government (50%)	55.375
Durham County Council (49%)	54.267
County Durham and Darlington Fire and Rescue Authority (1%)	1.107
Cost of Collection Allowance and Renewable Energy (paid to Durham County Council)	0.736
<b>Total fixed payments (b)</b>	<b>111.485</b>
<b>Net surplus for year (a) – (b)</b>	<b>8.660</b>
<b>Undeclared Surplus brought forward from 2018/19</b>	<b>1.289</b>
<b>Year end Surplus</b>	<b>9.949</b>

- 111 The in-year surplus of £8.660 million and the total undeclared deficit brought forward from 2018/19, leaves a surplus of £9.949 million at 31 March 2020. The surplus/ deficit at 31 March in any year are shared proportionately between Durham County Council, Central Government and County Durham and Darlington Fire and Rescue, Durham County Council's share being 49%. Durham County Council's share of the year end surplus will therefore be £4.875 million.
- 112 During 2019/20, the outturn position has been significantly influenced by the outcome of a review of the provision for appeals, which includes an amount for a potential liability to refund business rates to NHS bodies. The provision for this case covered 60% of the expected liability on the basis of the perceived risk of a successful appeal as reported in quarter two, but the provision was removed in quarter three after the NHS bodies lost the case at the High Court. However, as an appeal has subsequently been submitted by the NHS, which is expected to be heard in due course, a provision of 30% of the total liability has been included in the Collection Fund at 31 March 2020.

- 113 The payment profile on collection performance is changing due to changes in statutory discounts and exemptions and more businesses opting to spread their payments over 12 months rather than ten. The major business rates payers have all opted to take up this opportunity to re-profile their cash flow. The in-year collection rates at 31 March, for the current and last two financial years, are shown in the following table:

<b>Billing year</b>	<b>Position at 31 March</b>
2019/20	97.91%
2018/19	97.90%
2017/18	98.42%

- 114 In year performance to 31 March 2020 shows a collection rate of 97.91%, which was below the annual target by 0.29% points and 0.01% above the in-year recovery rate in 2018/19.
- 115 The current overall collection rate for 2018/19 business rate liabilities is now 98.63% (compared to 97.90% at 31 March 2019) and for 2017/18 business rate liabilities is now 99.66% (compared to 98.42% at 31 March 2018). The council continues to recover business rates from earlier years and currently, the collection rate for all years excluding the current year is 99.44%, which is line with our medium term financial plan forecasts.

### **Section 31 Grant - Small Business Rate Relief**

- 116 Small business ratepayers with properties with rateable values under £15,000 benefit from relief on their rates payable. The Government has awarded local authorities a Section 31 grant to cover their share of the shortfall in business rates that these small business ratepayers would have paid had the relief scheme not been in place.
- 117 Small business ratepayers with properties with rateable values up to £12,000 are now being granted full relief, and properties with rateable values between £12,000 and £15,000 have a tapered relief applied to them ranging from 100% down to 0%.
- 118 The Government has agreed to pay Section 31 grant for any additional small business rate relief in respect of business rates bills and adjustments thereof relating to the period commencing 1 April 2013. Any adjustments that relate to bills for years prior to this will be dealt with as part of the normal rate retention shares. At 31 March 2020, the gross small business relief awarded against 2019/20 business rates bills and adjustments to 2018/19, 2017/18, 2016/17, 2015/16, 2014/15 and 2013/14 bills is £16.424 million, and the council will receive £5.359

million in Section 31 grant, including the capping adjustment and threshold change adjustments, in this regard.

### **Other Section 31 Grants**

- 119 In the Autumn Statement 2016, Spring Budget 2017 and Autumn Statement 2018 additional business rate relief schemes were announced on which Section 31 grants would be payable. These relief schemes include rural rate relief and local newspaper reliefs, supporting small business, local discretionary relief scheme, pub relief and retail relief schemes. Funding for these schemes is provided through Section 31 grants.
- 120 When assessing estimated outturn income from business rates, due regard must also be given on the effect that changes in estimated reliefs will have on the Section 31 grants. At 31 March 2020, the increase in Durham County Council's Section 31 grants (including small business rate relief) was £0.860 million.

### **Other Useful Documents**

- Cabinet – 11 September 2019 – Forecast of Revenue and Capital Outturn 2019/20 – Period to 30 June 2019.
- Cabinet – 13 November 2019 - Forecast of Revenue and Capital Outturn 2019/20 – Period to 30 September 2019.
- Cabinet – 13 November 2019 - Council Tax Base 2020/21 and Forecast Surplus on the Council Tax Collection Fund as 31 March 2020.
- Cabinet – 18 March 2020 - Forecast of Revenue and Capital Outturn 2019/20 – Period to 31 December 2019.

