

Cabinet

7 July 2021

**2020/21 Final Outturn for the General Fund
and Collection Fund**



Ordinary Decision

Report of Corporate Management Team

Paul Darby, Corporate Director of Resources (Interim)

Councillor Richard Bell, Portfolio Holder for Finance

Electoral division(s) affected:

Countywide

Purpose of the Report

- 1 To provide Cabinet with information on the:
 - (a) final revenue and capital outturn for the General Fund for 2020/21;
 - (b) final outturn for the Council's Council Tax and Business Rates Collection Fund for 2020/21;
 - (c) use of and contributions to earmarked, cash limit and general reserves in year and at year end together with the closing position regarding balances held at 31 March 2021; and
 - (d) achievement of Medium Term Financial Plan (MTFP) (10) savings targets in 2020/21.

Executive summary

- 2 Since the outbreak of the COVID-19 pandemic, the council, its partners, local businesses and local communities have been working tirelessly to respond to the pandemic and to put plans in place for the restoration and recovery of services post-pandemic.
- 3 The financial impact of COVID-19 in 2020/21 is significant and complex, which, throughout the year, made forecasting the council's outturn position even more challenging than usual.

- 4 The long term impact of the pandemic on the council's finances beyond 2020/21 is still not clear, which adds to the uncertainty we face in terms of the councils longer term financial outlook, as set out in the MTFP(11) and 2021/22 to 2024/25 Budget Report to County Council on 24 February 2021 and in the updated MTFP(12) forecasts and report that are contained elsewhere on this Agenda.
- 5 In the last year, the council has had to implement national support schemes at short notice such as the various Business Rates Grants Support Schemes; 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. The council has also addressed increased demand for support to vulnerable households, whilst trying to accommodate new ways of working in response to the pandemic.
- 6 In 2020/21 service grouping budgets overspent by a net £24.928 million. This overspend position includes net additional expenditure and loss of income associated with the COVID-19 outbreak of £50.911 million. COVID-19 related underspends of £20.119 million were also achieved in year relating to the closure of facilities and disruption to normal activity as a result of the pandemic. Non COVID-19 related cash limit underspends totalled £5.806 million, with a further £58,000 of non-COVID-19 related underspends against corporate budgets.
- 7 In year collection of Council Tax and Business Rates was significantly below budgeted levels in 2020/21 - through a combination of increased incidence of Council Tax Reduction and reduced payments as residents and businesses struggled to cope with the economic shocks caused by the pandemic. Formal recovery action was suspended for ten months on the year and full recovery action was not in place at all in 2020/21.
- 8 The government provided a range of specific grant funding streams in relation to the pandemic. In addition, government provided four non ringfenced tranches of funding to local authorities for additional costs incurred as a result of COVID-19. This funding was allocated based upon formulae determined by the government and the council received £45.7 million. Of this, £1.1 million was utilised to cover costs incurred in 2019/20, which left £44.6 million of funding available to be applied in 2020/21.
- 9 The council submitted 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 provides a grant for 75% of subsequent losses. The council has been able to claim £8.890 million from the scheme for 2020/21, which includes the impact

of the reintroduction and extension of the national lockdowns in quarter four.

- 10 In total, across the four tranches of non ring fenced grant funding the council received for the additional costs incurred as a result of COVID-19 and claims under the Income Guarantee Scheme the council was provided with £53.490 million of grant support last year. The additional net expenditure and loss of income associated with the COVID-19 outbreak actual outturn was £50.911 million.
- 11 The government has introduced regulations so 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 is providing 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's 99% overall forecast collection rate.
- 12 The COVID-19 pandemic impacted significantly on normal business as usual expenditure last year. There was 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 were met by the Durham Clinical Commissioning Group under temporary national funding arrangements via NHS England. These cases were 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. In reality, many of these cases continued to be funded by NHS England up to 31 March 2021.
- 13 Throughout the year it has been difficult to forecast the outturn position for 2020/21 and a wide range of assumptions had to be applied in formulating the quarterly forecast reports in relation to expenditure and income due to the uncertainty that existed regarding the impact of COVID-19 restrictions last year.
- 14 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.
- 15 Government funding has been made available in 2021/22 to help with these challenges, but it is not 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 an as yet unquantified financial pressure. The Cash Limit and General Reserves

will potentially be required to meet any shortfalls in the funding that will be available this year.

