

Cabinet

16 September 2020

Forecast of Revenue and Capital Outturn 2020/21 – Period to 30 June 2020 and Update on Progress towards achieving MTFP(10) savings

Ordinary Decision



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) forecast revenue and capital outturn for 2020/21;
 - (b) forecast for the council tax and business rates collection fund position at 31 March 2021;
 - (c) forecast use of earmarked, cash limit and general reserves and estimated balances to be held at 31 March 2021.
- 2 To seek approval of the budget adjustments and proposed sums outside of the cash limit.
- 3 To provide Cabinet with an update on progress towards achieving MTFP(10) savings.

Executive summary

- 4 Since the outbreak of COVID-19, the council, partners and local communities have been working tirelessly to respond to the pandemic and to put steps in place for recovery. The financial implications of COVID-19 are significant and complex which makes forecasting the council's outturn position even more challenging than usual. The

financial position of the council will need to be monitored very closely over the coming months to ensure that steps can be taken to maintain spending within available budgets and to reallocate resources as required.

- 5 It is currently forecast that service grouping budgets will overspend by £43.3 million. This overspend position results from additional expenditure and loss of income associated with the COVID-19 outbreak.
- 6 The government has provided three tranches of funding for local authorities for additional costs incurred as a result of COVID-19. This funding is allocated based upon formulae and to date the council has received £38.1 million. Of this, £1.1 million was to cover costs incurred in 2019/20. This leaves funding available of £37 million to be applied in 2020/21.
- 7 The government has also announced an 'Income Guarantee Scheme' to provide financial support for lost sales, fees and charges income. The details of the scheme were published on 23 August 2020. The scheme requires councils to bear the first 5% of any qualifying income loss after which the government will provide a grant for 75% of subsequent losses. A number of areas of income loss such as commercial income and rental income are not covered by the scheme. In addition, any underspends generated in the areas in question must be utilised to offset any lost income
- 8 The guidance details that an initial return will be required for the period April 2020 to July 2020 and submitted by the end of September. The council will then expect to be advised by government in October if this initial claim is successful. Subsequently returns would then be submitted in December and finally April 2021. Whilst the Income Guarantee Scheme will enable the council to reclaim a proportion of lost income, at this stage the forecasts do not include an estimate of the amount that will be recovered as this will be dependent upon the content of the September and later returns and their acceptance by government.
- 9 The government has also indicated that the financial impact of any Collection Fund deficits for council tax and business rates can be spread over three years. At this stage, after netting off additional Section 31 grant for extended business rate reliefs, the council is forecasting its share of the in year Collection Fund deficit at £4.1 million. This position could further deteriorate however if the county experiences further job losses or business failure over the coming months.

- 10 After taking account of estimates of cost, lost income and additional government funding, it is forecast that the council will overspend by £6.16 million. This position is heavily caveated at this stage because of the wide range of assumptions that have been made in relation to expenditure and income over the remainder of the financial year and the uncertainty over the level of additional government funding that will be made available through the Income Guarantee Scheme.
- 11 In terms of service grouping cash limits, the projected revenue outturn is a forecast cash limit underspend of £1.024 million (0.23%). The cash limit position excludes COVID-19 related issues which are considered to be outside of the control of budget managers.
- 12 The total forecast net overspend of £6.16 million represents 1.4% of the net expenditure budget of £440.890 million.
- 13 Total earmarked and cash limit reserves (excluding school reserves) are forecast to reduce by £24.571 million in 2020/21, from £204.697 million to £180.126 million. This mainly results from the utilisation of the £17.5 million held in earmarked reserves in relation to Tranche 1 of the government COVID-19 Support Grant.
- 14 The projected capital outturn is £155.780 million.
- 15 The estimated outturn for the Council Tax Collection Fund is a deficit of £5.576 million after taking into account the in year position and deficit brought forward from 2019/20. Durham County Council's share of this forecasted deficit is £4.670 million.
- 16 The estimated outturn for the Business Rates Collection Fund is a deficit of £41.563 million after taking into account the in year position and the surplus brought forward from 2019/20. Durham County Council's share (49%) of this estimated deficit is £20.366 million, before accounting for the receipt of compensating Section 31 grant for extended business rate reliefs and discounts.
- 17 For MTFP(10), the council has delivered quarter one savings of £7.033 million which is 88% of the £8.010 million target. Since 2011, the council has delivered over £241 million in savings.

Recommendations

- 18 It is recommended that Cabinet:
 - (a) note the council's overall financial position for 2020/21 and the uncertainty associated with the outturn forecast resulting from the impact of the COVID-19 outbreak as set out in the report;
 - (b) agree the proposed 'sums outside the cash limit' for approval;

- (c) agree the proposed reallocation of the former Regeneration and Local Services and Transformation and Partnerships cash limit reserves;
- (d) agree the revenue and capital budget adjustments;
- (e) note the forecast use of earmarked reserves;
- (f) note the forecast end of year position for the cash limit and general reserves;
- (g) note the additional costs and income loss faced as a result of COVID-19 which is offset by additional grant funding provide by government
- (h) note the position on the capital programme and the Collection Funds in respect of Council Tax and Business Rates;
- (i) note the amount of savings delivered during quarter one of the MTFP(10) period;

Background

- 19 In accordance with the council's constitution, Council agreed the Medium Term Financial Plan (MTFP), which incorporates the revenue and capital budgets for 2020/21, on 26 February 2020.
- 20 The constitution also states that the Chief Finance Officer must report to Cabinet on the overall council budget monitoring position on a quarterly basis.
- 21 This report provides a forecast of the revenue and capital outturn for 2020/21, based upon expenditure and income up to 30 June 2020. This is the first report on forecast financial performance against the 2020/21 budgets this financial year.
- 22 This report also provides an update on the delivery of MTFP(10) savings. The planned MTFP(10) savings were agreed by Council in February 2020 with a savings target of more than £8 million for 2020/21. This brings the overall savings target for the period from 2011/12 to 2020/21 to circa £241 million. Significant progress has been made towards achieving these savings.

Revenue Outturn Forecast – Based on Position to 30 June 2020

- 23 The following table compares the forecast of outturn with the revised budget. Further detail is provided in Appendices 2 and 3.
- 24 The following adjustments have been made to the original budget agreed by Council on 26 February 2020:
 - (a) agreed budget transfers between service groupings;
 - (b) additions to budget for items outside the cash limit (for Cabinet consideration and recommended approval);
 - (c) planned use of or contribution to earmarked reserves (please refer to Appendix 4).

Forecast of Revenue Outturn 2020/21

	Original Budget 2020/21	Budget - incorporating adjustments	Service Groupings Forecast of Outturn	Forecasted Variance
	£'000	£'000	£'000	£'000
Adult and Health Services	129,627	126,927	139,840	12,913
Chief Executive's Office	1,823	1,842	1,964	122
Children and Young People's Services	123,877	126,846	133,914	7,068
Neighbourhoods and Climate Change	108,622	108,963	118,992	10,029
Regeneration, Economy and Growth	52,770	53,405	64,786	11,381
Resources	25,705	25,539	27,289	1,750
Cash Limit Position	442,424	443,522	486,785	43,263
Contingencies	8,155	8,228	8,228	0
Corporate Costs	4,498	4,408	4,450	42
NET COST OF SERVICES	455,077	456,158	499,463	43,305
Capital charges	-65,068	-65,068	-65,068	0
Interest and Investment income	-2,900	-2,900	-2,300	600
Interest payable and similar charges	36,614	36,709	36,709	0
Levies	15,991	15,991	15,991	0
Net Expenditure	439,714	440,890	484,795	43,905
Funded By:				
Council tax	-234,458	-234,458	-234,458	0
Use of earmarked reserves	-7,700	-8,632	-8,632	0
COVID-19 Support Grant tranche 1 - use of earmarked reserves	0	0	-17,521	-17,521
COVID-19 Support Grant tranches 2 and 3	0	0	-19,524	-19,524
Estimated net surplus on Collection Fund	-1,740	-1,740	-1,740	0
Business Rates	-56,083	-56,083	-56,083	0
Top up grant	-72,780	-72,780	-72,780	0
Revenue Support Grant	-28,070	-28,070	-28,070	0
New Homes Bonus	-7,564	-7,564	-7,564	0
Section 31 Grant	-11,713	-11,713	-12,413	-700
Adult/Childrens Pressures Grant	-17,652	-17,652	-17,652	0
Forecast contribution to/from (-) Cash Limit Reserve	-1,954	-2,198	-1,174	1,024
Forecast contribution to/from (-) General Reserves	0	0	-7,184	-7,184
TOTAL	0	0	0	0

- 25 The above table identifies a forecast overspend of £6.160 million which would contribute to a decrease in General and Cash Limit Reserves. The forecast cash limit underspend is £1.024 million (0.23%). The cash limit position excludes COVID-19 related costs and lost income.
- 26 This total net overspend of £6.160 million represents 1.4% of the net expenditure budget of £440.890 million. The forecast position at this stage necessarily includes a number of assumptions in relation to costs and lost income resulting from COVID-19 and at this stage assumes no further government support. It should be acknowledged however that the council will receive compensation for lost income through the Income Guarantee Scheme – details of which are awaited – which will assist with managing the financial position in 2020/21.

