

Cabinet

17 March 2021



Forecast of Revenue and Capital Outturn 2020/21 – Period to 31 December 2020 and Update on Progress towards achieving MTFP(10) savings

Ordinary Decision

Report of Corporate Management Team

Paul Darby, Corporate Director of Resources (Interim)

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) updated forecast revenue and capital outturn for 2020/21, based on the position to 31 December 2020;
 - (b) updated forecast for the council tax and business rates collection fund position at 31 March 2021, based on the position to 31 December 2020;
 - (c) updated forecast use of and contributions to earmarked, cash limit and general reserves in 2020/21 and the estimated balances to be held at 31 March 2021.
- 2 To seek approval of the revised capital programme, other budget adjustments, proposed sums treated as outside of the cash limit in year and write off deficit schools balances as a result of academy conversions.
- 3 To provide Cabinet with an update on progress towards achieving MTFP(10) savings in 2020/21.

Executive summary

- 4 Since the outbreak of COVID-19, the council, its partners, local businesses and local communities have together been working tirelessly to respond to the pandemic and to put plans in place for the restoration and recovery of services post-pandemic.
- 5 The financial impact of COVID-19 in 2020/21 is significant and complex, which makes forecasting the council's outturn position even more challenging than usual.
- 6 What is even more uncertain is the long term impacts of the pandemic on the councils finances beyond 2020/21, particularly in the context of the longer term financial outlook for the council, as set out in the MTFP(11) and 2021/22 to 2024/25 Budget Report to County Council on 24 February 2021.
- 7 In the last year the council has had to implement national support schemes at short notice such as the Business Rates Grants Support Scheme(s); the Council Tax Hardship Support Schemes; Test and Trace Payments; the Winter Support Payments Scheme; Infection Control Schemes; and Contain Outbreak Management schemes as well as dealing with and implementing a range of supplier relief schemes and addressing increased demand for support to vulnerable households whilst trying to accommodate new ways of working itself in response to the pandemic.
- 8 Since the previous forecast of outturn report to Cabinet in November 2020 there have been two further national lockdown periods, with the current national lockdown extending across the whole of quarter 4. The national lockdowns periods have impacted significantly on the forecasts previously prepared.
- 9 It is forecast that service grouping budgets will overspend by £43.973 million. This overspend position arises from additional expenditure and loss of income associated with the COVID-19 outbreak of £64.597 million, offset by COVID-19 related underspends of £16.066 million.
- 10 In addition, in year collection of Council Tax and Business Rates is significantly below budgeted levels – through a combination of increased incidence of Council Tax Reduction and reduced payments as residents and businesses themselves cope with the economic shocks the pandemic has had. Council Tax and Business Rates collection at the end of quarter three are forecast to be £10 million less than at the same stage in 2019/20. Although some of these outstanding sums are expected to be collected over time it is forecast at this stage that there will be an in year deficit on the collection fund of £5.2 million after provision for bad and doubtful debts.

- 11 The government has provided four non ringfenced tranches of funding for local authorities for the additional costs incurred as a result of COVID-19. This funding is allocated based upon formulae determined by the government and to date the council has received £45.6 million. Of this, £1.1 million was utilised to cover costs incurred in 2019/20, which has left £44.5 million of funding available to be applied in 2020/21.
- 12 The council has submitted the first two returns for support under the government's Income Guarantee Scheme, which 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. The first claim, totalling £3.7 million, has been paid and the council now awaits confirmation of the second claim, totalling £2.7 million. It is estimated that the council will be able to claim circa £8 million from the scheme across the whole of 2020/21 given the subsequent reintroduction and extension of the national lockdowns since the quarter two report was developed.
- 13 The government has indicated that the financial impact of any 2020/21 in year Collection Fund deficit for council tax and business rates must be spread over three years. Across the three years 2021/22 to 2023/24, the government will provide 75% grant support for the 2020/21 in year deficit position, although the assessment of loss for council tax does not provide coverage for non collection below the council 99% forecast collection rate.
- 14 After taking into account additional Section 31 grant received for extended business rate reliefs, the council is forecasting its share of the in year 2020/21 Business Rates Collection Fund deficit to be £4.5 million.
- 15 After taking into account the impact of the second and third national lockdowns, updated estimates of cost, lost income and additional government funding subsequently received, it is forecast that the council 2020/21 budget will be underspent by £9.228 million, representing 2.11% of the net expenditure budget of £437.355 million.
- 16 The impact of the second and third lockdowns and the subsequent additional funding from government were not factored into the previous forecasts. In addition, COVID-19 has impacted on normal business as usual expenditure. There has been delayed recruitment, savings against mileage and other costs as a result of large proportions of staff working from home and savings in operational building costs amongst other areas. In addition, care costs linked to hospital discharges during the period March 2020 to August 2020 are being met by the Durham Clinical Commissioning Group under temporary national funding

arrangements via NHS England. These cases are being treated as Continuing Health Care under the Discharge to Assess regime until such time as they are properly assessed so costs that would otherwise be normally met by the Council are being recovered from the CCG. This arrangement is temporary and will not be a recurrent base budget impact and helps offset the significant supplier relief and support being provided to care providers.

- 17 The forecasts included in this report are still subject to some uncertainty. There are a wide range of assumptions that have been made in relation to expenditure and income over the remainder of the financial year and the uncertainty that exists with regards to the impact of COVID-19 restrictions that will apply across the quarter four.
- 18 This uncertainty extends into 2021/22, where the council will face further challenges and budget pressures in relation to the continuing response to the pandemic and the restoration of services and supporting the post-pandemic recovery.
- 19 There is some funding that has been made available next year to help with these challenges, but it is far from certain whether this will be sufficient at this stage. There will potentially be a range of interventions required by the council and ongoing impacts post pandemic that will have as yet unquantified financial pressures. The Cash Limit and General Reserves will potentially be required to meet shortfalls in the funding that will be available.
- 20 In terms of service grouping cash limits, the projected revenue outturn is a forecast cash limit underspend of £5.613 million (1.28%). The cash limit position excludes COVID-19 related issues which are considered to be outside of the control of service groupings and have been managed corporately. The costs associated with COVID-19 have been offset against government grant support provided.
- 21 In terms of sums outside the cash limit there is a forecast underspend of £3.615 million which is forecast to result in an increase in the General Reserve from £23.9 million to £27.6 million. This position will be kept under careful review, especially in relation to the possibility of additional costs and loss of income linked to the ongoing impact of COVID-19.
- 22 Total earmarked and cash limit reserves (excluding school reserves) are forecast to reduce by £14.195 million in 2020/21, from £204.697 million to £190.502 million. The end of year reserves forecast is partially inflated due to the carry forward into 2021/22 of specific COVID-19 grant support received in 2020/21 such as the Contain Outbreak Management funding where planned expenditure will be incurred in 2021/22.

- 23 A review of all reserves has enabled the realignment of £10 million of cash limit and earmarked reserves enabling the investment of earmarked reserves in council priorities. This includes £5 million transfer into the Towns and Villages Reserve supporting additional investment factored into MTFP(11) and the 2021/22 budget agreed by Council on 24 February 2021.
- 24 The forecast cash limit and general reserves position is a prudent one given the significant financial uncertainties facing local government beyond 2021/22. The MTFP(11) report to County Council on 24 February 2021 highlighted ongoing budget concerns for the council with a forecast savings shortfall of £36 million over the 2022/23 to 2024/25 period, with the delivery of further savings becoming ever more challenging to achieve.
- 25 The updated projected capital outturn is £139.511 million.
- 26 For MTFP(10), to the end of quarter three, the council has delivered savings totalling £7.403 million which is 92% of the £8.010 million target for the year. By 31 March 2021, since 2011, the council will have delivered over £241 million in savings.

Recommendations

- 27 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 continuing impact of COVID-19 as set out in the report;
 - (b) agree the proposed 'sums outside the cash limit' for approval as set out in the report;
 - (c) agree the revenue and capital budget adjustments outlined in the report;
 - (d) note the forecast use of earmarked reserves in year;
 - (e) note the forecast end of year position for the cash limit and general reserves;
 - (f) note the additional costs and income loss faced as a result of COVID-19 which is offset by additional grant funding provided by government;
 - (g) approve the write off of deficit schools balances as a result of academy conversions;

- (h) note the position on the capital programme and the Collection Funds in respect of Council Tax and Business Rates and the treatment of the in year deficit across the next three years;
- (i) note the amount of savings delivered during quarter three of the MTFP(10) period.

Background

- 28 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.
- 29 The constitution also states that the Chief Finance Officer must report to Cabinet on the overall council budget monitoring position on a quarterly basis.
- 30 This report provides an updated forecast of the revenue and capital outturn for 2020/21, based upon expenditure and income up to 31 December 2020. It includes details relating to the General Fund revenue and capital budgets 2020/21, the Collection Funds for Council Tax and Business Rates and details relating to the Dedicated Schools Grant funding blocks, including maintained schools. This is the third report on forecast financial performance against the 2020/21 budgets this financial year.
- 31 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.