- 16 The final revenue outturn position for 2020/21 is a net service grouping cash limit underspend of £5.806 million plus an overachievement of core government grant and underspend on all other budgets of £21.550 million, which includes COVID-19 related underspends excluded from the cash limit outturn position for service groupings of £20.119 million. The total net underspend is £27.356 million which represents 6.25% of the revised net expenditure budget of £437.355 million.
- 17 The end of year position detailed above has enabled the creation / replenishment of £19.9 million of earmarked reserves.
- 18 Total general, earmarked and cash limit reserves (excluding school reserves) increased by £43.037 million in 2020/21, from £228.647 million at 31 March 2020 to £271.684 million at 31 March 2021. The end of year reserves position is significantly inflated due to the carry forward into 2021/22 of specific COVID-19 related grants received in 2020/21 but not defrayed last year, alongside the carry forward of short term investment budgets included in the 2020/21 budget but not invested due to the impact of COVID-19.
- 19 The most significant COVID-19 related grant funding carried forward in earmarked reserves is the £24.863 million Section 31 grant income the council received to cover the loss of business rate income in 2020/21. Businesses were able to access significant business rate reductions linked to COVID-19, which impacted on the councils business rates yield. This loss of income was reimbursed to the council via a Section 31 grant. This sum however has to be carried forward as an earmarked reserve for application in the next three years in line with Collection Fund regulations.
- 20 The final capital outturn position for 2020/21 was an underspend of £20.427 million, which is 14.64% of the revised capital budget of £139.511 million agreed by Cabinet in March 2021.
- 21 The final outturn for the Council Tax Collection Fund is a deficit of £10.316 million. Durham County Council's share of the deficit is £8.707 million.
- 22 The final outturn for the Business Rates Collection Fund is a net deficit of £35.331 million of which Durham County Council's share (49%) is £17.312 million.
- 23 The council's share of the in year business rates deficit of £21.346 million, excluding the surplus brought forward from 2019/20 of £4.034 million, is offset in the General Fund by the receipt of additional

Section 31 grants of £24.863 million, leaving a net in year surplus of £3.517 million at year end, mainly due to the surplus brought forward from 2019/20.

- 24 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.
- 25 In 2020/21 the council has delivered MTFP(10) savings totalling £7.760 million, which was 97% of the £8.010 million target for the year. As at 31 March 2021, since 2011, the council has delivered over £241 million in savings / budget reductions to balance its budgets.

Recommendations

- 26 It is recommended that Cabinet note:
- (a) the final revenue outturn underspend of £27.356 million which represents 6.25% of the revised net expenditure budget of £437.355 million;
 - (b) the increase in the Cash Limit Reserves of £4.013 million during 2020/21, with closing Cash Limit Reserves of £15.772 million. These sums will continue to be held as Earmarked Reserves and be available for Service Groupings to manage their budgets effectively;
 - (c) the closing General Reserve balance of £26.150 million;
 - (d) the closing balance on General Fund Earmarked Reserves (excluding Cash Limit Reserves) is £229.762 million, which includes the creation / replenishment of £19.9 million of earmarked reserves at year end;
 - (e) the closing balance on Schools Reserves is £35.298 million;
 - (f) the outturn position for the Collection Funds in respect of Council Tax and Business Rates.
 - (g) the amount of savings delivered during 2020/21 of the MTFP(10) period.
- 27 It is recommended that Cabinet approve:

- (a) that the capital budget underspend of £24.326 million is carried forward into 2021/22;
- (b) that service groupings continue to regularly review capital profiles throughout 2021/22, reporting revisions to Cabinet as necessary.