- 27 Before taking into account and Collection Fund carry forwards from 2019/20 the council is also forecasting an in year deficit on the Collection Fund of £4.1 million resulting from the COVID-19 outbreak. The impact of COVID-19 upon the Collection Fund will be closely monitored throughout 2020/21 to determine the final outturn and also upon the base budget for 2021/22. The government has intimated that some flexibility may be provided to account for any Collection Fund deficits over the next three years.
- 28 The forecasts set out in this report could deteriorate if there are further local or national lockdowns or if the county experiences additional job losses and business failures. The position is uncertain and will become clearer as the furlough scheme is withdrawn and as businesses fully return to trading.
- 29 Approval is being sought for the following sums to be funded from, or transferred to, general contingencies. These sums are deemed to be outside of service grouping cash limits.

Service Grouping	Proposal	Amount £ million
AHS	Transforming Care	0.366
CYPS	Virtual School	0.077
NCC	VE day refuse collection	0.058
REG	Concessionary Fares	-0.519
Resources	LCTSS grant	0.001
TOTAL		-0.017

30 After adjusting the budgets and reserves as detailed above, the forecast outturn for cash limit reserves and the general reserve are summarised in the following table.

Type of Reserve	Opening Balance as at 1 April 2020 £ million	Reallocation of former REAL and T&P Cash Limits £ million	Budgeted use at 1 April 2020 £ million	Movement during 2020/21 £ million	2020/21 Forecast of Outturn £ million
Service Grouping Cash Limit					
Adult and Health Services	-8.354		1.867	-1.693	-8.180
Chief Executive's Office	0.000	-0.126		-0.027	-0.153
Children and Young People's Services	0.000			2.896	2.896
Neighbourhoods and Climate Change	0.000	-0.197		-0.531	-0.728
Regeneration, Economy and Growth	0.000	-0.164		-0.617	-0.781
Resources	-2.758	-0.113	0.087	-0.808	-3.592
Former Regeneration and Local Services	-0.329	0.329			
Former Transformation and Partnerships	-0.318	0.318			
Total Cash Limit Reserve	-11.759	0.047	1.954	-0.780	-10.538
General Reserve	-23.950	0.000	0.000	7.184	-16.766

31 The above table includes the proposed reallocation of the former Regeneration and Local Services and Transformation and Partnerships cash limits reserves, as follows:

- (a) Regeneration and Local Services (£0.329 million): to be split equally between Regeneration, Economy and Growth and Neighbourhoods and Climate Change.
- (b) Transformation and Partnerships (£0.318 million):
 - Chief Executive's Office cash limit reserve: £0.126 million;
 - Neighbourhoods and Climate Change cash limit reserve: £0.032 million;
 - Resources cash limit reserve: £0.113 million;
 - AAP reserve (NCC): £0.047 million

32 The forecast cash limit and general reserves position is a prudent one given the significant financial uncertainties facing local government. In MTFP(10) the council forecast that additional savings of £32.457 million would be required over the period 2020/21 to 2023/24 with the delivery of further savings becoming ever more challenging to achieve. Since that time COVID-19 has had a significant negative impact on the national finances with the government deficit in 2020/21 forecast to be the largest in year deficit ever recorded.

33 With this in mind there is a heightened risk that funding will be restricted for some public services in the future which could require the council to identify and deliver significant additional savings in future years.

- 34 The table above highlights that CYPS are forecast to have a deficit cash limit reserve of £2.896 million at the end of 2020/21. Consideration will need to be given at Final Outturn as to how this deficit cash limit reserve position is addressed.

COVID-19 Impact

- 35 The council has faced significant additional costs in relation to the outbreak and significant loss of income. In many areas the costs and loss of income for the first quarter are known. The likely impact over the remainder of the year however is much more uncertain. The major areas of forecast additional cost and loss of income are as follows:

- (a) **Adult Social Care Provider Support £17.7 million** – it is forecast that during 2020/21 additional financial support of circa £17.7 million will have been paid to providers. This support includes a temporary 10% uplift in fees and targeted support being given to residential care homes where occupancy levels have dropped significantly,
- (b) **PPE £2.6 million** – the council has purchased stocks of PPE for utilisation across a range of settings.
- (c) **Waste Disposal and Refuse Collection £3.8 million** – a range of additional costs have been incurred such as increased waste tonnages, garden waste pick ups over weekends and on Mondays and the costs associated with reopening household waste recycling centres.
- (d) **In house Highways and Buildings teams £3.8 million** – during late March, April and May teams were in lockdown and not generating income. In addition for a period after the teams restarted work in many areas the costs of materials have increased.
- (e) **AAP and Member Neighbourhood Budgets £3.2 million** – an additional £0.1 million has been provided to each AAP whilst Members are able to invest their Members Neighbourhood capital allocation on revenue.
- (f) **Leisure Income £6.7 million** – the closure of facilities and the likely reduced income once reopened is expected to have a significant impact upon forecast income levels
- (g) **Car Park Income £2 million** – the closure and reduced volume of traffic in town centres will reduce income levels.
- (h) **Theatres £1.8 million** – there continues to be uncertainty as to when our theatres will reopen
- (i) **Planning Fees and Building Control £1.4 million** – reduced volume of submissions during lockdown

- (j) **Aycliffe Secure £1.4 million** – reduced income due to social distancing within the facility

36 The forecast position on COVID-19 costs and income losses will continue to be closely monitored.

Cash Limit Position

37 The reasons for the major variances against the revised budgets are detailed below. It is important to note that the cash limit positions exclude all COVID-19 related issues which are outside the control of budget managers.

Adult and Health Services (AHS)

38 The 2020/21 updated projected outturn for AHS is a cash limit underspend of £1.785 million, representing circa 1.4% of the total budget for AHS.

39 The projected outturn takes into account adjustments for sums outside the cash limit including redundancy costs which are met from the corporate reserve, capital accounting entries and use of / contributions to earmarked reserves. COVID-19 related expenditure and loss of income has also been excluded from the cash limit outturn.

40 The outturn is a managed position, reflecting the proactive management of activity by Heads of Service across AHS to remain within the cash limit. The outturn position is accounted for as follows:

- (a) Careful management and control of vacant posts and supplies and services budgets across the service together with uncommitted budgets, results in an estimated net under budget position for the year of £1.408 million;
- (b) Net spend on adult care packages is £0.377 million under budget. This area of spend is being closely monitored to assess the impact of COVID-19 as well as ongoing demographic and procedural/operational changes, where significant MTFP savings have been taken over recent years. The underspends that have been generated as a result of reductions in occupancy of residential and nursing care homes due to COVID-19 have been reinvested in sustainability payments to providers pending a strategic review of the overall market planned over the coming months;

- (c) Net expenditure on Public Health-related activity is in line with grant allocations.
- 41 In arriving at the forecast outturn position, the service has estimated £21.093 million of additional costs and lost income and relating to COVID-19 and £6.395 million of COVID-19 related underspends. The net COVID-19 impact is £14.698 million which will be met corporately by utilising central government grants wherever possible.
- 42 In addition, a net £3.046 million relating to contributions to and from reserves and contingencies has been excluded from the cash limit outturn forecasts, details as follows:
- (a) A contribution of £2.757 million to the Adult Social Care reserve;
 - (b) A contribution of £0.598 million to Public Health reserves for Public Health projects;
 - (c) Use of AHS cash limit reserve of £92,000 to fund a temporary staffing arrangement;
 - (d) Use of £0.217 million of the corporate ER/VR reserve to fund redundancy payments.
- 43 Taking the projected outturn position into account, including the transfer to/from reserves in year the estimated cash limit reserve to be carried forward for AHS is forecast to be £8.180 million.