COVID-19 - Context

- 32 Since the outbreak of COVID-19, the council, its partners, local businesses and local communities have together been working tirelessly to respond to the pandemic and to put plans in place for the restoration and recovery of services post-pandemic.
- 33 The financial impact of COVID-19 in 2020/21 is significant and complex which makes forecasting the council's outturn position even more challenging than usual.
- 34 What is even more uncertain is the long term impacts of the pandemic on the councils finances beyond 2020/21, particularly in the context of the longer term financial outlook for the council, as set out in the MTFP(11) and 2021/22 to 2024/25 Budget Report to County Council on 24 February 2021.
- 35 In the last year the council has had to implement national support schemes at short notice such as the Business Rates Grants Support Scheme(s); the Council Tax Hardship Support Schemes; Test and Trace Payments; the Winter Support Payments Scheme; Infection Control Schemes; and Contain Outbreak Management schemes as well as dealing with and implementing a range of supplier relief schemes

and addressing increased demand for support to vulnerable households whilst trying to accommodate new ways of working itself in response to the pandemic.

- 36 In 2021/22 the council will face further challenges and budget pressures in relation to the continuing response to the pandemic and the restoration of services and supporting the post-pandemic recovery.
- 37 There is some funding that has been made available next year to help with these challenges, but it is far from certain whether this will be sufficient at this stage. There will potentially be a range of interventions required by the council and ongoing impacts post pandemic that will have as yet unquantified financial pressures. The Cash Limit and General Reserves will potentially be required to meet shortfalls in the funding that will be available.
- 38 Since the previous forecast of outturn report to Cabinet in November 2020 there have been two further national lockdown periods, with the current national lockdown extending across the whole of quarter 4. These national lockdowns have impacted significantly on the forecasts previously prepared.
- 39 In addition, COVID-19 has impacted on normal business as usual expenditure. There has been delayed recruitment, savings against mileage and other costs as a result of large proportions of staff working from home and savings in operational building costs amongst other areas. In addition, care costs linked to hospital discharges between March 2020 and August 2020 are being met by the Durham Clinical Commissioning Group under temporary national funding arrangements via NHS England. These cases are being treated as Continuing Health Care under the Discharge to Assess regime until such time as they are properly assessed so costs that would otherwise be met by the Council are being recovered from the CCG. This arrangement is temporary and will not be a recurrent base budget impact and helps offset the significant supplier relief and support being provided to care providers.

Revenue Outturn Forecast – Based on Position to 31 December 2020

- 40 The following table compares the forecast of outturn with the revised budget. Further detail is provided in Appendices 2 and 3.
- 41 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	116,233	126,808	10,575
Chief Executive's Office	1,823	1,632	1,675	43
Children and Young People's Services	123,877	129,643	137,086	7,443
Neighbourhoods and Climate Change	108,622	111,681	124,162	12,481
Regeneration, Economy and Growth	52,770	44,440	53,758	9,318
Resources	25,705	23,861	26,669	2,808
Cash Limit Position	442,424	427,490	470,158	42,668
Contingencies	8,155	21	1,338	1,317
Corporate Costs	4,498	1,536	1,524	-12
NET COST OF SERVICES	455,077	429,047	473,020	43,973
Capital charges	-65,068	-65,068	-65,068	0
Interest and Investment income	-2,900	-2,900	-2,650	250
Interest payable and similar charges	36,614	60,285	60,285	0
Levies	15,991	15,991	15,996	5
Net Expenditure	439,714	437,355	481,583	44,228
Funded By:				
Council tax	-234,458	-234,458	-234,458	0
Use of earmarked reserves	-7,700	-7,606	-7,606	0
COVID-19 Support Grant tranche 1-use of earmarked reserves	0	0	-17,521	-17,521
COVID-19 Support Grant tranches 2-4	0	0	-27,081	-27,081
COVID-19 Income Guarantee Grant	0	0	-7,965	-7,965
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	-12,602	-889
Adult/Childrens Pressures Grant	-17,652	-17,652	-17,652	0
Forecast contribution to/from (-) Cash Limit Reserve	-1,954	311	5,924	5,613
Forecast contribution to/from (-) General Reserves	0	0	3,615	3,615
TOTAL	0	0	0	0

42 The above table identifies a forecast underspend of £9.228 million which would contribute to an increase in General and Cash Limit Reserves. This takes into account the impact of the second and third national lockdowns. The forecast cash limit underspend is £5.613 million (1.28%), whereas the forecast General Fund underspend is £3.615 million. The cash limit position excludes the impact of COVID-19 which is being managed corporately.

- 43 The total net underspend of £9.228 million represents 2.11% of the net expenditure budget of £437.355 million.
- 44 The forecast position at this stage necessarily includes a number of assumptions in relation to costs and lost income resulting from COVID-19 across quarter four. In 2020/21 the council has forecast the receipt of £8 million in compensation for lost income through the Sales, Fees and Charges Income Guarantee Scheme, to assist with managing the financial position in 2020/21. This position will be reviewed at year end based upon the final claim being made and approved by government.
- 45 The council is forecasting an in year deficit on the Collection Fund of £5.394 million, mainly as a result of the impact of COVID-19 , especially the increase in claims for Local Council Tax Reduction. The impact of COVID-19 upon the Collection Fund will continue to be monitored to determine the final outturn position.
- 46 The local government final finance settlement for 2021/22 has confirmed that the 2020/21 in year Collection Fund deficits must be spread over three years with 75% government grant being provided. The method of calculation of the grant will not result in 75% of actual losses being recovered as there is still an assumption on council tax that 99% of all council tax will be recovered which is unlikely. This grant will be applied over the next three years in line with the spreading of the 2020/21 in year collection fund deficit over the same period as fully detailed later in the report. The full detail on this arrangement is included in the MTFP(11) budget report to Full Council on 24 February 2021.
- 47 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
REG	Concessionary Fares	-0.153
NCC	Set up costs of the Collaborative Waste Contract	0.615
NCC	Winter Maintenance Overspend	1.317
TOTAL		1.779

- 48 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	Reallocation of former REAL and T&P Cash Limits	Budgeted use at 1 April 2020	Movement during 2020/21	2020/21 Forecast of Outturn
	£ million	£ million	£ million	£ million	£ million
Service Grouping Cash Limit					
Adult and Health Services	-8.354		1.867	-3.948	-10.435
Chief Executive's Office	0.000	-0.126		-0.089	-0.215
Children and Young People's Services	0.000			1.879	1.879
Neighbourhoods and Climate Change	0.000	-0.197		-1.206	-1.403
Regeneration, Economy and Growth	0.000	-0.164		-1.761	-1.925
Resources	-2.758	-0.113	0.087	0.747	-2.037
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	-4.378	-14.136
General Reserve	-23.950	0.000	0.000	-3.615	-27.565

49 The forecast cash limit and general reserves position is a prudent one given the significant financial uncertainties facing local government beyond 2021/22. The MTFP(11) report to County Council on 24 February 2021 highlighted ongoing budget concerns for the council with a forecast savings shortfall of £36 million over the 2022/23 to 2024/25 period, with the delivery of further savings becoming ever more challenging to achieve. In addition, whilst additional COVID-19 grant has been provided for 2021/22 with the Sales, Fees and Charges Income Guarantee Scheme also still be in place until 30 June 2021, the ongoing impact of COVID-19 upon both the national finances and the councils budget are uncertain at this point.

50 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 the future.

51 The table above highlights that CYPS are forecast to have a deficit cash limit reserve of £1.879 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. In previous years the deficit at year end has been cleared by a transfer from General Fund reserves.

Review of Earmarked Reserves

52 A review of all earmarked reserves has taken place during quarter three, which considered the pressures identified in the MTFP(11) report presented to Cabinet on 10 February 2021 and County Council on 24 February 2021. Consequently, there has been a reallocation of £10 million to the earmarked reserves set out in the following table:

Addition to Reserve	£ million
Towns and Villages Regeneration Reserve	5.000
ER/VR Reserve	2.000
Schools Reserve	2.000
Cultural Programme Reserve	0.500
Winter Maintenance Reserve	0.500
	10.000

- 53 The £10 million has been transferred from the following service cash limit and earmarked reserves:

Reserve	£ million
AHS cash limit	2.000
Resources cash limit	1.500
Adult Social Care reserve	2.000
CYPS earmarked reserves	0.500
NCC earmarked reserves	0.250
REG earmarked reserves	0.500
Resources earmarked reserves	0.500
Business Support reserve	0.750
Equal Pay reserve	0.500
Housing Benefit Subsidy reserve	0.750
Insurance reserve	0.500
Procurement reserve	0.250
	10.000

COVID-19 Impact

- 54 The council has faced significant additional unbudgeted costs in relation to the outbreak and significant loss of income. The full impact over quarter four continues to be uncertain and will be dependent on government announcements with regards to ongoing local or national restrictions. The major areas of forecast additional cost and loss of income are as follows:

- (a) **Adult Social Care Provider Support £16.5 million** – it is forecast that during 2020/21 additional financial support above the contracted provision of circa £16.5 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 and is in addition to support provided through the governments Infection Control Fund;

- (b) **PPE £1.8 million** – the council has purchased stocks of PPE for utilisation across a range of settings;
- (c) **Waste Disposal and Refuse Collection £7.9 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 and operating them safely, including social distancing measures and traffic management of queues;
- (d) **In house Highways and Buildings teams £2.5 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 £2.3 million** – an additional £0.1 million has been provided to each of the fourteen AAPs whilst Members are also able to invest their Members Neighbourhood capital allocation on revenue in the current year;
- (f) **Leisure Income £8.5 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 £1.6 million** – the closure and reduced volume of traffic in town centres has reduced income levels;
- (h) **Theatres £2.6 million** – theatres have been closed all year and there continues to be uncertainty as to when our theatres will reopen;
- (i) **Planning Fees and Building Control £0.2 million** – reduced volume of submissions during lockdown;
- (j) **Aycliffe Secure £2.4 million** – reduced income due to social distancing requirements resulting in reduced occupancy within the facility;
- (k) **Business Support Grants £5 million** – a package of support has been developed to support current businesses to enable them to stabilise and continue to grow. It is forecast that up to £2 million could be expended in 2020/21 with the remainder invested in 2021/22;
- (l) **Free School Meals Support £1 million** - support via food vouchers has been provided for October half term.