Background

- 28 The financial outlook for the council will continue to be extremely uncertain until the Comprehensive Spending Review and the Fair Funding Review are concluded and the long term impact of the pandemic and of the UK exit from the European Union and associated impacts arising from the Trade Deal are fully understood.
- 29 It is unlikely however that there will be clarity in any of these areas until well into 2021/22, most likely the autumn of 2021 at the earliest. This continues to make accurate medium term financial planning extremely difficult.
- 30 The Fair Funding Review, which was originally scheduled for implementation from April 2020 alongside a move to 75% Business Rates Retention (BRR) has been delayed until at least 2022/23.
- 31 There is currently no certainty in terms of the quantum of funding to be available to local government from 2022/23 onwards, nor how this funding will be apportioned between authorities. It is clear however that there are significant risks to the council's funding depending on the principles that are ultimately agreed for fair funding distribution and how any move to 75% BRR is implemented.
- 32 The COVID-19 outbreak will undoubtedly also continue to have a significant financial impact on the council in 2021/22 and potentially in future years. The council began to experience the impact of the outbreak in March 2020 when a number of front line service facilities were closed.
- 33 There has been an increase in claims for Local Council Tax Support and consequently the council has suffered significant reductions in income in 2020/21 which may continue in future years. The working age caseload, increased dramatically in the first quarter of 2020/21 as an unprecedented number of new claims were received. At the peak, in May 2020, the working age LCTRS caseload was almost 3,000 higher than in January 2020. As of April 2021, the number of working age LCTR claims has remained around 4% higher than pre-pandemic levels.
- 34 Although the council's spending has significantly increased to cope with the outbreak and to provide support to local communities and businesses, to date government have provided grant income to help fund these additional costs and the lost income associated with the pandemic. Future funding beyond the grants provided for 2021/22 is uncertain. Local Authorities may still be expected to use their own reserves to fund any shortfall in future funding.

- 35 On 26 February 2020, County Council agreed a net revenue budget of £439.714 million for 2020/21. Factoring in any reductions in Government grant, inflation and other budget pressures, £8 million of savings were required in 2020/21 to deliver a balanced budget.
- 36 This report provides an update on the delivery of the £8 million MTFP(10) savings target included in the 2020/21 budgets. This additional £8 million brings the overall savings target for the period from 2011/12 to 2020/21 to circa £241 million. Savings achieved totalled £7.760 million in 2020/21 – 97% of the budgeted level.
- 37 Quarterly forecast outturn reports have been considered by Cabinet throughout the 2020/21 financial year. Detailed reports on individual service groupings have also been considered by the various Overview and Scrutiny Committees on a quarterly basis.
- 38 This final outturn for 2020/21 has been prepared as part of the production of the Annual Statement of Accounts. During the process of finalising the Statement of Accounts, the Corporate Director of Resources (Interim) is required to make a number of technical decisions in the best financial interests of the Council. Such decisions are fully disclosed in the Statement of Accounts.

General Fund Outturn

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

Cash Limit Outturn for Service Groupings

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

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

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

- (i) items not controlled by the service groupings e.g. technical accounting entries such as capital charges and central administration recharges processed at year end;
- (ii) exceptional items and expenditure pressures which were not accounted for in the service grouping base budget build and which are funded from contingencies or earmarked reserves held corporately e.g. redundancy and early access costs linked to restructuring activity to achieve MTFP savings proposals; and
- (iii) COVID-19 related expenditure and income losses. Throughout the year government provided local authorities with significant specific grants to support local authorities through the pandemic such as Test and Trace funding, Contain Outbreak Management funding, Infection Control funding and Winter Grants. These funding streams had specific grant conditions on how the funding had to be invested. Many of these sums were not spent in 2020/21 and have been carried forward into 2021/22 often in earmarked reserves;

In addition, the authority received non ring fenced COVID-19 grant support from government to address general expenditure pressures and an Income Guarantee Scheme to support lost income. In total non ring fenced funding of £53.490 million was received;

Total COVID-19 related expenditure and loss of income during 2020/21 is forecast to be circa £101 million partly funded by specific grants, partly by unringfenced funding and partly from contributions from the Clinical Commissioning Group.