Chief Executive's Office (CEO)

- 44 The forecast revenue outturn for 2020/21 is a cash limit underspend of £27,000 for the year after taking account of the forecast use of reserves and items outside the cash limit.
- 45 The forecast underspend reflects the proactive management of activity across the service to try and remain within the cash limit.
- 46 A summary of the forecast outturn position across the service is provided below:
- (a) Communications and Marketing is forecast to be over budget by £8,000, primarily due to an overspend on employee costs (£34,000), partially offset by a forecast underspend on supplies and services (£26,000).
 - (b) Service Management is forecast to be under budget by £35,000, primarily due to an underspend on employee costs amounting to £36,000. There are also a number of other minor variances in this service area.

- 47 In arriving at the forecast outturn position, the service has estimated a net £0.149 million of additional costs, and lost income relating to COVID-19. This will be met corporately by utilising central government grants wherever possible.
- 48 In addition, circa £20,000 of costs relating to contributions to and from reserves and cash limits have been excluded from the outturn, details as follows:
- (a) £20,140 transfer from the Promoting Durham Reserve to help Durham raise its profile both regionally and nationally so it can continue to attract inward investment and build a bright and stable economic future;
- 49 Taking the projected outturn position into account, including items proposed to be treated as outside the cash limit, the total cash limit reserve forecasted to be carried forward for the service at 31 March 2021 is £0.153 million.

Children and Young People's Services (CYPS)

- 50 The projected outturn for CYPS is a cash limit overspend of £2.896 million in 2020/21, representing circa 2.33% of the total budget for CYPS.
- 51 The outturn projection excludes costs and savings directly attributable to the to COVID-19 -and adjustments for sums outside the cash limit, such as MTFP related redundancy costs, which are met from the strategic reserve, year end capital entries and contributions to and from earmarked reserves.
- 52 The updated position is primarily as a result of overspends within Education of £0.510 million and Children's Services of £2.386 million. Further details are provided below:
- (a) The Education Service is forecast to be £0.510 million over budget. This overspend is primarily related to £1.083 million overspend on Home to School Transport, a forecasted shortfall in school and academy SLA income / fees and charges income of £0.532 million and £0.792 million staff related underspend related to the early achievement of 2021/22 savings. Adjusting for net COVID-19 related expenditure estimated at £0.313 million, the overspend is reduced to £0.510 million.
- (b) Children's Services (Children's Social Care and Early Help & Intervention) is forecast to be a net £2.386 million over budget for the year. The Service is forecasting an overspend of £6.245 million primarily related to the forecast cost of children's

placements which have increased to circa 940. The direct financial impact of COVID-19 is estimated at £3.859 million, mainly related to a forecast shortfall in income from the sale of beds in the Aycliffe Secure Centre to other local authorities in the first few months of the new financial year and additional staffing and children's placement costs in Children's Social Care.

- 53 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 940 looked after children, compared to an average of 877 in 2019/20. This budget was increased by £5.5 million in 2018/19 and by £6.5 million in 2019/20 to cover care costs, as well as additional costs for staffing in order to meet the expected challenges and pressures identified in 2019/20. The 2020/21 budget also includes an additional increase for placement costs of £3.417 million.
- 54 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.
- 55 In arriving at the forecast outturn position it is of note that CYPS accessed a net £0.261 million use of CYPS reserves as detailed below:
- (a) £71,000 use of Tackling Troubled Families Reserve linked to temporary posts in the current financial year
 - (b) £58,000 use of Extended Personal Advisor Reserve to cover the costs of temporary posts in the current financial year
 - (c) £0.114 million use of Emotional Well Being Reserve to fund a forecast shortfall in income in the current financial year.
 - (d) £0.167 million contribution to the Secure Services Reserve from anticipated surplus income in the last quarter of the current financial year.
 - (e) £0.185 million use of Durham Music Service reserve to fund a forecast shortfall in income in the current financial year.
- 56 In 2019/20 £6.217 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 2020 and to balance the CYPS cash limit reserve to zero. Taking the forecast outturn position into account, there is a forecast £2.896 million deficit cash limit position at year end. Consideration will need to be given at Final Outturn as to how to address this issue.

Neighbourhoods and Climate Change (NCC)

- 57 The forecast revenue outturn for 2020/21, based on the position to 30 June 2020, is a cash limit underspend of £0.531 million, after taking account of the forecast use of reserves and items outside the cash limit, including COVID-19 related expenditure and loss of income.
- 58 The main reasons accounting for the outturn position are as follows:
- (a) Environmental Services is forecast to underspend by £14,000. Within this area there are overspends relating to unbudgeted pay costs of £0.403 million, and unachieved MTFP savings from previous years within Fleet of £0.166 million and Clean & Green of £73,000 that have not yet been addressed in the base budget. These base budget overspends have however been offset by savings because of delays in implementing the two new refuse collection rounds resulting in an underspend of £0.137 million; a delay in the procurement of the Household Waste Recycling Centre contract resulting in a saving of £0.346 million and savings due to vacancies within the service. . The service received full year budget growth in 2020/21 for the new refuse rounds and the additional Neighbourhood Wardens, meaning that the delays in implementation are producing one-off underspends.
 - (b) Technical Services is forecast to underspend by £0.411million. There is an additional trading surplus within Highways Services of £0.326 million forecast, and employee vacancy savings of £0.306 million, along with additional income of £0.292m relating to additional permit income and other fees and charges in Strategic Highways. There is also a £0.109m underspend due to savings on electricity charges forecast. These savings are partially offset however by a predicted overspend in winter maintenance costs of £0.446 million after utilising the remaining winter maintenance reserve and overspends of £0.167million on agency costs relating to condition surveys, contractor costs and rechargeable works.
 - (c) Partnerships & Community Engagement is forecast to underspend by £77,000. This is mainly due to a managed underspend in Supplies and Services, that will be utilised in 2021/22 for a delayed MTFP saving.
- 59 In arriving at the forecast outturn position, the service is estimating £10.560 million of additional costs, and lost income relating to COVID-19. This will be met corporately by utilising central government grants wherever possible.

- 60 In addition, £0.457 million relating to use of reserves and cash limits has been excluded from the outturn. The major items being:
- (a) £0.546 million contribution to reserves relating to forecast underspending against the one-off investments relating to Climate Change and Find & Fix projects;
 - (b) £0.658 million use of reserves in respect of Winter Maintenance;
 - (c) £0.345 million use of reserves relating to Community Protection and Community Engagement
- 61 Taking the projected outturn position into account, the forecasted cash limit reserve to be carried forward for Neighbourhoods & Climate Change is £0.728 million.