- 55 It is forecast that service grouping budgets will overspend by £43.973 million. This overspend position arises from additional expenditure and loss of income associated with the COVID-19 outbreak of £64.597 million, offset by COVID-19 underspends of £16.066 million.
- 56 In addition, in year collection of Council Tax and Business Rates is significantly below budgeted levels – through a combination of increased incidence of Council Tax Reduction and reduced payments as residents and businesses themselves cope with the economic shocks the pandemic has had. Council Tax and Business Rates collection at the end of quarter three are forecast to be £10 million less than at the same stage in 2019/20. Although some of these outstanding sums are expected to be collected over time it is forecast at this stage that there will be an in year deficit on the collection fund of £5.2 million after provision for bad and doubtful debts.
- 57 The government has provided four 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 £45.6 million. Of this, £1.1 million was to cover costs incurred in 2019/20. This leaves funding available of £44.5 million to be utilised in 2020/21.
- 58 The government has introduced 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.
- 59 The council will be required to submit three returns for support under the Income Guarantee Scheme. The first return for the period to 31 July 2020 was submitted on 2 October 2020 for a total of £3.7 million, for which payment has been received. The second return was submitted in December 2020 for a further £2.6 million. Confirmation is awaited for the second submission. It is estimated that the council may be able to claim circa £8 million from the Income Guarantee Scheme across the whole of 2020/21 given the subsequent reintroduction of the national lockdowns since the quarter two report was developed, although this is subject to further work and the extent of the claims that are made and paid.
- 60 The forecast position on COVID-19 costs and income losses will continue to be closely monitored.

Cash Limit Position

- 61 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)

- 62 The 2020/21 updated projected outturn for AHS is a cash limit underspend of £3.457 million, representing circa 3% of the total budget for AHS. This compares with an AHS cash limit underspend at quarter two of £3.198 million.
- 63 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, savings and loss of income has also been excluded from the cash limit outturn.
- 64 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 £2.006 million, offset by a £2 million contribution to corporate reserves;
 - (b) net spend on adult care packages is £3.451 million under budget. This area of spend is being closely monitored to assess the ongoing impact of COVID-19 as well as ongoing demographic and procedural/operational changes, including the emergency funding arrangements that have applied in the current year in relation to continuing health care and hospital discharges and admission avoidance.

significant MTFP savings have been taken over recent years in adult care package budgets, as the service has sought to consistently and robustly apply eligibility criteria, and as more residents have sought to receive care in their own home.

the outturn position includes underspends that have been generated as a result of reductions in occupancy of residential and nursing care homes due to COVID-19 which have been reinvested in sustainability payments to providers, pending a

strategic review of the overall market planned over the coming months. Any net underspend on packages linked to occupancy reductions has been treated as outside the cash limit and treated as a COVID-19 underspend;

- (c) net expenditure on Public Health related activity is in line with grant allocations.

65 In arriving at the forecast outturn position, the service has estimated £21.086 million of additional costs and lost income relating to COVID-19 and £7.054 million of COVID-19 related underspends. The net COVID-19 impact is £14.032 million which will be met corporately by utilising central government grants.

66 In addition, a net £11.955 million relating to contributions to and from reserves and contingencies has been excluded from the cash limit outturn forecasts, details as follows:

- (a) use of £0.144 million Adult Social Care reserve to fund temporary staffing arrangement;
- (b) contribution of £1.134 million to Public Health reserves for Public Health projects falling into 2021/22;
- (c) contribution to the AHS cash limit reserve of £2.583 million, relating to a contribution to corporate reserves of £2 million and a contribution of £0.583 million for future Adult Services projects;
- (d) use of £0.099 million of the corporate ER/VR reserve to fund redundancy payments; and
- (e) contribution to the Control Outbreak Monitoring Fund Reserve £8.481 million, representing funding received in 2020/21 where spending commitments will extend into 2021/22.

67 Taking the projected outturn position into account, including the transfers to/from reserves in year, the estimated cash limit reserve to be carried forward for AHS is forecast to be £10.435 million.

Chief Executive's Office (CEO)

68 The forecast revenue outturn for 2020/21 is a cash limit underspend of £0.105 million for the year after taking account of the forecast use of reserves and items outside the cash limit. This compares with a cash limit underspend at quarter two of £65,000.

- 69 The forecast underspend is a managed position, reflecting the proactive management of activity across the service to try and remain within the cash limit. The projected underspend is accounted as follows:
- (a) Communications and Marketing is forecast to be under budget by £68,000, primarily due to a managed underspend on employee costs of £13,000 and a forecast underspend on supplies and services of £57,000. There are also other minor variances in this service area;
 - (b) Service Management is forecast to be under budget by £37,000, due to a managed underspend on employee costs amounting to £37,000.
- 70 In arriving at the forecast outturn position, a net £0.148 million of additional costs, and lost income relating to COVID-19 has been excluded from the outturn. COVID-19 related expenditure, savings and loss of income has also been excluded from the cash limit outturn.
- 71 In addition, circa £0.352 million of costs relating to contributions to and from reserves and cash limits have been excluded from the outturn, details as follows:
- (a) £11,000 transfer from reserves in respect of the Promoting Durham campaign; and
 - (b) £0.363 million to the Powered by People Reserve to fund a new initiative to assist with the post COVID-19 recovery plans for the county next year.
- 72 Taking the projected outturn position into account, including items proposed to be treated as outside the cash limit and transfers from the Cash Limit to fund activity in the year, the total cash limit reserve forecasted to be carried forward for the service at 31 March 2021 is £0.215 million.

Children and Young People's Services (CYPS)

- 73 The updated forecast of outturn for CYPS is a cash limit overspend of £1.879 million in 2020/21, representing circa 1.51% of the total budget for the service. The cash limit overspend forecast at quarter two was £1.544 million.
- 74 The projection excludes forecast use of/ contributions to earmarked reserves and items outside the cash limit such as redundancy costs which are met from corporate reserves. COVID-19 related expenditure, savings and loss of income have also been excluded from the cash limit outturn.

75 The updated position factors in forecast overspends within Education of £1.132 million and Children's Services of £6.311 million, with further details provided below:

- (a) within the Education Service the forecast overspend of £1.132 million includes £1.163 million forecast overspend on Home to School Transport, a forecasted shortfall in school and academy SLA income of £0.549 million, £0.414 million shortfall on Day Care Nursery income, £0.265 million shortfall on Durham Leadership Centre lettings income, £0.296 million shortfall in training course income across Support and Development and Performance & Standards and loss of recharge income £51,000. Savings within the services are a £0.242 million underspend related to Pension Liability savings, £0.256 million saving in School swimming SLA related to savings in staff costs, venue hire and contribution to school pool costs. There is an estimate £0.227 million saving from Early Years Sustainability and £0.881 million underspend related to the early achievement of 2021/22 savings;
- (b) Children's Services (Children's Social Care and Early Help & Intervention) is forecast to be a net £6.311 million over budget for the year. The Service is forecasting an overspend of £ 4.873 million related to the forecast cost of looked after children's placements (which have increased to circa 960 children) and a forecast reduction in income £2.435 million from the sale of beds in the Secure Centre offset by £0.779 million savings on external adoption fees and £0.218 million on young people placed on remand;
- (c) the direct financial impact of COVID-19 is estimated at £5.564 million, mainly related to a forecast shortfall in income from the sale of beds in the Aycliffe Secure Centre to other local authorities and additional staffing and children's placement costs in Children's Social Care.

76 The pressure on the budget in children's social care has been evident for a number of years, as the number of children in the care system has increased significantly and their needs have continued to become more complex. There are now 960 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 a further £6.5 million in 2019/20 to cover the escalating 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.