(b) Use of or Contribution to Earmarked Reserves

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

- 41 After taking into account the above exclusions, five of the service groupings generated a cash limit underspend in 2020/21 whilst one service grouping overspent. Children and Young People's Services (CYPS) did not have a cash limit reserve balance and have overspent by £1.576 million. This has required a drawing from General Reserve to avoid the deficit position being carried forward. Further details can be found within service grouping commentaries.
- 42 Overall in 2020/21 there was a net contribution to cash limit reserves of £4.013 million, with the balance carried forward at 31 March 2021 being £15.772 million. The cash limit position for each service grouping is detailed in the table below:

Type of Reserve	Opening Balance at 1/4/20	Reallocation of Former REAL & TAP	Budgeted use at 1/4/20	Movement during 20/21		Closing balance at 31/3/21
				Contribution to (-) Use of Reserve	Final Outturn	
	£ million	£ million	£ million	£ million	£ million	£ million
Service Grouping Cash Limit						
Adult and Health Services	-8.354		1.867	-0.491	-3.473	-10.451
Chief Executive's Office	0.000	-0.126	0.000	0.016	-0.026	-0.136
Children & Young People's Services	0		0.000	-1.576	1.576	0.000
Neighbourhoods & Climate Change	0	-0.197	0.000	0.047	-1.144	-1.294
Regeneration, Economy & Growth	0	-0.164	0.000	0.000	-1.266	-1.430
Resources	-2.758	-0.113	0.087	1.796	-1.473	-2.461
Former Regeneration & Local Services	-0.329	0.329	0.000		0.000	0.000
Former Transformation & Partnerships	-0.318	0.318	0.000		0.000	0.000
Total Cash Limit Reserve	-11.759	0.047	1.954	-0.208	-5.806	-15.772

- 43 In closing the accounts for 2020/21, a review of all reserves has been undertaken. This review has identified a range of areas where it is estimated additional expenditure will be required on a one off basis in the future. Consequently, the following earmarked reserves have been created / replenished as part of the final accounts closedown process:
- (a) **Sustainable Transport Reserve £0.2 million** – required to enable a contribution to be made to the development of an Enhanced Bus Partnership;
 - (b) **Strategic Employment Site Reserve £0.5 million** – it is expected that up front feasibility will be required to ensure the redevelopment of the Aykley Heads site is planned effectively and that the outcomes are as desired;
 - (c) **Arts and Cultural Reserve £0.750 million** – this reserve will enable funding to be made available for future cultural activities

such as celebrating the 200 year anniversary of the Stockton to Darlington railway, which started in Willington;

- (d) **Cultural Programme Reserve £1.3 million** – this will enable funding to be made available for current planned programmes but especially Lumiere and future activities at the History Centre;
- (e) **Winter Maintenance Reserve £1 million** – the reserve previously in place to cover additional costs over budget during bad winters has been exhausted. An additional base budget uplift of £1 million is included in the 2021/22 budget but this reserve will ensure funding is still available to cover the cost of snow and other winter events being outside of expected parameters;
- (f) **Waste Contracts Professional Advice £1.5 million** – the council is facing a number of major reprocurements across all areas of waste disposal. These are significant long term commitments and the major areas include the treatment of residual waste, where the council is working in partnership with other regional local authorities. The utilisation of professional advisers in this regard will ensure the council has the assurance that the optimum deal can be secured;
- (g) **School Reserve £1 million** – when schools with a deficit become an academy the council is required to write off the deficit position. A number of schools with deficits are expected to acadamise in the coming years and this increase in the reserve will ensure funding is in place to cover any potential deficit write off;
- (h) **Durham Directions Reserve £0.8 million** – this reserve will provide match funding for a current European Social Fund (ESF) bid to extend the current programme in advance of the Shared Prosperity Fund becoming available;
- (i) **Durham Works Reserve £0.5 million** – this reserve will provide match funding for a current European Social Fund (ESF) bid to extend the current programme in advance of the Shared Prosperity Fund becoming available;
- (j) **Commercialisation Support Reserve £2 million** – the increase in the reserve will ensure funds are available to cover the costs of one off costs in commercial schemes such as Stamp Duty and capital contributions whilst also providing financial cover for schemes where there could be short term losses whilst tenants are secured;