Regeneration, Economy and Growth (REG)

- 62 The forecast revenue outturn for 2020/21, based on the position to 30 June 2020, is a cash limit underspend of £0.617 million, after taking account of the forecast use of reserves and items outside the cash limit, including redundancy costs which are met from the corporate reserve, capital accounting entries and use of / contributions to earmarked reserves. COVID-19 related expenditure and loss of income has also been excluded from the cash limit outturn.
- 63 The outturn position reflects the proactive management of activity by Heads of Service across REG to remain within the cash limit. The main reasons accounting for the outturn position are as follows:
- (a) Culture & Sport is forecast to be overspent by £0.478 million. This is mainly the result of an overspend of £0.796 million relating to the former Derwentside Leisureworks facilities. This has been offset by other underspends across the service of approximately £0.318 million in relation to employee costs in Wellbeing (£0.111 million), Leisure Centres (£70,000), Libraries (£51,000) and the partial closure of Bishop Auckland Town Hall (£74,000). There are also a number of other minor overspends across the service. To ensure the development of Beamish Museum can be completed the council has been approached to contribute a one-off sum of £1.5 million in 2020/21. This will be financed from the one-off funding for Culture and Sport included in the 2020/21 budget.
 - (b) Business Durham is forecast to be £0.731 million underspent. Within this area there is an underspend of £0.753 million relating to Business Space due to higher than budgeted income of £0.748 million, after adjusting for £0.400 million for COVID-19 related lost income across industrial estates and other trading areas;

- (c) Transport and Contracted services is forecast to be £0.118 million overspent. This is mainly due to overspends in Sustainable Transport of £38,000; within Traffic of £55,000; and within Care Connect of £42,000, offset by savings on supplies and services in respect of the Head of Transport.
- (d) Development and Housing is forecast to be broadly on budget, with a small net underspend of £3,000 forecasted. Within this area Economic Development is forecasting an overspend of £0.132m, offset by a projected underspend in Planning Development of £82,000, and an underspend in Housing Solutions of £90,000. There are also a number of other minor overspends across the service.
- (e) Corporate Property and Land is forecast to be £0.334 million underspent, mainly resulting from an underspend of £0.174 million relating to an insurance claim, unbudgeted rental income in Assets of £97,000 and business rate refunds of £62,000 relating to the previous financial year.

64 In arriving at the forecast outturn position, the service is estimating £16.211 million of additional costs, and lost income and relating to COVID-19 and £4.213 million of COVID-19 related underspends. The net COVID-19 impact is therefore £11.998 million, and this will be met corporately by utilising central government grants wherever possible.

65 In arriving at the forecast outturn position, £0.562 million relating to use of reserves and cash limits has been excluded from the outturn. The major items being:

- (a) £0.190 million use of reserves relating to Development and Housing;
- (b) £0.350 million contribution to reserves in respect of Culture and Sport;
- (c) £0.200 million use of reserves relating to Transport and Contracted Services;
- (d) £1.041 million use of reserves relating to Corporate Property and Land;
- (e) £0.519 million to Corporate Contingencies in respect of the underspend on Concessionary Fares.

66 Taking the projected outturn position into account, the forecasted cash limit reserve to be carried forward for Regeneration, Economy and Growth is £0.781 million.

Resources

- 67 The 2020/21 forecast revenue outturn for Resources is a cash limit underspend of £0.960 million. This takes into account adjustments for sums outside the cash limit such as redundancy costs which are met from corporate reserves and use of / contributions to earmarked reserves. COVID-19 related expenditure and loss of income has also been excluded from the cash limit outturn.
- 68 The projected under budget position is the net effect of the following items:
- (a) Corporate Finance and Commercial Services is forecast to be over budget by £17,000, with managed overspending on employee costs in Strategic Finance of £30,000 and a managed overspend in Occupational Health of £34,000 more than offset by a forecast underspend in Health and Safety of £44,000 and a number of other minor variances in this service area.
 - (b) Finance and Transactional Services is forecast to be under budget by £0.550 million, primarily due to underspends on employee costs of £0.240 million and supplies and services costs of £44,000 plus additional income of £0.315 million in Revenues and Benefits. There are also a number of other minor variances in this service area. Payroll & Employee Services is forecasting to be over budget by £23,000 mainly due to unachievable income. Financial Management is forecasting to be over budget by £34,000 mainly due to a managed overspend on employee costs.
 - (c) Digital and Customer Services is forecast to be under budget by £0.240 million. Within this area underachievement of income is forecast to be £0.145 million, but this is more than offset by a forecast underspends on supplies and services of £0.295 million and employee costs of £0.109 million. There are also a number of other minor variances in this service area.
 - (d) Internal Audit, Risk and Corporate Fraud is forecast to be under budget by £65,000, comprising of a managed overspend of £8,000 on employee related expenditure which has been offset by a £5,000 underspend on supplies and services. The service is also forecasting £68,000 of additional income.
 - (e) Legal and Democratic Services is forecast to be under budget by £43,000. This includes a £22,000 managed overspend on employee related expenditure and underachieved income amounting to £41,000. These overspends have been more than offset by a forecast underspend of £86,000 on supplies and services and £20,000 on premises.

- (f) People and Talent Management is forecast to be under budget by £65,000, which includes a £96,000 managed underspend on employee related expenditure and a £48,000 overspend on supplies and services. The service is also forecasting an overachievement of income of £17,000.
- (g) Strategy is forecast to be over budget by £18,000, primarily due to a managed overspend on employee related costs of £28,000 which has been offset by a forecast underspend of £10,000 on supplies and services.
- (h) Transformation is forecast to be under budget by £32,000, primarily due to a managed overspend on employee costs of £26,000 and supplies and services of £9,000, offset by additional income amounting to £67,000.
- (i) There are no material variances in Service Management.

69 In arriving at the forecast outturn position, the service is estimating £3.012 million of additional costs, and lost income and relating to COVID-19 and £0.302 million of COVID-19 related underspends. The net COVID-19 impact is therefore £2.710 million, and this will be met corporately by utilising central government grants wherever possible.

70 The forecast cash limit outturn shows the position after a net £0.189 million of contributions to / from reserves, cash limits and contingencies have been applied to finance the following items:

- (a) £57,080 from Corporate Contingencies in respect of the Apprentice Pay Award;
- (b) £41,289 to Corporate Contingencies in respect of the National Insurance (NI) adjustment;
- (c) £0.100 million to the ICT Reserve to support ICT developments;
- (d) £0.153 million to the Business Support Reserve in respect of the forecast underspend on the unitised Business Support Function in lieu of future MTFP savings;
- (e) £0.127 million to the Transformation Programme Reserve. The contribution reflects the forecast underspend on employee costs in 2020/21 associated with the Transformation Team;
- (f) £55,676 from the ER/VR Reserve to fund the cost of early retirements/voluntary redundancies;

- (g) £31,774 from the Legal Expenses Reserve to fund the costs of additional legal employees to deal with increased activity arising from Deprivation of Liberty Standards requirements;
- (h) £50,000 from the Benefit Take Up Reserve (iBCF) to support the work from the ongoing impact of welfare reforms;
- (i) £69,802 to the HR Reserve in respect of the forecast underspend on the Workforce Development Programme;
- (j) £45,000 to the Residents Research Reserve as part of the funding received from CYPS to fund research work;
- (k) £31,552 from the Cash Limit Reserve in respect of a temporary post in the CYPS Finance Team;
- (l) £7,387 from the Cash Limit Reserve in respect of the purchase of office furniture for the Coroners service;
- (m) £72,381 agreed contribution from the Cash Limit Reserve in respect of Workforce Development;
- (n) £40,429 from the Cash Limit Reserve in respect of a temporary Information Management post;

71 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 forecast to be £3.592 million.

Corporate Costs

- 72 The forecast revenue outturn for 2020/21 for Resources – Centrally Administered Costs is an underspend of £0.208 million. This takes into account adjustments such as the use of / contribution to earmarked reserves.
- 73 The forecast outturn position is mainly due to reduced expenditure on bank charges (£18,000), payment card fees (£53,000), corporate subscriptions (£25,000), expenses associated with raising loans (£22,000) and legal expenses (£42,000). In addition, there is a projected overachievement of income from de-minimis capital receipts (£50,000) arising from the sale of assets. There are also a few other minor variances in this service area.

Central Budgets

Interest Payable and Similar Charges - Capital Financing

74 There is a budget of £36.709 million for these costs. The forecast outturn position is expected to be in line with the budget.

Interest and Investment Income

75 The forecast income of £2.300 million is £0.600 million less than the £2.900 million budget. The forecast shortfall reflects reduced investment returns as interest rates achievable on short term investments have reduced significantly. This economic downturn is also reflected in lower than expected income from dividends.

Council Earmarked Reserves Forecast

76 Earmarked reserves are funds set aside for specific, known or predicted future expenditure. Appendix 4 details the council and school earmarked reserves showing the opening balance at 1 April 2020, the forecast movement on reserves during the year and the forecast closing balance as at 31 March 2021.