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**Contact:** Jeff Garfoot  
Paul Darby

Tel: 03000 261946  
Tel: 03000 261930

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## **Appendix 1: Implications**

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### **Legal Implications**

This report shows the actual outturn compared to original and revised budgets as agreed by Council in relation to the 2019/20 financial year and is a key component of the council's Corporate and Financial Governance arrangements. The information contained within this report has been prepared in accordance with standard accounting policies and procedures.

### **Finance**

The report details the financial outturn for the council for 2019/20 for revenue and capital. The report covers general fund for revenue and capital and the outturn position for general and earmarked reserves at 31 March 2020, plus the Collection Fund outturn, covering council tax and business rates.

### **Consultation**

None.

### **Equality and Diversity / Public Sector Equality Duty**

None.

### **Climate Change**

None.

### **Human Rights**

None.

### **Crime and Disorder**

None.

### **Staffing**

None.

### **Accommodation**

None.

## **Risk**

The figures contained within this report have been extracted from the general ledger and scrutinised and supplemented with information supplied by the Service Management Teams and budget holders. The outturn has been produced taking into consideration all spend in year and year end accounting practices. This should mitigate any risks regarding challenge over the accuracy and validity of the financial outturn position of the council as reported.

## **Procurement**

None.

## Appendix 2: General Fund Revenue Summary 2019/20

	Original Budget 2019/20	Revised Budget	Service Groupings Final Outturn	Variance	Cash Limit Adjustments			Variance
					Sums Outside the cash limit	Cash Limit Reserve	Contribution to/ -Use of Earmarked Reserves	
					£000	£000	£000	
Adult and Health Services	123,776	119,283	121,792	2,509	-4,273	0	244	-1,520
Children and Young People's Services	123,639	127,208	135,577	8,369	-3,827	0	1,675	6,217
Regeneration and Local Services	137,586	135,483	130,903	-4,580	5,041	19	1,311	1,790
Resources	21,268	21,401	20,463	-938	-918	8	537	-1,311
Transformation and Partnerships	10,784	25,244	11,246	-13,998	14,510	0	-600	-88
<b>Cash Limit Position</b>	<b>417,053</b>	<b>428,619</b>	<b>419,981</b>	<b>-8,638</b>	<b>10,533</b>	<b>27</b>	<b>3,167</b>	<b>5,088</b>
Contingencies	5,161	2,345	0	-2,345	0	0	0	-2,345
Corporate Costs	3,728	3,830	3,583	-247	-26	0	-142	-415
<b>NET COST OF SERVICES</b>	<b>425,942</b>	<b>434,794</b>	<b>423,564</b>	<b>-11,230</b>	<b>10,507</b>	<b>27</b>	<b>3,025</b>	<b>2,328</b>
Capital charges	-64,132	-64,132	-85,424	-21,292	-12,333			-33,625
Gains/ losses on disposal of fixed assets	0	0	33,625	33,625				33,625
Interest and Investment income	-2,400	-2,400	-4,281	-1,881				-1,881
Interest payable and similar charges	35,579	37,234	47,950	10,716	-73	-150	-9,577	916
HR Accrual	0	0	-1,819	-1,819	1,819			0
Levies	16,061	16,080	16,080	0				0
<b>Net Expenditure</b>	<b>411,050</b>	<b>421,576</b>	<b>429,695</b>	<b>8,119</b>	<b>-80</b>	<b>-123</b>	<b>-6,552</b>	<b>1,363</b>
<b>Funded By:</b>								
Council tax	-222,275	-222,275	-222,267	8				8
Use of earmarked reserves	-11,010	-19,381	-8,412	10,969	0	0	0	10,969
Estimated net surplus on Collection Fund	-2,168	-2,168	-2,168	0				0
Business Rates	-54,401	-54,401	-54,473	-72				-72
Top up grant	-71,613	-71,613	-71,613	0				0
Levy Account Surplus Grant	0	0	-427	-427				-427
Revenue Support Grant	-27,620	-27,620	-27,620	0				0
Covid-19 LA Support Grant	0	0	-17,521	-17,521			17,521	0
New Homes Bonus	-6,709	-6,709	-6,709	0				0
Section 31 Grant	-10,423	-10,423	-11,348	-925				-925
Adult/Childrens Pressures Grant	-4,822	-4,822	-4,822	0				0
Forecast contribution to/from (-) Cash Limit Reserve	-9	-2,164	-1,159	1,005	0	6,217	0	7,222
Forecast contribution to/from (-) General Reserves	0	0	-1,156	-1,156	0	0	0	-1,156
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-80</b>	<b>6,094</b>	<b>10,969</b>	<b>16,982</b>