- 77 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.
- 78 In arriving at the forecast outturn position, the service is declaring £7.525 million of additional costs, and lost income relating to COVID-19 and £1.961 million of COVID-19 related underspends. The net COVID-19 impact is therefore £5.564 million, and this will be covered corporately by utilising Central Government grants.
- 79 The forecast cash limit outturn shows the position after a net £0.382 million contribution to reserves. Transfers to and from earmarked reserves, cash limits and contingencies have been applied to finance the following items:
- (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) £0.558 million contribution to the Secure Services Reserve mainly from savings from vacancies;
 - (e) £0.100 million use of Neighbourhoods and Climate Change reserve for Durham Enable;
 - (f) £59,000 use of Early Years Sustainability reserve linked to Early Years Professional Development Programme spend;
 - (g) £0.750 million contribution to Durham Enable Reserves to fund staff costs on the project for the next 3 years;
 - (h) £38,000 contribution to Engagement with Young People Reserves due to the delayed start of the project;
 - (i) £20,000 contribution to Durham Learning Resources Reserve from additional income achieved to go towards future investment in resources;
 - (j) £0.591 million use of Adult Learning Reserve to cover the cost of third-party payments to delivery partners;
 - (k) £9,000 contribution to Education from School Reserves to cover Whitworth Park Academy historic petty cash.

- 80 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 £1.879 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)

- 81 The forecast revenue outturn for 2020/21, based on the position to 31 December 2020, is an underspend of £1.206 million, which compares with the position forecast at quarter two of a cash limit break-even position.
- 82 The updated forecast takes into account the forecast use of earmarked reserves and excludes items treated as outside the cash limit, including COVID-19 related expenditure, savings and loss of income.
- 83 The main reasons accounting for the cash limit outturn position are as follows:
- (a) Environmental Services is forecast to underspend by £27,000. There are overspends relating to pay re-gradings for Refuse Collection drivers of £0.206 million and Neighbourhood Wardens of £0.188 million, while income at the Joint Stocks landfill site has underachieved by £0.350 million for power generation.
- These overspends have been offset by savings resulting from delays in implementing two new refuse collection rounds (£0.330 million), and delays in appointing new Neighbourhood Wardens (£0.199 million). 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 in the current year.
- In addition, there is a £96,000 underspend on power generation equipment maintenance and £0.156 million underspend in vacant posts within the service;
- (b) Technical Services is forecast to be underspent by £0.906 million. The main reasons for this are: employee savings of £0.354 million due to vacancies in Strategic Highways, a £0.254 million underspend on electricity, and additional income of £0.308 million from permit income and other fees and charges. There is also an overspend of £1.317 million on Winter Maintenance due to the low temperatures in January that necessitated a high level of activity, however this is being treated as outside the cash limit;

- (c) Partnerships & Community Engagement is forecast to underspend by £48,000. This is mainly due to a managed underspend in Supplies and Services, that will be utilised in 2021/22 for a delayed MTFP saving;
 - (d) Consumer Protection is forecast to underspend by £0.226 million. There are a number of vacant posts that are producing an underspend of £0.375 million along with an underspend in general supplies budgets of £40,000. However, this is partially offset by an overspend on staff re-gradings (£0.111 million) and £78,000 under achieved licensing income.
- 84 In arriving at the cash limit position, COVID-19 related expenditure and lost income of £13.795 million, offset by COVID-19 related savings of £108,000 have been excluded from the forecasts. COVID-19 related costs are being treated corporately and offset by Government funding.
- 85 In addition, a number of contributions to and from reserves and contingencies have been factored into the outturn. These only have a net effect of £8,000 overall but the major items are:
- (a) £0.352 million net contribution to reserves relating to Clean & Green, Highways and Environmental Management;
 - (b) £0.270 million contribution to reserves relating to the procurement of future waste contracts; and
 - (c) £0.614 million drawdown from Corporate Contingencies to fund further set up costs for the Teesside Waste Project.
- 86 Taking the projected outturn position into account and planned use of the cash limit reserve in year, the forecasted cash limit reserve to be carried forward for Neighbourhoods & Climate Change is £1.403 million.

Regeneration, Economy and Growth (REG)

- 87 The updated forecast revenue outturn for 2020/21, based on the position to 31 December 2020, is a cash limit underspend of £1.761 million, which compares with the forecast at quarter two of a cash limit underspend of £1.032 million.
- 88 The updated forecasts take into account the forecast use of / contributions to earmarked reserves and items outside the cash limit such as redundancy costs which are met from corporate reserves. COVID-19 related expenditure, savings and loss of income has also been excluded from the cash limit outturn.

89 The forecast outturn is a managed position, reflecting the proactive management of activity 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 underspent by £0.127 million. This results from an underspend of £0.481 million across Locality Delivery offset by an overspend of £0.342 million relating to the former Leisureworks Service. There are also a number of other minor variances across the service;
- (b) Business Durham is forecast to be £0.387 million underspent. This relates to underspending within Business Space of £0.598 million due to the service achieving higher than budgeted levels of income and savings in Corporate employee costs (£0.106 million) and Innovation and Marketing (£42,000), offset by an overspend in Operations (£0.359 million);

An additional sum of £0.500 million has been included in the forecast spend in respect of grant support for businesses. This is to safeguard jobs and facilitate economic recovery. The funding for this work is included in the £17.227 million additional costs, and lost income relating to COVID-19 shown below;

- (c) Transport and Contracted services is forecast to be £0.203 million underspent. This is mainly due to an underspend in Traffic due to an increase in enforcement and advertising income (£0.193 million) and other minor variances across the service;
- (d) Development and Housing is forecast to be underspent by £0.543 million. This relates to underspends in Housing Solutions of £0.454 million and in Planning Development of £0.254 million, offset by a projected overspend in Economic Development of £0.142 million. There were also a number of other minor overspends across the service;
- (e) Corporate Property and Land is forecast to be £0.394 million underspent, mainly resulting from an underspend of £0.174 million relating to an insurance claim for fire damage at Dale View Caravan Park, unbudgeted rental income in Assets of £75,000 and overachievement of income of £0.148 million for capital and revenue projects in Construction Programme Project Management Unit (CPPMU) . Building Services construction and repairs / maintenance teams are currently forecasting a break-even position. There were also a number of other minor variances across the service.

In order to mitigate workload shortages arising from the COVID-19 pandemic, an additional sum of £1.2 million has been included in

the forecast spend in respect repairs and maintenance. The funding for this work is included in the £17.227 million additional costs, and lost income relating to COVID-19 shown below.

- 90 In arriving at the forecast outturn position, the service is declaring £17.227 million of additional costs, and lost income relating to COVID-19 and £6.148 million of COVID-19 related underspends. The net COVID-19 impact is therefore £11.079 million, and this will be covered corporately by utilising Central Government grants wherever possible.
- 91 In arriving at the forecast outturn position, a net £10.425 million relating to use of / contributions to earmarked reserves and cash limits has been excluded from the outturn. The major items being:
- (a) Net £0.698 million transferred to reserves by Development and Housing mainly in respect of social housing (£0.500 million), homelessness reduction (0.329 million) and Towns improvement (£0.250 million) and Jade Estate (£0.242 million), offset by the use of reserves to support the welfare assistance programme (£0.122 million) and the commercialisation strategy (£99,000) and employability service (£30,000) and £0.300 million from the planning reserve in respect of the reprovision of sports facilities;
 - (b) £8.5 million from a short term investment budget was transferred to reserves for use in 2021/22 by Culture, Sport & Tourism. £0.146 million was also transferred to reserves in respect of externally funded schemes to be funded over more than one year;
 - (c) £93,000 use of reserves relating to Transport and Contracted Services relating to provision of occupational therapy for Care Connect clients and of traffic cameras in Strategic Traffic;
 - (d) £1.174 million transferred to reserves mainly in respect of regeneration initiatives (£0.400 million), building defects (£0.493 million), and IT improvements (£0.275 million).
- 92 Taking the projected outturn position into account, the forecasted cash limit reserve to be carried forward for Regeneration, Economy and Growth is £1.925 million.

Resources

- 93 The 2020/21 forecast revenue outturn for Resources is a cash limit underspend of £0.963 million after taking account of the forecast use of/ contributions to earmarked reserves and items outside the cash limit such as redundancy costs which are met from corporate reserves. COVID-19 related expenditure, savings and loss of income has also

been excluded from the cash limit outturn. The cash limit underspend at quarter two was £0.374 million.