77 A summary of the latest forecast of council reserves (excluding school reserves) is shown below. The summary highlights that the total earmarked and cash limit reserves are forecast to reduce by £24.571 million in 2020/21, from £204.697 million to £180.126 million mainly resulting from the utilisation of £17.5 million held in earmarked reserves from Tranche 1 of the COVID-19 Support Grant received in 2019/20. The movement in earmarked reserves is explained in the service grouping commentaries. This utilisation is to be expected as these funds are applied to the expenditure for which they were earmarked.

	Earmarked £ million	Cash Limit £ million	Total £ million
Opening Earmarked Balances as at 1 April 2020	-192.938	-11.759	-204.697
Adjusted for increase (-) / use of Earmarked Reserves	23.350	1.221	24.571
Earmarked Reserve Balances as at 31 March 2021	-169.588	-10.538	-180.126

Dedicated Schools Grant and Schools

78 The council currently maintains 216 schools, including nursery, primary, secondary, special schools and a single Alternative Provision (AP) school. The one AP school is for pupils who have been permanently excluded from other schools, or who are at risk of permanent exclusion.

79 The initial budget for 2020/21, for the current 216 maintained schools was £305 million, funded by income of £76 million, budget shares of £221 million (from central government funding), and £8 million use of accumulated schools' surplus balances. The table below summarises the schools' initial budgets.

	Nursery	Alternative Provision	Primary	Secondary	Special	Original Annual Budget
	(£ million)	(£ million)	(£ million)	(£ million)	(£ million)	(£ million)
Employees	3.387	4.463	162.268	45.843	25.824	241.786
Premises	0.169	0.275	10.037	3.576	1.077	15.133
Transport	0.843	0.002	0.432	0.789	0.297	2.362
Supplies and Services	2.051	0.525	31.255	8.579	2.830	45.240
Income	(0.673)	(3.862)	(49.425)	(16.583)	(4.911)	(75.453)
Net expenditure	5.776	1.404	154.568	42.203	25.118	229.069
Budget share	(5.776)	(1.064)	(149.107)	(42.083)	(22.848)	(220.879)
Contribution to/from reserves	-	(0.339)	(5.547)	(0.207)	(2.267)	(8.360)
Balance at 31 March 2020	-	0.937	18.085	(5.316)	2.772	16.478
Balance at 31 March 2021	-	0.598	12.539	(5.523)	0.505	8.118

80 Historically, school budget plans overstate the use of reserves, usually by a considerable amount. The council's forecast for the use of reserves is that only £2.3 million of reserves will be used. The table below summarises the council's forecast.

	Nursery	Alternative Provision	Primary	Secondary	Special	Original Annual Budget
	(£ million)	(£ million)	(£ million)	(£ million)	(£ million)	(£ million)
Employees	3.321	4.502	162.816	45.489	25.086	241.213
Premises	0.199	0.395	9.985	3.522	1.030	15.131
Transport	0.706	0.002	0.362	0.683	0.253	2.005
Supplies and Services	2.497	0.468	26.522	7.613	2.598	39.696
Income	(0.674)	(3.815)	(48.557)	(17.181)	(4.502)	(74.730)
Net expenditure	6.048	1.552	151.127	40.126	24.464	223.317
Budget share	(5.776)	(1.064)	(149.231)	(42.108)	(22.848)	(221.027)
Contribution to/from reserves	(0.272)	(0.487)	(1.896)	1.982	(1.617)	(2.290)
Balance at 31 March 2020	-	0.937	18.085	(5.316)	2.772	16.478
Balance at 31 March 2021	(0.272)	0.450	16.190	(3.334)	1.155	14.188

81 The council's forecast takes account of past experience and current information the most up to date information from ledgers. This year's outturn is likely to be affected by the effect of the COVID-19 lockdown on income and expenditure, and changes to ways of working when schools return in the autumn. Accordingly, there is significant uncertainty about the final outturn. Schools can claim funding for exceptional lockdown costs, but the categories are tightly defined and

there are likely to be significant net costs that cannot be claimed. Schools will not be able to claim for additional costs arising from new ways of working; these costs might include additional cleaning, hand sanitizers and signage (for information, one-way systems etc.).

- 82 The School Finance Team will conduct autumn budget reviews with each school, to help schools determine the steps they need to take if they if they need to make savings to balance their budgets in the coming financial year (2021/22).
- 83 With the exception of eight schools, all schools prepared budget plans that could be delivered within available funding. The council’s S.151 officer has given approval to eight schools to set deficit budgets where planned expenditure during 2020/21 would result in a deficit balance at 31 March 2021 (known as a licensed deficit). These are summarised in the table below.

School Name	Phase	Type	Balance at 31 March 2020 (£ million)	Planned in-year use of reserves (£ million)	Licensed deficit (£ million)
Bluebell Meadow	Primary	Community	(0.078)	(0.141)	(0.219)
Ferryhill Station	Primary	Community	(0.023)	(0.009)	(0.032)
St. Thomas More RC	Primary	Aided – RC	(0.025)	(0.078)	(0.103)
Wolsingham	Secondary	Community	(1.709)	(0.112)	(1.821)
Wellfield	Secondary	Community	(3.406)	0.222	(3.184)
St. Bede's RC, Peterlee	Secondary	Aided - RC	(1.400)	(0.210)	(1.609)
The Durham Federation	Secondary	Community	(0.414)	(0.191)	(0.605)
Windlestone	Special	Community	0.326	(0.628)	(0.302)

- 84 It is of note that Bluebell Meadow, Wolsingham, and St Bede’s RC are all expected to convert to academies during the autumn term and the licensed deficits shown in the table are to the point of conversion only.

Dedicated Schools Grant Centrally Retained block

- 85 The quarter one financial forecasts for the centrally retained DSG budgets show an overspend of £0.468 million against a total budget of £61.766 million to year end, which represents a 1% overspend.

DSG Block	Budget (£ million)	Outturn (£ million)	Over / (Under) Spend (£ million)
Schools de-delegated	0.562	0.562	-
High Needs	27.006	27.474	0.468
Early Years	31.489	31.489	-
Central Schools Services	2.709	2.709	-
Total	61.766	62.234	0.468

- 86 The forecast overspend position relates to spending against the High Needs Block (HNB), which is forecast to overspend by £0.468 million.
- 87 The current forecast identifies an overspend of £0.675 million against budgets for top-up funding for mainstream schools. This is partially offset by a sum of £0.207 million set aside as a contingency budget at the start of the financial year.
- 88 All areas of HNB expenditure will be kept under close review in light of COVID-19 issues, with particular attention on the impact of schools returning in September where it is possible we will see an upward trend in the volume of requests for additional support for high needs pupils.
- 89 The impact of the current forecast on the DSG reserves position is shown in the table below:

DSG Reserves	High Needs Block (£ million)	Early Years Block (£ million)	Schools Block (£ million)	Total DSG (£ million)
Balance as at 1 April 2017	6.070	2.361	2.728	11.159
Use [-] / Contribution [+] in 2017/18	(4.652)	(0.286)	(1.488)	(6.426)
Balance as at 1 April 2018	1.418	2.075	1.240	4.734
Use [-] / Contribution [+] in 2018/19	(7.411)	(0.705)	(0.231)	(8.347)
Transfer from COLs	0.384	-	-	0.384
Transfer from PFI re-financing	2.881	-	-	2.881
Balance as at 1 April 2019	(2.728)	1.370	1.009	(0.348)
Use [-] / Contribution [+] in 2019/20	(8.598)	(0.095)	(0.365)	(9.058)
Contribution from general reserves	5.600	-	-	5.600
Balance as at 1 April 2020	(5.726)	1.275	0.644	(3.806)
Forecast Use [-] / Contribution [+] in 2020/21	(0.468)	-	-	(0.468)
Forecast balance as at 31 March 2021	(6.194)	1.275	0.644	(4.274)

- 90 The council has a five-year plan for spending on HNB activities, which includes recovery of the HNB deficit by the end of 2024/25. This will continue to be reviewed in light of revised forecast information and funding announcements from central government.