### Appendix 3: General Fund Revenue Summary by Expenditure/ Income for 2019/20

	Original Budget 2019/20	Revised Budget	Corporate Costs Outturn	Final Outturn (including Corporate Costs)	Variance (including Corporate Costs)	Cash Limit Adjustments			Cash Limit Position	Cash Limit carry forward (including corporate costs)	Variance - Corporate Costs
						Sums Outside the cash limit	Cash Limit Reserve	Contribution to / - Use of Earmarked Reserves			
						£000	£000	£000			
Employees	530,841	535,404	471	537,082	1,678	-2,327	0	-3,602	-4,251	4,251	-2
Premises	52,991	51,135	0	50,307	-828	2,324	0	151	1,648	-1,648	0
Transport	42,276	42,734	0	46,747	4,013	28	0	-91	3,949	-3,949	0
Supplies & Services	120,203	122,963	1,050	128,827	5,864	-220	8	3,040	8,693	-8,693	-359
Agency & Contracted	386,622	392,643	2,168	408,073	15,430	153	19	-1,560	14,042	-14,042	3
Transfer Payments	218,762	175,133	0	177,762	2,629	0	0	-2,709	-80	80	0
Central Costs	92,722	78,594	115	117,268	38,674	-25,713	0	3,536	16,497	-16,497	0
DRF	710	919	0	3,772	2,853	-1,977	0	0	876	-876	0
Other	0	0	0	222	222	0	0	0	222	-222	0
Capital Charges	64,132	64,132	0	51,800	-12,332	12,332	0	0	0	0	0
<b>GROSS EXPENDITURE</b>	<b>1,509,259</b>	<b>1,463,657</b>	<b>3,804</b>	<b>1,521,860</b>	<b>58,203</b>	<b>-15,400</b>	<b>27</b>	<b>-1,234</b>	<b>41,595</b>	<b>-41,595</b>	<b>-358</b>
<b>Income</b>											
Government Grants	645,059	575,332	14	600,323	24,991	0	0	-3,486	21,505	-21,505	0
Other Grants and Contributions	75,516	79,259	16	86,534	7,275	-639	0	-724	5,912	-5,912	-16
Sales	9,945	8,230	202	7,303	-927	0	0	-105	-1,032	1,032	-52
Fees and Charges	106,228	104,979	-11	108,197	3,218	79	0	333	3,630	-3,630	11
Rents	8,637	8,767	0	11,489	2,722	-1,977	0	0	745	-745	0
Recharges To Other Services	236,221	246,867	0	272,888	26,021	-23,369	0	-267	2,385	-2,385	0
Other	6,872	7,774	0	11,562	3,788	-1	0	-10	3,777	-3,777	0
<b>Total Income</b>	<b>1,088,478</b>	<b>1,031,208</b>	<b>221</b>	<b>1,098,296</b>	<b>67,088</b>	<b>-25,907</b>	<b>0</b>	<b>-4,259</b>	<b>36,922</b>	<b>-36,922</b>	<b>-57</b>
<b>NET EXPENDITURE</b>	<b>420,781</b>	<b>432,449</b>	<b>3,583</b>	<b>423,564</b>	<b>-8,885</b>	<b>10,507</b>	<b>27</b>	<b>3,025</b>	<b>4,673</b>	<b>-4,673</b>	<b>-415</b>