- (k) **Recovery Support Reserve £8.236 million** – this reserve has been created from funds provided by government in 2020/21 to support the council through the pandemic. The majority of the reserve is committed against activity in 2021/22;
 - (l) **Levelling Up Feasibility Reserve £1 million** – the council is able to submit bids to the governments Levelling Up fund with one bid allowed for up to £20 million for each of the six parliamentary constituencies in the county. This reserve will ensure the requisite feasibility and technical studies required to underpin the bids and meet the bidding criteria are carried out to give the maximum possible chance of successful bids for each parliamentary constituency;
 - (m) **Elections Reserve £1 million** – this reserve will ensure sufficient funds are available to finance the future costs of elections;
 - (n) **Archives Project Reserve £0.1 million** – this sum will be required to ensure the county archive can be transferred effectively from county hall to the history centre when it is opened;
- 44 Transfers to the above earmarked reserves total £19.9 million and have been enabled by the underspend position on the General Fund, to the value of £17.774 million, plus a transfer from the Insurance Reserve of £2.126 million at year end.
- 45 In 2020/21, the council received £36.6 million in Section 31 grants from central government, of which £24.863 million is to compensate for the lost business rate income which will impact the general fund in future years. A new Collection Fund Deficit Reserve for £24.863 million has therefore been created, which will be utilised in 2021/22 and the following two years.
- 46 Another grant of £1.224 million - Local Taxation Income Guarantee grant - has also been received from central government in 2020/21, to compensate 75% of irrecoverable council tax resulting from the pandemic. A new earmarked reserve has been created for the full amount as the associated lost income will impact the general fund i.e. in 2021/22 and the following two years.

Revenue Outturn

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

	£ million	£ million
Gross expenditure		1,553.195
Gross income		-1,121.463
Net Expenditure		431.732
Financed by:		
Council Tax	-234.457	
COVID-19 Support Grant tranche 1-use of earmarked reserves	-17.521	
COVID-19 Support Grant tranches 2-4	-27.081	
COVID-19 Income Guarantee Grant	-8.890	
Estimated net surplus on Collection Fund	-1.740	
Business Rates	-56.140	
Top up grant	-72.780	
Revenue Support Grant	-28.070	
New Homes Bonus	-7.564	
Section 31 Grant	-36.600	
Local Tax Income Guarantee Grant	-1.224	
Adult/Childrens Pressures Grant	-17.652	
Net contribution to Cash Limit Reserve	4.013	
Use of (-) / contribution to earmarked reserves		
Schools and DSG	17.430	
Non- schools	54.345	
Net contribution to the General Reserve	2.199	
		-431.732

48 The final outturn position for 2020/21 was an underspend of £27.356 million. The table below details the transfers to reserves:

	£ million
2020/21 underspend transferred to General Reserve	-21.550
2020/21 underspend transferred to Cash Limit Reserves	-5.806
Total 2020/21 Underspend	-27.356

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

	£ million
Opening Balance as at 1 April 2020	-23.950
2020/21 Underspend to General Reserve	-21.550
<u>Less:</u>	
Transfer to Earmarked Reserves	17.774
Transfer to CYPS cash limit reserve	1.576
Closing General Reserve Balance at 31 March 2021	-26.150

- 50 The general reserve balance carried forward of £26.150 million is within the council's general reserves policy of retaining between 5% and 7.5% of the net budget requirement, which in cash terms is between £22.057 million and £33.085 million. The £26.150 million balance at 31 March 2021 equates to 5.93% of the 2021/22 net budget requirement.
- 51 The main reasons for the movement in the general reserve balance during 2020/21 are as follows:
- (a) a transfer of £1.576 million to CYPS cash limit reserve at year end to eradicate the negative cash limit reserve. This negative cash limit reserve has resulted from intense pressure upon the CYPS revenue budget which is detailed later in the report;
 - (b) transfers to earmarked reserves totalling £17.774 million;
 - (c) additional net expenditure of £50.911 million incurred as a result of COVID-19;
 - (d) a slight overspend of £0.155 million (0.26%) in interest payable and similar charges against the budget;
 - (e) sums outside the cash limit - £1.974 million more than budgeted;
substantially offset by:
 - (f) COVID-19 related underspends of £20.119 million, due to savings such as: operational building and travelling costs as a consequence of the majority of the workforce working from home; delays in staff recruitment; temporary national funding

arrangements whereby care costs linked to hospital discharges during March 2020 to August 2020 are being met by the Durham Clinical Commissioning Group, rather than the council;