Capital

Background

- 91 On 8 July 2020 Cabinet received a report which provided details of the final outturn position of the 2019/20 capital programme. This included a reprofiling exercise where £10.978 million from 2019/20 was reprofiled over future years. The existing 2020/21 budget of £180.102 million was increased by the new 2020/21 capital allocations of £18.941 million approved by full Council on 26 February 2020. The 2020/21 budget was reprofiled at May MOWG, with net reprofiling of £41.335 million being moved into future years. Additions of £11.148 million to the 2020/21 budget were also actioned. These changes give an original budget of £168.856 million for 2020/21 which is shown in the table below.
- 92 The council's Member Officer Working Group (MOWG) that closely monitors the capital programme has since considered further revisions to the capital programme, taking into account additional resources received by the authority and further requests for reprofiling as Service Management Teams continue to monitor and review their capital schemes.

Current Position

- 93 The following table summarises the latest capital budget for approval alongside the original budget. The table also shows the actual capital spend as at 30 June 2020.

Service Grouping	Original Budget 2020/21	Amendments recommended by MOWG	Revised Budget 2020/21 Quarter 1	Actual Spend to 30 June 2020
	£ million	£ million	£ million	£ million
Adult and Health Services	0.000	0.000	0.000	0.000
Children and Young People's Services	31.945	-3.883	28.062	2.830
Neighbourhoods and Climate Change	43.270	1.362	44.632	2.039
Regeneration, Economy and Growth	85.435	-10.355	75.080	11.124
Resources	8.206	-0.200	8.006	1.174
TOTAL	168.856	-13.076	155.780	17.167

94 Since the original 2020/21 budget was agreed, MOWG has considered a number of variations to the capital programme which are a result of additions and reductions in resources received by the council and reprofiling of budgets over future years. The variations of note are as follows:

Additions and Reductions

(a) **CYPS** – the service has received the following additional funding:

- (i) **School Devolved Capital** – £2,882 additional School Devolved Capital grant has been received from DfE, following correction of an error in their calculation of grant entitlement.
- (ii) **Early Help, Inclusion and Vulnerable Children – One Point** - £90,000 from capital contingencies for building works to the former Sherburn Hill Children’s Centre to allow the relocation of the Family First Team from Chester-le-Street and the formation of a Care Leavers Hub.

(b) **NCC** – the service has received notice of additional funding as follows:

- (i) **Technical Services** - £1.000 million for Highways Structures and Pothole Repairs, £0.350 million for Gully Repairs and £0.150 million for Road Markings, all to be funded from direct revenue funding. A sum of £20,000 has been transferred from the Local Accessibility budget in REG Transport and Contracted Services to the Dropped Crossings – Countywide scheme.

(c) **REG** – the service has the following additions and reductions:

- (i) **Development and Housing** – new grant allocations from Homes England of £0.600 million for the Homelessness - Buy to Lease scheme and £0.271 million for the Accelerated Construction Scheme on the former Free School site at Gilesgate, which is being delivered by Chapter Homes. A grant of £4,300 will be received from Historic England for the Bishop Auckland Heritage Action Zone – Community Engagement project. Transfers of £95,858 towards photovoltaics at the new Council Headquarters and £58,000 for installing ductwork for electric vehicle charging points in the multi storey car park for the new Council Headquarters from Energy Efficiency budgets in NCC Environmental Services.

- (ii) **Business Durham** – a budget reduction of £0.384 million for LED lighting schemes at Salvus House, Netpark Discovery 1 and 2 and Netpark Plexus 1 and 2.
- (iii) **Transport and Contracted Services** - £5,963 for the Call Handling System, funded from direct revenue funding.
- (d) **Resources** - £0.200 million from the End User Equipment Replacement budget is not required so will be returned to capital contingencies.

95 Budget managers continue to challenge and review the programming and phasing of works, which has resulted in the re-profiling of the following budgets in line with anticipated activity in 2020/21:

- (a) **CYPS** – £4.843 million has been re-profiled from 2020/21 into 2021/22, 2022/23 and 2023/24 to cover expected expenditure on a number of schemes. This includes £3.719 million for Escomb Primary School new build, £0.840 million for the replacement of heating blocks at Belmont School and £0.284 million to replace the heating system at Coxhoe Primary. £0.900 million of the School Capital Grant Unprogrammed budget has been re-profiled from 2021/22 to 2020/21 to cover expected spend.
- (b) **NCC** - £4,414 was re-profiled from 2020/21 to 2021/22 for street lighting replacement works on Old Elvet, due to the proximity to the proposed works on New Elvet Bridge.
- (c) **REG** - £10.986 million (net) has been re-profiled from 2020/21 across the period from 2021/22 to 2022/23. Significant amounts include £6.778 million for the Leisure Transformation project being re-profiled from 2020/21 into 2021/22 and 2022/23. £3.159 million for Jade Business Park Infrastructure and £0.500 for Meadowfield Depot Strategic Site being re-profiled from 2020/21 into 2021/22 and £0.863 million for Jade Business Park Factory Build being re-profiled from 2020/21 into 2022/23. £0.191 million for the A19/A182 Hawthorn Junction – Jade Highways scheme was re-profiled from 2021/22 into 2020/21.

Capital Financing

96 The following table summarises the recommended financing of the revised capital programme:

Financed By:	Original Budget 2020/21	Amendments recommended by MOWG	Revised Budget 2020/21 Quarter 1
	£ million	£ million	£ million
Grants and Contributions	44.010	-2.087	41.923
Revenue and Reserves	36.321	1.506	37.827
Capital Receipts	11.325	-5.522	5.803
Borrowing	77.200	-6.973	70.227
TOTAL	168.856	-13.076	155.780

Council Tax and Business Rates Collection Funds

Council Tax

- 97 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.
- 98 The collection rate at 30 June 2020 was 27.72%, which is 0.79% points below the same position in 2019/20, reflecting the impact of COVID-19, and a cessation of any recovery action for unpaid Council Tax. Many households have been severely impacted by the pandemic, with the council experiencing a 4% increase in claims for Council Tax Reduction (CTR) in quarter one. In total, 6,000 residents have chosen to defer their Council Tax payments until later in the year and the council is providing support to those impacted by COVID-19 through Hardship payments of up to £300 for those in receipt of council tax support, with 12,000 payments totalling £2.824 million having been awarded to date.
- 99 The in-year collection rates at the end of quarter one for the current and last two financial years, are detailed below:

Billing Year	Position at 30 June Each Year %
2020/21	27.72
2019/20	28.51
2018/19	28.79

- 100 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 calculated 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.
- 101 Actual cash collected as at 30 June 2020 was £79.707 million compared with £80.355 million as at 30 June 2019, however, when the Council Tax increases for 2020/21 are factored in this represents a year on year real terms reduction of £4.718 million in terms of Council Tax income received.
- 102 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 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.
- 103 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.
- 104 At 30 June 20, the estimated in year outturn for the Council Tax Collection Fund is a deficit of £4.722 million as shown in the table below. The council's share of the in year deficit is £3.955 million which is caused in the main by the impact of COVID-19. The forecast position after taking into account the undeclared deficit as at 31 March 2020 of £0.854 million is a total deficit of £5.576 million. Durham County Council's share of this forecasted deficit is £4.670 million.

	£ million
Net Bills issued during Accounting Year 2020/21	354.558
LCTRS and previous years CTB adjustments	-62.076
Calculated change in provision for bad debts required and write offs	-3.649
Net income receivable (a)	288.833
Precepts and Demands	
Durham County Council	234.458
Parish and Town Councils	13.637
Durham Police Crime and Victim's Commissioner	30.509
County Durham and Darlington Fire and Rescue Authority	14.951
Total Precepts and Demands (b)	293.555
Net Surplus / (-) Deficit for year (a) – (b)	-4.722
Undeclared Surplus / (-) Deficit brought forward from 2019/20	-0.854
Estimated year end deficit	-5.576

- 105 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.
- 106 The council is required to determine and declare the forecast surplus or deficit on the Council Tax Collection Fund for 2021/22 by 15 January 2021. Normally, this would then be taken into account in the budget setting process for the following year, with any difference between this and the actual surplus at 31 March 2021 being carried forward to the next financial year and taken into account in estimating the surplus/deficit position for that year.
- 107 In July 2020 the government announced that they are proposing that repayments to meet any collection fund deficits accrued in 2020/21 will instead be phased over a three-year period (2021/22 to 2023/24) to ease immediate pressures on budgets. MHCLG will work with CIPFA and local government on the detailed operation of this scheme and provide guidance to councils later in the year.