- 94 The forecast is a managed position, reflecting the proactive management of activity across the service to try and remain within the cash limit. The projected under budget position is the net effect of the following items:
- (a) Corporate Finance and Commercial Services is forecast to be under budget by £0.128 million, with managed overspending in Occupational Health of £28,000 offset by a forecast underspend in Health and Safety of £0.108 million, Strategic Finance of £35,000 and Financial Systems of £12,000 and a number of other minor variances in this service area;
 - (b) Finance and Transactional Services is forecast to be under budget by £0.504 million, primarily due to managed underspends on employee costs of £0.332 million, additional income of £0.337 million linked to additional government grant in Revenues and Benefits. There are also a number of other minor variances in this service area. Payroll and Employee Services is forecasting to be over budget by £0.127 million mainly due to unachievable income of £50,000 and a managed overspend on employees costs of £87,000, offset by a managed underspend on supplies and services costs of £10,000. Financial Management is forecasting to be over budget by £40,000 mainly due to a forecast of unachievable income of £70,000, offset by a managed underspend on employee costs of £27,000 and a number of other minor variances in this service area;
 - (c) Digital and Customer Services is forecast to be over budget by £25,000. There is a managed underspend of £0.364 million on employee costs and transport costs of £41,000. These have been offset by a forecast overspend of £0.100 million on supplies and services and £34,000 due to unachievable income. Provision has also been made for Direct Revenue Funding of three ICT capital projects to the value of £0.300 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 £50,000, comprising of a managed underspend of £4,000 on employee related expenditure, a £5,000 overspend on supplies and services offset by £51,000 of additional income;
 - (e) Legal and Democratic Services is forecast to be under budget by £0.241 million. This includes a £75,000 managed underspend on employee related expenditure, a £0.118 million overspend on

supplies and services and a £10,000 overspend on premises related costs. This net overspend has been offset by a forecast underspend of £0.294 million in respect of additional income;

- (f) People and Talent Management is forecast to be under budget by £14,000, which includes a £36,000 managed underspend on employee related expenditure and an £35,000 overspend on supplies and services. The service is also forecasting an overachievement of income of £13,000;
- (g) Strategy is forecast to be under budget by £4,000, due to a managed overspend on employee related costs of £4,000, which has been more than offset by a forecast underspend of £8,000 on supplies and services;
- (h) Transformation is forecast to be under budget by £50,000, due to a managed overspend on employee costs of £70,000 and an overachievement of income amounting to £0.120 million;
- (i) There are no material variances in Service Management.

95 In arriving at the forecast outturn position, the service is declaring £4.560 million of additional costs, and lost income relating to COVID-19 and £0.789 million of COVID-19 related underspends. The net COVID-19 impact is therefore £3.771 million, and this will be covered corporately by utilising Central Government grants wherever possible.

96 The forecast cash limit outturn shows the position after a net £3.374 million of contributions to / from reserves, cash limits and contingencies have been applied to finance the following items:

- (a) £12,000 transfer from the Corporate Commercialisation Reserve to support a temporary post in the CYPS Finance Team;
- (b) £0.700 million from the ER/VR Reserve to fund the cost of early retirements/voluntary redundancies;
- (c) £1.521 million to the Business Support Reserve in respect of the forecast underspend on the unitised Business Support Function in lieu of future MTFP savings;
- (d) £39,000 transfer to the HR Reserve to fund training and development initiatives;
- (e) £65,000 to the ICT Reserve to support ICT developments;
- (f) £73,000 transfer to the SFO Trading Reserve from additional income received to help fund future finance system developments;

- (g) £0.354 million transfer to the Corporate Procurement Reserve which will be used to finance various procurement initiatives;
- (h) £34,000 to the Transformation Programme Reserve. The contribution reflects the forecast underspend in 2020/21 associated with the Transformation Team;
- (i) £2.000 million of Additional Restriction Grant Funding has been transferred to the Business Recovery Grant Scheme Reserve to support County Durham businesses to recover from the impact of COVID-19 in order to safeguard jobs and facilitate economic recovery.

97 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 £2.037 million.

Corporate Costs

- 98 The forecast revenue outturn for 2020/21 for Resources - Centrally Administered Costs is a cash limit underspend of £0.262 million. This takes into account adjustments for sums outside the cash limit such as the use of / contribution to earmarked reserves. The cash limit underspend at quarter two was £0.196 million.
- 99 In arriving at the forecast outturn position, the service is declaring £0.250 million of additional costs and lost income relating to COVID-19 and no COVID-19 related underspends. The net COVID-19 impact is therefore £0.250 million, and this will be covered corporately by utilising Central Government grants wherever possible.
- 100 The forecast cash limit outturn shown is the position after a £2.5 million contribution to a Council Tax Hardship Reserve to deliver financial support, including reduced council tax bills and increased Welfare Assistance, to economically vulnerable residents next year.
- 101 The forecast outturn position reflects reduced expenditure on payment card fees of £79,000, corporate subscriptions of £21,000, expenses associated with raising loans of £42,000 and legal expenses of £27,000. In addition, there is a projected overachievement of income from de-minimis capital receipts of £0.103 million 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

102 There is a revised budget of £60.285 million for these costs - an increase of £0.097 million from the £60.188 million at quarter two, to account for an indexed increase in the costs of the lease for the first phase of the office developments at Freeman's Reach. The forecast outturn position is expected to be in line with the revised budget.

Interest and Investment Income

103 The forecast income of £2.650 million is £0.250 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

104 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.

105 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 £14.195 million in 2020/21, from £204.697 million to £190.502 million. The end of year reserves forecast is partially inflated due to the carry forward into 2021/22 of specific COVID-19 grant support such as Outbreak Management funding. 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	16.572	-2.377	14.195
Earmarked Reserve Balances as at 31 March 2021	-176.366	-14.136	-190.502

Dedicated Schools Grant and Schools

106 The council currently maintains 205 schools, including nursery, primary, secondary, special schools and a single Alternative Provision (AP) school. The AP school is for pupils who have been permanently excluded from other schools, or who are at risk of permanent exclusion.

107 The original budget for 2020/21 for these 205 maintained schools was £282 million, funded by income of £71 million, formula funding budget shares of £203 million (from central government funding), and a budgeted £8 million use of accumulated schools' reserves. The table below summarises the schools' initial budgets.

	Nursery (£ million)	Alternative Provision (£ million)	Primary (£ million)	Secondary (£ million)	Special (£ million)	Original Annual Budget (£ million)
Employees	4.463	3.387	157.171	34.230	25.824	225.076
Premises	0.275	0.169	9.749	2.515	1.077	13.785
Transport	0.002	0.843	0.417	0.430	0.297	1.988
Supplies and Services	0.525	2.051	30.097	5.938	2.830	41.441
Income	(3.862)	(0.673)	(48.053)	(14.054)	(4.911)	(71.553)
Net expenditure	1.404	5.776	149.380	29.059	25.118	210.737
Budget share	(1.064)	(5.776)	(144.129)	(29.084)	(22.848)	(202.901)
Contribution to/(from) reserves	(0.340)	-	(5.251)	0.025	(2.270)	(7.836)
Balance at 31 Mar 20	0.937	-	17.839	(2.426)	2.772	19.122
Balance at 31 Mar 21	0.598	-	12.588	(2.401)	0.502	11.286

108 The table below summarises the current forecast outturn for these schools.

	Nursery (£ million)	Alternative Provision (£ million)	Primary (£ million)	Secondary (£ million)	Special (£ million)	Original Annual Budget (£ million)
Employees	4.500	3.102	158.673	34.226	24.978	225.478
Premises	0.337	0.199	10.285	2.600	1.032	14.453
Transport	0.001	0.706	0.325	0.373	0.253	1.657
Supplies and Services	0.416	2.497	28.530	5.856	2.613	39.911
Income	(3.954)	(0.675)	(52.177)	(14.891)	(4.504)	(76.201)
Net expenditure	1.300	5.828	145.636	28.163	24.372	205.299
Budget share	(1.064)	(5.776)	(144.253)	(29.108)	(22.848)	(203.050)
Contribution to/(from) reserves	(0.235)	(0.052)	(1.383)	0.945	(1.524)	(2.250)
Balance at 31 Mar 20	0.937	-	17.839	(2.426)	2.772	19.122
Balance at 31 Mar 21	0.701	(0.052)	16.456	(1.481)	1.248	16.872

- 109 The current forecasts indicate a use of £2.25 million of accumulated schools' reserves this year. This is significantly less than the budgeted use of balances, which is consistent with the cautious approach adopted by schools over recent years.
- 110 This year's outturn will be significantly affected by the COVID-19 related closures and changes to ways of working when schools have been operation. Accordingly, there is an increased degree of uncertainty about the final outturn.
- 111 Eight schools were given approval 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). Three of these schools have subsequently converted to academies during the course of 2020/21 and are excluded from the figures provided. The remaining five schools budgeted positions are summarised in the table below.

School Name	Phase	Balance at 31 March 2020 (£ million)	Planned in-year use of reserves (£ million)	Licensed deficit at 31 March 2021 (£ million)	Latest Forecast in-year Use of Reserves (£ million)	Latest Forecast Position at 31 March 2021 (£ million)
Ferryhill Station	Primary	(0.023)	(0.009)	(0.032)	(0.009)	(0.032)
St. Thomas More RC	Primary	(0.025)	(0.078)	(0.103)	(0.065)	(0.090)
Wellfield	Secondary	(3.406)	0.222	(3.184)	0.163	(3.243)
The Durham Federation	Secondary	(0.414)	(0.381)	(0.795)	(0.407)	(0.821)
Windlestone	Special	0.326	(0.628)	(0.302)	(0.473)	(0.147)

- 112 Ferryhill Station is now sharing a headteacher with another school and is working on staffing changes to enable it to balance its budget in future years.
- 113 St Thomas More's forms part of a federation with St Josephs and the future of both schools is being discussed with the Roman Catholic Diocese. Both of these schools are expected to convert to join the Bishop Wilkinson Multi-Academy Trust as part of the planned conversion of all remaining maintained Roman Catholic schools over the coming eighteen months to various RC Multi Academy Trusts.
- 114 St Thomas More faces significant challenges in terms of its pupil numbers and there are some not insignificant capital investments required in the building that will need to be addressed by the Bishop Wilkinson Multi-Academy Trust going forward. To facilitate the early transfer of these schools and to limit the councils exposure to further

costs the accumulated deficit will need to be written off at the point of transfer.