- (g) COVID-19 related grant funding from central government of £53.492 million (£44.6 million COVID-19 grant and £8.89 million from the Income Guarantee Scheme);
- (h) interest and investment income - £0.415 million more than budgeted. This underspend is mainly generated from higher returns on loan investments and higher levels of cash balances being held; and
- (i) corporate costs - £0.489 million less than budgeted.

52 The following table shows that in 2020/21 the total non schools reserves increased by 18.8%, from £228.647 million to £271.684 million. Contributing towards this increase is the need to have two new reserves created, as follows:

- (a) £24.863 million towards the Collection Fund Deficit Reserve – this was necessary following receipt of Section 31 grant income in 2020/21 which is needed to compensate for the lost business rate income impacting the general fund in future years; and
- (b) £1.224 million from the Local Taxation Income Guarantee grant funding, received in 2020/21 to compensate for 75% of irrecoverable council tax resulting from the pandemic, which will also impact on the general fund in 2021/22 and the following two years, not in 2020/21.

Total Non School Reserves

	General Reserve	Earmarked Reserves	Cash Limits	TOTAL
	£ million	£ million	£ million	£ million
Opening Balance at 1 April 2020	-23.950	-192.938	-11.759	-228.647
Contribution to (-) / Use of Reserves	-2.200	-36.824	-4.013	-43.037
Reserve Balance at 31 March 2021	-26.150	-229.762	-15.772	-271.684

53 The total schools balances and DSG reserves increased from £12.142 million to £35.298 million during 2020/21. Schools balances increased from £15.949 million to £31.174 million, mainly as a result of

the national lockdown forcing school closures and the write off of deficit balances for schools that converted to be sponsored by a Multi-Academy Trust in year, as detailed later in the report.

- 54 Legislation came into force in November 2020 changing the way in which deficit earmarked DSG reserves have to be accounted for. 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.
- 55 Therefore, the DSG High Needs Block (HNB) deficit balance of £5.726m, which was brought forward at 1 April 2020, has been transferred from earmarked reserves to a new unusable reserve in order to comply with this new legislation. The HNB in-year deficit of £2.321m has also been transferred to the new unusable reserve. The five-year plan to recover the accumulated deficit will nevertheless continue and adjustments made at each year end to recover these accumulated deficits over the coming years.

Schools Balances and Centrally Held DSG Reserves

	Schools Balances	Centrally Held DSG	TOTAL
	£ million	£ million	£ million
Opening Balance at 1 April 2020	-15.949	3.807	-12.142
Contribution to (-) / use of Reserves	-15.225	-2.205	-17.430
Transfer to Unusable Reserves	-	-5.726	-5.726
Balance at 31 March 2021	-31.174	-4.124	-35.298

- 56 Appendix 4 details the movement on earmarked reserves during 2020/21.

Service Grouping Commentary

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

Adult and Health Services (AHS)

- 58 The 2020/21 outturn for Adult and Health Services (AHS) was a cash limit underspend of £3.473 million, representing circa 3% of the total budget for AHS. This takes into account adjustments for sums outside

the cash limit including redundancy costs which are met from the corporate reserve, year-end capital accounting entries and contributions to earmarked reserves. COVID-19 related expenditure and loss of income has also been excluded from the cash limit outturn.