Business Rates

- 108 Business Rates Retention was implemented in 2013/14 and the council now has a vested budget interest and stake in the level of business rate yield, as income generated from Business Rates is 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 also the level of income anticipated for the year is important.
- 109 In 2017/18, following consultation, the government implemented the first revaluation of Business Rates since April 2010.
- 110 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 Ups for their shares of losses of income.
- 111 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 2020 estimate of 2020/21 Business Rates income that was used for budget setting purposes.
- 112 On Monday 27 January 2020, the government announced additional business rates measures that would apply from 1 April 2020. The Budget on Wednesday 11 March 2020 confirmed the measures and on 17 March 2020 the Chancellor set out a further package of targeted measures to support businesses through this period of disruption caused by COVID-19:
- (a) increasing the retail discount from one-third to 50 per cent for eligible retail businesses occupying a property with a rateable value less than £51,000;
 - (b) extending the retail discount to eligible music venues and cinemas with a rateable value less than £51,000;
 - (c) introducing a pub discount of £1,000 to eligible pubs with a rateable value of less than £100,000 - this being in addition to the retail discount and will apply after the retail discount.

- (d) Extending the £1,500 business rates discount for office space occupied by local newspapers for an additional 5 years until 31 March 2025.
- 113 In response to COVID-19, the government went further than previously announced and made the following commitments:
- (a) the retail discount will increase to 100% for 2020/21
 - (b) the relief will be expanded to the leisure and hospitality sectors
 - (c) the pub discounts will increase to £5,000
- 114 Further measures announced on 17 March and 18 March 2020 were:
- (a) A 12 month business rates holiday for all retail, hospitality and leisure businesses
 - (b) A business rate holiday for non-local authority child care providers in 20/21
- 115 In making these series of announcements the government stated that local authorities would be fully compensated for these Business Rate measures, which have the impact of significantly reducing the business rates chargeable / business rates yield, via a Section 31 grant in 2020/21.
- 116 At 30 June 2020, the estimated outturn for the Collection Fund Business Rates is an in year deficit of £49.796 million of which the council's 49% share of £24.4 million. This deficit is offset by the receipt of additional Section 31 grant of £24.271 million due to the additional business rate reliefs. At this stage it is therefore forecast that there will be small deficit of £0.129 million although this forecast would be significantly impacted by any business closures over the remainder of 2020/21.
- 117 The total deficit for 2020/21 taking into account the undeclared surplus position as at 31 March 2020 of £8.233 million is a deficit of £41.563 million as calculated in the following table.

	£ million
Net rate yield for 2020/21 including previous year adjustments	70.167
Estimate of changes due to appeals lodged and future appeals	-4.309
Estimated losses in Collection – Provision for Bad Debts and Write-offs	-0.744
Net income receivable (a)	65.114
Agreed allocated shares:	
Central Government (50%)	55.912
Durham County Council (49%)	57.053
County Durham and Darlington Fire and Rescue Authority (1%)	1.141
Cost of Collection Allowance and Renewable Energy (paid to Durham County Council)	0.804
Total fixed payments (b)	114.910
Net deficit for year (a) – (b)	-49.796
Undeclared Surplus / (-) Deficit brought forward from 2019/20	8.233
Estimated year end deficit	-41.563

- 118 The in-year estimated deficit of £49.796 million and the total undeclared surplus brought forward from 2019/20, leaves an estimated net deficit of £41.563 million at 31 March 2021.
- 119 The surplus/deficit at 31 March in any year is 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 estimated year end deficit will therefore be £20.366 million before we account for the receipt of the compensating Section 31 grant.

120 As with residents, local businesses have also been severely impacted by the COVID-19 pandemic, particularly during the national lockdown period. The in-year collection rate at 30 June 2020 was 33.80%, which is 0.56% points below the same position last year. A number of businesses have chosen to defer their payments until later in the year and the council has moved quickly to make payments to eligible businesses under the national Small Business Grant Fund and Retail Hospitality and Leisure Grants Fund. Circa £99m of grants have paid out, with a further circa £5m of support also being provided under the Local Discretionary Grants Fund. As with Council Tax, there has been no recovery action for unpaid Business Rates in the year to date. The in-year collection rates at the end of quarter one for the current and last two financial years, are as follows:

Billing year	Position at 30 June Each Year %
2020/21	33.80
2019/20	34.36
2018/19	34.42

Section 31 Grant - Small Business Rate Relief

- 121 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.
- 122 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%.
- 123 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.
- 124 At 30 June 2020, the gross small business relief awarded against 2020/21 business rates bills and adjustments to 2013/14-2019/20 bills is £17.797 million, and the council will receive £5.721 million in Section 31 grant, including the capping adjustment and threshold change adjustments, in this regard.

Other Section 31 Grants

- 125 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.
- 126 In response to the economic impact of COVID-19, the government has introduced the expanded retail discount. The business rates retail discount has been increased to 100% and now covers the leisure and hospitality sectors. The £51,000 rateable value threshold has also been removed. This relief will apply to occupied retail, leisure and hospitality properties in the year 2020/21 only, and will be fully funded by way of Section 31 grant.
- 127 A nursery discount has also been introduced for 2020/21, as a response to COVID-19, which will be fully reimbursed by Section 31 grant.
- 128 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. When the additional Section 31 grants to compensate for the extended retail, hospitality and leisure discounts and the extended nursery discounts are factored in the net impact is an increase in Durham County Council's Section 31 grants of £24.577 million of which £24.271 million relates to the additional reliefs in response to COVID-19.

Update on Progress towards achieving MTFP(10) savings

- 129 The delivery of the MTFP savings considers:
- (a) the duties under the Equality Act;
 - (b) appropriate consultation;
 - (c) the HR implications of the change including consultation with employees and trade unions;
 - (d) communication of the change and the consultation results;
 - (e) sound risk management.
- 130 The development of MTFP(10) proposals for 2020/21 has been underway since the 2019/20 proposals were agreed.

131 For MTFP(10), the council has delivered quarter one savings of £7.033 million which is 88% of the £8.010 million target.

Consultation

132 There has not been any public consultation on MTFP10 proposals in the last quarter.

HR implications

133 Equality data relating to the 12 staff leaving through voluntary redundancy, early retirement and ER/VR during quarter one of MTFP(10) showed that 50% were female and 50% were male. In terms of race, all leavers have disclosed their ethnicity, 83% stated that they were white British or white English. Regarding disability status 17% said they had a disability, 17% had no disability and 66% did not disclose their disability status. No staff have left through compulsory redundancy in quarter one.

134 Since austerity began in 2011, equality data relating to staff leaving through voluntary redundancy, showed that 63% were female and 37% were male. The higher proportion of female leavers is likely due to the exercises which took place in previous years which focused on traditionally female occupied professions. These included the closure of care homes, reduction in service in the Pathways and Youth service and a restructure and change of working pattern for Care Connect.

135 Since 2011, 31% of leavers had not disclosed their ethnicity, with 68% stating that they were white British or white English. Regarding disability status 4% said they had a disability, 16% had no disability and 80% did not disclose their disability status.

Equality Impact Assessments (EIA)

136 Services have completed EIA screenings and assessments where necessary as part of the decision-making process for 2020/21 MTFP10 proposals.

137 Projects to deliver growth proposals will be supported to ensure robust planning and that EIA screening are also completed.

Other useful documents

- County Council – 26 February 2020 – Medium Term Financial Plan 2020/21 to 2023/24 and Revenue and Capital Budget 2020/21.
- Cabinet – 8 July 2020 - 2019/20 Final Outturn for the General Fund and Collection Fund.

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Appendix 1: Implications

Legal Implications

The consideration of regular budgetary control reports is a key component of the council's Corporate and Financial Governance arrangements. This report shows the forecast spend against budgets agreed by Council in February 2020 in relation to the 2020/21 financial year. The forecasts contained within this report have been prepared in accordance with standard accounting policies and procedures.