## Appendix 4: General Fund Earmarked Reserves as at 31 March 2020

EARMARKED RESERVES AND CASH LIMIT RESERVES	SERVICE GROUPING	OPENING BALANCE	USE OF RESERVES	CONTRIBUTION TO RESERVES	TRANSFERS BETWEEN RESERVES	TOTAL MOVEMENT ON RESERVES	2019/20 CLOSING BALANCE AS AT 31 MAR 2020
		£'000	£'000	£'000	£'000	£'000	£'000
Social Care Reserve	AHS	-25,406		-491	226	-265	-25,671
Public Health Reserve	AHS	-4,460	489	-1,275		-786	-5,246
Children's Services Reserve	CYPS	-3,155	1,419	-39	-10	1,370	-1,785
Education Reserve	CYPS	-12,908	952	-673		279	-12,629
Community Protection Reserve	REAL	-582	139	-18	-114	7	-575
Direct Services Reserve	REAL	-2,076	362	-306	-554	-498	-2,574
Culture and Sport Reserve	REAL	-3,633	1,445	-98		1,347	-2,286
Technical Services Reserve	REAL	-1,713	911			911	-802
Business Growth Fund Reserve	REAL	-604				0	-604
Economic Development Reserve	REAL	-3,116	556	-50	487	993	-2,123
Town and Villages Regeneration Reserve	REAL	-10,000	233		-10,000	-9,767	-19,767
Planning Reserve	REAL	-1,580	13		440	453	-1,127
North Pennines AONB Partnership Reserve	REAL	-1,467		-444		-444	-1,911
Employability and Training Reserve	REAL	-57		-219		-219	-276
REAL Match Fund Programme Reserve	REAL	-1,587	373			373	-1,214
Housing Regeneration Reserve	REAL	-638	165			165	-473
Housing Solutions Reserve	REAL	-2,026	88	-167	-94	-173	-2,199
Transport Reserve	REAL	-491	286	-16	-525	-255	-746
Funding and Programmes Management Reserve	REAL	-478		-28		-28	-506
Customer Services Reserve	Resources	-334	19			19	-315
Resources Corporate Reserve	Resources	-426		-104		-104	-530
Resources DWP Grant Reserve	Resources	-1,388	543		272	815	-573
Resources System Development Reserve	Resources	-368	14			14	-354
Resources Housing Benefit Subsidy Reserve	Resources	-1,141		-401		-401	-1,542
Resources Revenue and Benefits Reserve	Resources	-758	134	-150	-80	-96	-854
Resources Legal Reserves	Resources	-379	38		-110	-72	-451
Resources Elections Reserve	Resources	-765		-95		-95	-860
Resources ICT Reserves	Resources	-1,477	254	-19		235	-1,242
Resources Internal Audit & Corporate Fraud Reserve	Resources	0		-80		-80	-80
Resources Registrars Trading Reserve	Resources	-200				0	-200
Resources Human Resources Reserves	Resources	-300		-23		-23	-323
Resources Operations and Data Reserve	Resources	-50	12			12	-38
T&P AAP/Members Reserve	T&P	-1,481	74	-486	-140	-552	-2,033
T&P Grant Reserve	T&P	-1,088	167		-8	159	-929
T&P Operational Reserve	T&P	-2,404	647	-1,246	-55	-654	-3,058
T&P Transformation Reserve	T&P	-1,690	413			413	-1,277
Equal Pay Reserve	Corporate	-14,993	14		5,000	5,014	-9,979
Insurance Reserve	Corporate	-9,988		-2,682	2,600	-82	-10,070
ER/VR Reserve	Corporate	-8,647	5,301			5,301	-3,346
Budget Support Reserve	Corporate	-29,660	5,488		5,000	10,488	-19,172
Office Accommodation Capital Reserve	Corporate	-32,944	8,589		-384	8,205	-24,739
Inspire Programme Reserve	Corporate	-886	281		275	556	-330
Commercialisation Support Reserve	Corporate	-5,800	24		-2,600	-2,576	-8,376
Capital Reserve	Corporate	-2,510	1,810			1,810	-700
Feasibility Study Reserve	Corporate	-500				0	-500
Business Support Reserve	Corporate	0		-1,064	32	-1,032	-1,032
Covid-19 Support Grant Reserve	Corporate	0		-17,521		-17,521	-17,521
<b>Total Earmarked Reserves</b>		<b>-196,154</b>	<b>31,253</b>	<b>-27,695</b>	<b>-342</b>	<b>3,216</b>	<b>-192,938</b>
<b>Cash Limit Reserves</b>							
Adult and Health Services		-7,919	654	-1,519	430	-435	-8,354
Children and Young People's Services		0	-6,217	6,217		0	0
Regeneration and Local Services		-3,152	1,121	1,790	-88	2,823	-329
Resources		-1,572	125	-1,311		-1,186	-2,758
Transformation and Partnerships		-272	43	-89		-46	-318
<b>Total Cash Limit Reserves</b>		<b>-12,915</b>	<b>-4,274</b>	<b>5,088</b>	<b>342</b>	<b>1,156</b>	<b>-11,759</b>
<b>Total Council Reserves</b>		<b>-209,069</b>	<b>26,979</b>	<b>-22,607</b>	<b>0</b>	<b>4,372</b>	<b>-204,697</b>
<b>Schools' Balances</b>							
Schools' Revenue Balance	CYPS	-17,690	1,741			1,741	-15,949
DSG Reserve	CYPS	349	3,458			3,458	3,807
<b>Total Schools and DSG Reserve</b>		<b>-17,341</b>	<b>5,199</b>	<b>0</b>	<b>0</b>	<b>5,199</b>	<b>-12,142</b>