- 115 Wellfield and the Durham Federation are currently forecast to exceed its licensed deficit and the School funding Team will work with these school to identify further savings.
- 116 Windlestone will amalgamate with Elemore Hall school in September 2021. In the meantime the school has made savings against its original budget and is expected to have a deficit well within its licensed deficit.
- 117 In terms of the three schools with licenced deficits that have converted in year (Tanfield, Wolsingham and St Bedes) the estimated write off of these deficits totals £4.700 million and these costs will charged against the earmarked reserve set aside to meet such costs.

Dedicated Schools Grant Centrally Retained block

- 118 The quarter three financial forecasts for the centrally retained DSG budgets show an overspend of £1.994 million against a total budget of £61.766 million to year end, which represents a 3% overspend.

DSG Block	Budget £ million	Outturn £ million	Over / (Under) Spend £ million
Schools de-delegated	0.562	0.665	0.103
High Needs	27.006	28.983	1.977
Early Years	31.489	31.403	(0.086)
Central Schools Services	2.709	2.709	0
TOTAL	61.766	63.760	1.994

- 119 The forecast overspend position relates to spending against the High Needs Block (HNB), which is forecast to overspend by £1.977 million.
- 120 There has been a significant increase in requests for top up funding across all education phases and the data relating to support plans beginning in September 2020 has been reflected in the SEND management system. The forecast is based on this data.
- 121 It is difficult to project the future pattern of expenditure for top up funding following the impact of COVID-19 the ongoing uncertainty around school closures.

- 122 There is a forecast underspend for placements for post-16 students across the FE and Independent sector. Expenditure in this area has increased from the previous year but at a lower rate than anticipated in the budget planning.
- 123 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 where it is possible we will see an upward trend in the volume of requests for additional support for high needs pupils.
- 124 The impact of the current forecast on the DSG reserves position is shown in the following table:

DSG Reserves	High Needs Block £ million	Early Years Block £ million	Schools Block £ million	Total DSG £ million
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	0	0	5.600
Balance as at 1 April 2020	(5.726)	1.275	0.644	(3.806)
Early Years adjustment 2019/20	0	0.097	0	0.097
Forecast Use [-] / Contribution [+] in 2020/21	(1.977)	0.086	(0.103)	(1.994)
Forecast balance as at 31 March 2021	(7.703)	1.458	0.541	(5.703)

- 125 The overall DSG reserve was in deficit of £3.806 million at the start of the financial year as a result of the accumulated deficit position in relation to the high needs block and the deficit is set to increase further this year.
- 126 A five-year plan for high needs block funding and expenditure, including recovery of the accumulated deficit by the end of the five-year period, was approved by Cabinet in January 2020. An updated version of the plan was reported to Cabinet in July 2020.
- 127 Following a funding announcement from Government on 20 July 2020, further information is now available about HNB funding levels in 2021/22. The provisional position for Durham is better than forecast in the previous version of the five-year plan and the process of updating the plan to reflect this change, as well as the revised forecast outturn position for 20/21, is underway.
- 128 Legislation came into force in November 2020 which means that, where a local authority has a deficit in respect of its schools budget for a financial year beginning on 1 April 2020, 2021 or 2022, the authority:

- (a) must not charge to a revenue account an amount in respect of that deficit; and
 - (b) must charge the amount of the deficit to an account established, charged and used solely for the purpose of recognising deficits in respect of its schools budget.
- 129 This means that the council can no longer hold a deficit earmarked DSG reserve and must instead transfer any DSG deficit balance to a new account (in unusable reserves). Therefore it is anticipated that at outturn the HNB deficit balance, which is currently forecast to be £7.703m, will be transferred out of earmarked reserves and held in the new unusable reserve, whilst the five-year plan continues to recover the accumulated deficit.

Capital

Background

- 130 The original budget of £168.856 million was revised at both quarter one and quarter two, with the revised budget of £145.755 million being approved by Cabinet on 18 November 2020 as part of the Quarter 2 Forecast of Revenue and Capital Outturn 2020/21. Details of the original and revised budget are shown in the table below.
- 131 The council's Member Officer Working Group (MOWG) 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 especially in light of delays associated with the impact of COVID-19.

Current Position

- 132 The following table summarises the latest capital budget for approval alongside the original budget. The table also shows the actual capital spend as at 31 December 2020.

Service Grouping	Original Budget 2020/21	Revised Budget 2020/21 Quarter 2	Amendments recommended by MOWG post Quarter 2	Revised Budget 2020/21 Quarter 3	Actual Spend to 31 December 2020
	£ million	£ million	£ million	£ million	£ million
Adult and Health Services	0.000	0.000	0.000	0.000	0.000
Children and Young People's Services	31.945	25.845	-2.868	22.977	12.676
Neighbourhoods and Climate Change	43.270	40.094	3.619	43.713	24.237
Regeneration, Economy and Growth	85.435	74.019	-4.808	69.211	42.097
Resources	8.206	5.797	-2.187	3.610	2.480
TOTAL	168.856	145.755	-6.244	139.511	81.490

133 Since the revised 2020/21 budget was agreed in November 2020, 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. Variations of note are as follows:

Additions and Reductions

- (c) **CYPS** – the service will utilise the following additional funding:
- (i) **Children's Services – Children's Care** – £0.450 million for the acquisition of a new property to replace Tow Law Children's Home, financed from capital contingencies.
 - (ii) **Education – Early Years** – £0.631 million DfE grant for a School Nurseries Capital Fund scheme at West Cornforth Primary.
- (d) **NCC** – the service will utilise the following additional funding as follows:
- (i) **Environmental Services** £0.338 million OLEV grant from DfT for the On-Street Residential Electric Vehicle Chargepoint scheme and £28,000 for Council Vehicle Electric Charging points, financed from direct revenue funding. £0.125 million for Installation of Play Equipment at Allensford, financed from a ringfenced capital receipt.

- (ii) **Technical** - £7.786 million grant from DfT was added to the Pothole Fund budget for allocation to individual schemes.
- (e) **REG** – the service has the following additions and reductions:
 - (i) **Development and Housing** – grant of £0.750 million from MHCLG for Bishop Auckland Towns Fund (Accelerated Funding). A sum of £0.500 million for Chapter Homes, financed from loan repayments which are treated as capital receipts. A sum of £68,530 for the Financial Assistance Policy – Equity Loans scheme, financed from the repayment of past equity loans. The Aykley Heads Plot C budget has been increased by £0.110 million in 2020/21 and £5.465 million in 2021/22, funded by DCC – self-financing. Grant of £1.392 million from BEIS for Green Homes – Phase 1 and £0.350 million grant from MHCLG / Homes England for Wheatley Hill NSAP (Next Steps Accommodation Programme).
 - (ii) **Business Durham** – £0.157 million for Netpark Café, funded by DCC – self-financing.
 - (iii) **Culture and Sport** - £2.128 million for Weardale Railway financed from capital contingencies, with £1.260 million being profiled in 2020/21. The Durham University contribution to the Millennium Place Cultural Hub scheme has been reduced by £10,000 and funding of £50,000 added from reserves.
 - (iv) **Transport and Contracted Services** – £0.180 million for the Junction 60 A1(M) / Bradbury Services scheme, financed by £30,000 grant from Highways England, £75,000 contribution from Tees Valley Combined Authority and £75,000 from reserves.
- (f) **Resources** - £1.461 million grant for the Durham History Centre from the ERDF and £0.520 million grant from BDUK for the Digital Durham Top Up Scheme, both profiled in 2021/22.