Finance

The report details the 2020/21 forecast of outturn position for Revenue and Capital and details the forecast movement on reserves.

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 have been scrutinised and supplemented with information supplied by the Service Management Teams and budget holders. The projected outturn has been produced taking into consideration spend to date,

trend data and market intelligence, and includes an element of prudence. This, together with the information supplied by Service Management Teams and budget holders, helps to mitigate the risks associated with achievement of the forecast outturn position.

Procurement

None.

Appendix 3: Revenue Summary by Expenditure / Income for the period ended 31 March 2021

	Original Budget 2020/21	Proposed Budget Revisions, including sums outside the cash limit	Contribution to / Use of Cash Limit Reserve	Contribution to / Use of Earmarked Reserves	Budget - incorporating adjustments	Service Groupings Forecast of Outturn	Corporate Costs Forecast of Outturn	Forecast of Outturn (including Corporate Costs)	Forecasted Variance (including Corporate Costs)	Forecasted Variance - Corporate Costs
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Employees	561,387	-29,811	237	1,418	533,231	531,043	344	531,387	-1,844	0
Premises	53,923	-3,548	0	53	50,428	52,515	0	52,515	2,087	0
Transport	46,738	-446	0	-18	46,274	46,725	0	46,725	451	0
Supplies & Services	130,374	-16,671	7	152	113,862	113,978	1,342	115,320	1,458	-207
Agency & Contracted	417,221	3,594	0	5,507	426,322	449,431	2,744	452,175	25,853	250
Transfer Payments	163,446	-2,120	0	202	161,528	162,871	6,964	169,835	8,307	6,964
Central Costs	106,669	7,493	0	2,979	117,141	117,416	115	117,531	390	0
DRF	2,330	127	0	-50	2,407	2,337	70	2,407	0	0
Other	0	0	0	0	0	0	0	0	0	0
Capital Charges	65,068	0	0	0	65,068	65,068	0	65,068	0	0
GROSS EXPENDITURE	1,547,156	-41,382	244	10,243	1,516,261	1,541,384	11,579	1,552,963	36,702	7,007
Income										
Government Grants	607,033	-35,795	0	6,434	577,672	587,357	6,964	594,321	16,649	-6,950
Other Grants and Contributions	78,298	-476	0	2,266	80,088	82,005	0	82,005	1,917	0
Sales	11,349	-5,025	0	0	6,324	4,398	200	4,598	-1,726	-50
Fees and Charges	103,391	927	0	-185	104,133	88,352	-35	88,317	-15,816	35
Rents	9,208	-637	0	0	8,571	8,958	0	8,958	387	0
Recharges To Other Services	282,668	2,123	0	1,150	285,941	276,415	0	276,415	-9,526	0
Other	8,287	-2,331	0	-354	5,602	7,114	0	7,114	1,512	0
Total Income	1,100,234	-41,214	0	9,311	1,068,331	1,054,599	7,129	1,061,728	-6,603	-6,965
NET EXPENDITURE	446,922	-168	244	932	447,930	486,785	4,450	491,235	43,305	42

Appendix 4: Earmarked Reserves Position as at 30 June 2020

EARMARKED RESERVES AND CASH LIMIT RESERVES	SERVICE GROUPING	OPENING BALANCE	USE OF RESERVES	CONTRIBUTION TO RESERVES	TRANSFERS BETWEEN RESERVES	TOTAL MOVEMENT ON RESERVES	2020/21 CLOSING BALANCE AS AT 30 JUNE 2020
		£'000	£'000	£'000	£'000	£'000	£'000
Social Care Reserve	AHS	-25,671		-699	50	-649	-26,320
Public Health Reserve	AHS	-5,246	1,190	-695	70	565	-4,681
CEO Grant Reserve	CEO	-86				0	-86
CEO Operational Reserve	CEO	-119	20			20	-99
Children's Services Reserve	CYPS	-1,785	527	-167		360	-1,425
Education Reserve	CYPS	-12,629	185			185	-12,444
AAP/Members Reserve	NCC	-2,033	119		-47	72	-1,961
Community Protection Reserve	NCC	-575	115		-70	45	-530
Environmental Services Reserve	NCC	-1,483	297	-843		-546	-2,029
NCC Grant Reserve	NCC	-689				0	-689
NCC Operational Reserve	NCC	-2,881	565			565	-2,316
North Pennines AONB Partnership Reserve	NCC	-1,911				0	-1,911
Technical Services Reserve	NCC	-802	658			658	-144
Business Growth Fund Reserve	REG	-604				0	-604
Corporate Property & Land Reserve	REG	-1,356	759			759	-597
Culture and Sport Reserve	REG	-2,286	100	-450		-350	-2,636
Economic Development Reserve	REG	-2,123	12			12	-2,111
Employability and Training Reserve	REG	-276	77			77	-199
Funding and Programmes Management Reserve	REG	-506				0	-506
Housing Regeneration Reserve	REG	-473				0	-473
Housing Solutions Reserve	REG	-2,199				0	-2,199
Planning Reserve	REG	-862	100			100	-762
REAL Match Fund Programme Reserve	REG	-1,214				0	-1,214
Town and Villages Regeneration Reserve	REG	-19,767				0	-19,767
Transport Reserve	REG	-746	200			200	-546
Resources Corporate Reserve	Resources	-530				0	-530
Resources Customer Services Reserve	Resources	-315				0	-315
Resources DWP Grant Reserve	Resources	-573		-90		-90	-663
Resources Elections Reserve	Resources	-860				0	-860
Resources Grant Reserve	Resources	-154				0	-154
Resources Housing Benefit Subsidy Reserve	Resources	-1,542				0	-1,542
Resources Human Resources Reserves	Resources	-323	23			23	-300
Resources ICT Reserves	Resources	-1,242	153	-100		53	-1,189
Resources Internal Audit & Corporate Fraud Reserve	Resources	-80				0	-80
Resources Legal Reserves	Resources	-451	116			116	-335
Resources Operational Reserve	Resources	-58		-45		-45	-103
Resources Operations and Data Reserve	Resources	-38				0	-38
Resources Registrars Trading Reserve	Resources	-200				0	-200
Resources Revenue and Benefits Reserve	Resources	-854	189		-50	139	-715
Resources System Development Reserve	Resources	-354				0	-354
Resources Transformation Reserve	Resources	-1,277	394			394	-883
Budget Support Reserve	Corporate	-19,172	2,733			2,733	-16,439
Business Support Reserve	Corporate	-1,032		-152		-152	-1,184
Capital Reserve	Corporate	-700				0	-700
Commercialisation Support Reserve	Corporate	-8,376				0	-8,376
COVID-19 Support Grant Reserve	Corporate	-17,521	17,521			17,521	0
Equal Pay Reserve	Corporate	-9,979				0	-9,979
ER/VR Reserve	Corporate	-3,346	273			273	-3,073
Feasibility Study Reserve	Corporate	-500				0	-500
Inspire Programme Reserve	Corporate	-330	132			132	-198
Insurance Reserve	Corporate	-10,070				0	-10,070
Office Accommodation Capital Reserve	Corporate	-24,739	180			180	-24,559
Total Earmarked Reserves		-192,938	26,638	-3,241	-47	23,350	-169,588
Cash Limit Reserves							
Adult and Health Services		-8,354	1,959	-1,785		174	-8,180
Chief Executive's Office		0		-27	-126	-153	-153
Children and Young People's Services		0		2,896		2,896	2,896
Neighbourhoods and Climate Change		0		-531	-197	-728	-728
Regeneration, Economy and Growth		0		-617	-164	-781	-781
Resources		-2,758	239	-960	-113	-834	-3,592
Regeneration and Local Services		-329			329	329	0
Transformation and Partnerships		-318			318	318	0
Total Cash Limit Reserves		-11,759	2,198	-1,024	47	1,221	-10,538
Total Council Reserves		-204,697	28,836	-4,265	0	24,571	-180,126
Schools' Balances							
Schools' Revenue Balance	CYPS	-15,949	2,290			2,290	-13,659
DSG Reserve	CYPS	3,807	468			468	4,275
Total Schools and DSG Reserve		-12,142	2,758	0	0	2,758	-9,384