134 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** – £4.109 million has been re-profiled from 2020/21 into 2021/22 and 2022/23. £0.940 million of this relates to school devolved capital budgets at various schools across the county. Other significant amounts include £0.578 million for Spennymoor new build primary school, £0.734 million for the new build primary school at Bowburn, £0.450 million for Tow Law children’s home

replacement and £0.343 million for the replacement children's home for 9 Cedar Drive;

- (b) **NCC** - £4.728 million has been re-profiled from 2020/21 into 2021/22. This includes £1.233 million for SLERP2 street lighting replacement schemes, £0.991 million for New Elvet Bridge, and £0.200 million for Crimdon Coastal Hub;
- (c) **REG** - £9.801 million (net) has been re-profiled from 2020/21 across the period from 2021/22 to 2023/24. Re-profiling from 2020/21 into 2021/22 includes £2.334 million for the new Council headquarters, in line with a revised schedule from Kier. Other significant amounts re-profiled from 2020/21 include £1.500 million for the Finance Durham Investment Fund, £1.000 million of the Disabled Facilities Grant budget and £1.000 million for the Office Accommodation project, with £0.960 million going into 2022/23 and £40,000 into 2023/24. £1.885 million of the Chapter Homes budget has been re-profiled from 2021/22 into 2020/21 to reflect the latest forecast of loan and equity payment requirements. Budget of £1.584 million from 2020/21 and £3.564 million from 2021/22 for Beamish Museum Redevelopment has been re-profiled into 2022/23 and 2023/24. Newton Aycliffe Housing Infrastructure Fund budget of £50,000 in 2020/21 and £3.245 million in 2021/22 has been re-profiled into 2022/23 and 2023/24 due to a delay in the appointment of planning consultants. The budget for Durham Bus Station and North Road Development has been re-profiled to move £0.200 million from 2020/21 and £1.300 million from 2021/22 into 2022/23 due to delays to demolition of the existing bus station. Budget of £0.355 million from 2020/21 and £1.603 million from 2021/22 has been re-profiled into 2022/23 for the Stonebridge Park and Ride scheme. The budget for Horden (Peterlee) Railway Station has been re-profiled to transfer £0.362 million from 2020/21 and £1.138 million from 2021/22 into 2022/23, and for the A19/A1018 Seaton Lane Junction scheme £80,000 from 2020/21 and £0.920 million from 2021/22 has been re-profiled into 2022/23;
- (d) **Resources** - £2.187 million has been re-profiled from 2020/21 into 2021/22. Significant amounts include £0.560 million for Digital Durham schemes, £0.434 million for End User Equipment Replacement, £0.200 million for the ICT Performance Management System, £0.200 million for Middleware Software – Enterprise Application Integration and £0.180 million for the ICT Service Desk Replacement scheme. £0.260 million of the Durham History Centre budget has been re-profiled from 2020/21 to 2021/22 due to a delay in awarding the main contract.

Capital Financing

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

Financed By:	Original Budget 2020/21	Revised Budget 2020/21 Quarter 2	Amendments recommended by MOWG	Revised Budget 2020/21 Quarter 3
	£ million	£ million	£ million	£ million
Grants and Contributions	44.010	45.357	9.665	55.022
Revenue and Reserves	36.321	37.344	-7.443	29.901
Capital Receipts	11.325	7.866	-1.221	6.645
Borrowing	77.200	55.189	-7.246	47.943
TOTAL	168.856	145.755	-6.245	139.511

Council Tax and Business Rates Collection Funds

Council Tax

- 136 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.
- 137 The in year collection rate at 31 December 2020 was 79.12%, which is 4.59% points below the same position in 2019/20, reflecting the impact of COVID-19, and the cessation of recovery action for unpaid Council Tax.
- 138 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 who are still left with a bill to pay, with £3.818 million having been awarded to 31 December.
- 139 During quarter three the collections team have been proactively calling residents in arrears who have not yet engaged following the receipt of this information to discuss their situation and see what further help and assistance we can give them. On 12 February 2021, the Corporate Director of Resources took a delegated decision to reinstate formal recovery action up to and including final demand.
- 140 The in-year collection rates at the end of quarter three for the current and last two financial years, are detailed below:

Billing Year	Position at 31 December Each Year %
2020/21	79.12
2019/20	83.71
2018/19	84.15

- 141 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.
- 142 Actual cash collected as at 31 December 2020 was £235.254 million compared with £241.420 million as at 31 December 2019, however, when the Council Tax increases for 2020/21 are factored in this represents a year on year real terms reduction of £18.177 million in terms of Council Tax income received.
- 143 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.
- 144 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.
- 145 In July 2020 the government announced 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.
- 146 At 31 December 2020, the estimated in year outturn for the Council Tax Collection Fund is a deficit of £5.720 million as shown in the table below. The council's share of the in year deficit is £4.835 million which is caused in the main by the impact of COVID-19. As this amount is spread over three years the account is credited with two-thirds of the

deficit (£3.814 million), leaving the actual in year deficit as £1.907 million, of which the council's share is £1.612 million. The forecast position after taking into account the undeclared deficit as at 31 March 2020 of £0.854 million is a total deficit of £2.760 million. Durham County Council's share of this forecasted deficit is £2.333 million.

	£ million
Net Bills issued during Accounting Year 2020/21	354.629
LCTRS and previous years CTB adjustments	-60.770
Calculated change in provision for bad debts required and write offs	-6.024
Net income receivable (a)	287.835
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)	-5.720
Spreading of Deficit Adjustment	3.814
Undeclared Surplus / (-) Deficit brought forward from 2019/20	-0.854
Estimated year end deficit	-2.760

- 147 Under normal circumstances the council would have declared its forecast surplus or deficit position for the year end as part of the tax base setting report in November and informing its principal precepting bodies (Police and Fire) of their shares of the forecast collection fund surplus or deficit position. The tax base setting report to Cabinet in November however referenced the significant uncertainty at that point in terms of future collection rates due to the impact of the pandemic and especially the removal of the furlough. It was determined that preceptors would be advised of the 2020/21 collection fund forecast outturn position at a later date although it was recognised that preceptors must be advised of the position by 15 January 2021 to aid their budget setting processes.

- 148 The taxbase setting report to 18 November 2020 also referenced the government intention for the financial impact of any 2020/21 in year deficit to be spread over the three years 2021/22, 2022/23 and 2023/24 rather than all being accounted for in 2021/22. At that point details of how this scheme would operate were not known.
- 149 As part of the local government finance settlement the government announced that a 75% grant would be made available to cover the in year 2020/21 collection fund losses. Guidance was subsequently provided on how the 75% grant is to be calculated for both council tax and business rate in-year collection deficits.
- 150 The calculation of the council tax element of the 75% grant continues to assume a 99% collection of council tax rather than allowing local authorities to recover those elements of non-collection due to any additional provision for write off of bad debts. On that basis it is unlikely that 75% of the current forecast of the collection fund deficit will be recovered as the updated forecast assumes an increase in the level of bad debt that will ultimately be subject to write off. Detailed below are the updated forecasts for the collection fund for 2020/21 along with the forecast sums recoverable via the 75% grant and the impact of three year phasing of this grant across 2021/22 to 2023/24.

Business Rates

- 151 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.
- 152 In 2017/18, following consultation, the government implemented the first revaluation of Business Rates since April 2010.
- 153 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.

- 154 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.
- 155 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.
- 156 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.
- 157 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.
- 158 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.
- 159 At 31 December 2020, the estimated outturn for the Collection Fund Business Rates is an in year deficit of £49.901 million of which the

council's 49% share of £24.452 million. This deficit is offset by the receipt of additional Section 31 grant of £24.781 million due to the additional business rate reliefs.

- 160 The in year Business Rates deficit for 2020/21 eligible to be spread over three years is calculated by taking the in year deficit and excluding the additional reliefs awarded which are fully funded by Section 31 grant. Therefore, the deficit eligible to be spread over three years is £1.138 million (£0.379 million per year), of which the council's share is £0.558 million.
- 161 The total deficit for 2020/21 taking into account the undeclared surplus position as at 31 March 2020 of £8.233 million and the spreading of deficit adjustment of £0.758 million (two-thirds of the £1.138 million deficit credited to the Collection Fund for 2020/21) is a deficit of £40.910 million as calculated in the following table.

	£ million
Net rate yield for 2020/21 including previous year adjustments	67.216
Estimate of changes due to appeals lodged and future appeals	-1.532
Estimated losses in Collection – Provision for Bad Debts and Write-offs	-0.692
Net income receivable (a)	64.992
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)	0.787
Total fixed payments (b)	114.893
Net deficit for year (a) – (b)	-49.901
Spreading of Deficit Adjustment	0.758
Undeclared Surplus / (-) Deficit brought forward from 2019/20	8.233
Estimated year end deficit	-40.910

- 162 The in-year estimated deficit of £49.901 million, the total undeclared surplus brought forward from 2019/20, and the spreading adjustment leaves an estimated net deficit of £40.910 million at 31 March 2021.
- 163 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 £20.046 million before we account for the receipt of the compensating Section 31 grant of £24.781 million, resulting in a forecast net surplus position of £4.735 million.
- 164 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 31 December 2020 was 79.12%,

which is 3.89% points below the same position last year. The council has made payments to eligible businesses under the national Small Business Grant Fund and Retail Hospitality and Leisure Grants Fund. Circa £99 million of grants have been paid out, with a further circa £5 million of support also being provided under the Local Discretionary Grants Fund. The council is now administering the Local Restrictions Support Grants and Additional Restrictions Support Grant and has paid out circa £14 million as at 31 December 2020. 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 three for the current and last two financial years, are as follows:

Billing year	Position at 31 December Each Year %
2020/21	79.12
2019/20	83.01
2018/19	83.52

Section 31 Grant - Small Business Rate Relief

- 165 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.
- 166 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%.
- 167 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.
- 168 At 31 December 2020, the gross small business relief awarded against 2020/21 business rates bills and adjustments to 2013/14 to 2019/20 bills is £17.807 million, and the council will receive £5.893 million in Section 31 grant, including the capping adjustment and threshold change adjustments, in this regard.

Other Section 31 Grants

- 169 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.
- 170 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.
- 171 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.
- 172 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 £25.276 million of which £24.781 million relates to the additional reliefs in response to COVID-19.

Update on Progress towards achieving MTFP(10) savings

- 173 The delivery of the MTFP(10) 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.
- 174 MTFP(10) savings proposals for 2020/21, agreed by County Council on 26 February 2020 total £8.010 million.
- 175 At 31 December 2020, savings totalling £7.403 million, representing 92% of the £8.010 million total savings target have been delivered

Consultation

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

HR implications

177 Equality data relating to the three staff leaving through voluntary redundancy, early retirement and ER/VR during quarter three of MTFP10 are too low to effectively analyse. No staff have left through compulsory redundancy in quarter three.

178 Since austerity began in 2011, equality data relating to staff leaving through voluntary redundancy, shows that 66% were female and 34% 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.

179 Since 2011, 46% of leavers had not disclosed their ethnicity, with 53% stating that they were white British or white English. Regarding disability status 3% said they had a disability, 13% had no disability and 84% did not disclose their disability status.

Equality Impact Assessments (EIA)

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

181 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.
- 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
- Cabinet – 18 November 2020 – Forecast of Revenue and Capital Outturn 2020/21 – Period to 30 September 2020 and Update on Progress towards achieving MTFP(10) savings

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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 updated forecast of outturn position for Revenue and Capital and details the updated 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	Revised Budget	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	£'000
Employees	561,387	542,276	-845	0	-14,452	526,979	520,627	338	520,965	-6,014	-6
Premises	53,923	50,368	13,968	0	-1,035	63,301	64,449	0	64,449	1,148	-1
Transport	46,738	46,327	230	0	-118	46,439	45,288	0	45,288	-1,151	0
Supplies & Services	130,374	114,981	3,169	0	-586	117,564	118,503	1,323	119,826	2,262	-201
Agency & Contracted	417,221	425,585	-4,130	-2,583	-8,354	410,518	440,598	5,059	445,657	35,139	2,202
Transfer Payments	163,446	160,843	-18	0	-4,500	156,325	182,568	4,874	187,442	31,117	7,374
Central Costs	106,669	119,407	645	0	-115	119,937	121,814	115	121,929	1,992	0
DRF	2,330	2,439	1,500	0	-498	3,441	4,736	70	4,806	1,365	0
Other	0	0	14	0	16	30	34	0	34	4	0
Capital Charges	65,068	65,068	0	0	0	65,068	65,068	0	65,068	0	0
GROSS EXPENDITURE	1,547,156	1,527,294	14,533	-2,583	-29,642	1,509,602	1,563,685	11,779	1,575,464	65,862	9,368
Income											
Government Grants	607,033	578,482	-693	0	-6,506	571,283	604,376	10,020	614,396	43,113	-9,312
Other Grants and Contributions	78,298	80,634	-11	0	302	80,925	96,836	0	96,836	15,911	0
Sales	11,349	6,332	-40	0	-140	6,152	3,386	270	3,656	-2,496	-103
Fees and Charges	103,391	104,145	350	0	517	105,012	80,252	-35	80,217	-24,795	35
Rents	9,208	8,571	175	0	104	8,850	9,543	0	9,543	693	0
Recharges To Other Services	282,668	287,171	12,978	0	1,060	301,209	291,634	0	291,634	-9,575	0
Other	8,287	5,786	39	0	1,320	7,145	7,500	0	7,500	355	0
Total Income	1,100,234	1,071,121	12,798	0	-3,343	1,080,576	1,093,527	10,255	1,103,782	23,206	-9,380
NET EXPENDITURE	446,922	456,173	1,735	-2,583	-26,299	429,026	470,158	1,524	471,682	42,656	-12

Appendix 4: Earmarked Reserves Position as at 31 December 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 31 DEC 2020
		£'000	£'000	£'000	£'000	£'000	£'000
Social Care Reserve	AHS	-25,671		-382	2,220	1,838	-23,833
Public Health Reserve	AHS	-5,246	1,345	-1,829	70	-414	-5,660
CEO Grant Reserve	CEO	-86				0	-86
CEO Operational Reserve	CEO	-119	110	-363	-55	-308	-427
Children's Services Reserve	CYPS	-1,785	527	-557	145	115	-1,670
Education Reserve	CYPS	-12,629	659	-808	-1,736	-1,885	-14,514
AAP/Members Reserve	NCC	-2,033	168		-45	123	-1,910
Community Protection Reserve	NCC	-575	107	-10	19	116	-459
Environmental Services Reserve	NCC	-1,483	314	-1,418	107	-997	-2,480
NCC Grant Reserve	NCC	-689	1		52	53	-636
NCC Operational Reserve	NCC	-2,881	426	-28		398	-2,483
North Pennines AONB Partnership Reserve	NCC	-1,911				0	-1,911
Technical Services Reserve	NCC	-802	658	-150	-500	8	-794
Business Growth Fund Reserve	REG	-604			150	150	-454
Corporate Property & Land Reserve	REG	-1,356	245	-728		-483	-1,839
Culture and Sport Reserve	REG	-2,286	71	-9,115	-350	-9,394	-11,680
Economic Development Reserve	REG	-2,123	134	-2,492	-122	-2,480	-4,603
Employability and Training Reserve	REG	-276	61			61	-215
Funding and Programmes Management Reserve	REG	-506				0	-506
Housing Regeneration Reserve	REG	-473				0	-473
Housing Solutions Reserve	REG	-2,199		-829	122	-707	-2,906
Planning Reserve	REG	-862	806			806	-56
REAL Match Fund Programme Reserve	REG	-1,214	100		150	250	-964
Town and Villages Regeneration Reserve	REG	-19,767	4		-5,000	-4,996	-24,763
Transport Reserve	REG	-746	367		50	417	-329
Resources Corporate Reserve	Resources	-530	26	-354	350	22	-508
Resources Council Tax Hardship Reserve	Resources	0		-2,500		-2,500	-2,500
Resources Customer Services Reserve	Resources	-315			65	65	-250
Resources DWP Grant Reserve	Resources	-573		-668		-668	-1,241
Resources Elections Reserve	Resources	-860				0	-860
Resources Financial Services Reserve	Resources	0		-73		-73	-73
Resources Grant Reserve	Resources	-154				0	-154
Resources Housing Benefit Subsidy Reserve	Resources	-1,542			750	750	-792
Resources Human Resources Reserves	Resources	-323	23	-39		-16	-339
Resources ICT Reserves	Resources	-1,242	212	-165	95	142	-1,100
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			50	50	-150
Resources Revenue and Benefits Reserve	Resources	-854	241		140	381	-473
Resources System Development Reserve	Resources	-354				0	-354
Resources Transformation Reserve	Resources	-1,277	360			360	-917
Budget Support Reserve	Corporate	-19,172	2,733			2,733	-16,439
Business Support Reserve	Corporate	-1,032		-1,674	726	-948	-1,980
Capital Reserve	Corporate	-700				0	-700
Commercialisation Support Reserve	Corporate	-8,376	280			280	-8,096
Control Outbreak Management Fund Reserve	Corporate	0		-8,482		-8,482	-8,482
COVID-19 Support Grant Reserve	Corporate	-17,521	17,521			17,521	0
Equal Pay Reserve	Corporate	-9,979			500	500	-9,479
ER/VR Reserve	Corporate	-3,346	1,292		-2,000	-708	-4,054
Feasibility Study Reserve	Corporate	-500				0	-500
Inspire Programme Reserve	Corporate	-330	132			132	-198
Insurance Reserve	Corporate	-10,070	6		500	506	-9,564
Office Accommodation Capital Reserve	Corporate	-24,739	23,783			23,783	-956
Total Earmarked Reserves		-192,938	52,828	-32,709	-3,547	16,572	-176,366
Cash Limit Reserves							
Adult and Health Services		-8,354	-624	-3,457	2,000	-2,081	-10,435
Chief Executive's Office		0	16	-105	-126	-215	-215
Children and Young People's Services		0		1,879		1,879	1,879
Neighbourhoods and Climate Change		0		-1,206	-197	-1,403	-1,403
Regeneration, Economy and Growth		0		-1,761	-164	-1,925	-1,925
Resources		-2,758	297	-963	1,387	721	-2,037
Regeneration and Local Services		-329			329	329	0
Transformation and Partnerships		-318			318	318	0
Total Cash Limit Reserves		-11,759	-311	-5,613	3,547	-2,377	-14,136
Total Council Reserves		-204,697	52,517	-38,322	0	14,195	-190,502
Schools' Balances							
Schools' Revenue Balance	CYPS	-15,949	3,018			3,018	-12,931
DSG Reserve	CYPS	3,807	2,080	-86		1,994	5,801
Total Schools and DSG Reserve		-12,142	5,098	-86	0	5,012	-7,130