- 59 The cash limit outturn compares to the previously forecast position at Quarter 3 of £3.457 million under budget.
- 60 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, supplies and services, transport and premises budgets across the service has created a net under budget of £0.442 million;
 - (b) Net spend on adult care packages was £3.031 million under budget. This area of spend was closely monitored to assess the impact of COVID-19 as well as ongoing demographic and procedural/operational changes, where significant MTFP savings have been taken over recent years;
 - (c) Net expenditure on Public Health-related activity is in line with grant allocations, with any under or overspending transferred to an earmarked Public Health grant reserve.
- 61 In arriving at the outturn position, the service has £17.138 million of additional costs and lost income relating to COVID-19 and £10.252 million of COVID-19 related underspends. The net COVID-19 impact is £6.886 million which has been met corporately by utilising central government grants.
- 62 Further to the Quarter 3 forecast of outturn report, the following items have been excluded from the outturn in arriving at the cash limit at the year-end:
- (a) Contribution of £2.117 million to the Adult Social Care reserve to fund future projects in adult social care;
 - (b) Contribution of £3.964 million to Public Health reserves for future Public Health projects;
 - (c) Use of £0.130 million of the corporate ER/VR reserve to fund redundancy payments;
 - (d) Contribution of £0.157 million to the corporate Insurance Reserve;
 - (e) Reversal of the £8.481 million contribution to the Control Outbreak Monitoring Fund Reserve made at Quarter 3;

- (f) £0.500 million relates to a range of adjustments associated with capital charges, centralised repairs and maintenance and central administration charges outside the cash limit.

63 Taking the outturn position into account, including the transfers to/from reserves in year, the cash limit reserve to be carried forward for AHS is £10.451 million as at 31 March 2021.

Chief Executive's Office (CEO)

64 The 2020/21 outturn for the Chief Executive's Office was a cash limit underspend of £25,676. This takes into account adjustments for sums outside the cash limit such as redundancy costs which are met from corporate reserves, year-end capital accounting entries and use of/ contributions to earmarked reserves. COVID-19 related expenditure and loss of income has also been excluded from the cash limit outturn.

65 The cash limit outturn position compares to the previously forecast position at quarter 3 of a cash limit underspend of £0.105 million.

66 The underspend reflects the proactive management of activity across the service throughout the year to remain within the cash limit. The outturn position is accounted as follows:

- (a) Communications and Marketing outturn was under budget by £17,000, due to a managed overspend on employee costs of £18,000 and an overspend on supplies and services of £0.185 million, offset by additional income of £0.220 million;
- (b) Service Management was under budget by £9,000, due to a managed underspend on employee costs amounting to £11,000 and an overspend of £2,000 on supplies and services.

67 In arriving at the forecast outturn position, a net £13,000 of additional costs, and lost income relating to COVID-19 has been excluded from the outturn. There were also £14,993 of COVID-19 related underspends excluded from the outturn.

68 Further to the quarter 3 forecast of outturn report, the following items totalling a net £0.877 million has been excluded from the outturn in arriving at the cash limit outturn position:

- (a) £0.885 million relates to a range of adjustments associated with year-end accounting entries for capital charges, centralised repairs and maintenance and central administration recharges;
- (b) £3,184 transfer to reserves in respect of the Promoting Durham campaign; and

- (c) £4,707 transfer to the Insurance Reserve from in-year underspends on central insurance provision.
- 69 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 the service at 31 March 2021 is £0.136 million.

Children and Young People's Services (CYPS)

- 70 The outturn position for CYPS was a cash limit overspend of £1.576 million, representing circa 1.25% of the total budget for the service. This takes into account adjustments for sums outside the cash limit including redundancy costs which are met from the corporate reserve, year-end capital accounting entries and contributions to earmarked reserves. COVID-19 related expenditure and loss of income has also been excluded from the cash limit outturn.
- 71 The cash limit outturn compares to the previously forecast position at Quarter 3 of £1.879 million over budget.
- 72 The updated cash limit position is accounted for as follows;
- (a) Within the Education and Skills Service there was a cash limit overspend of £0.384 million which resulted from an overspend on Home to School Transport of £1.517 million, plus shortfalls in school and academy income of £0.653 million and Daycare Nursery income of £26,000. This overspend was partly offset by the early achievement of 2021/22 savings of £0.880 million, and underspends of £0.469 million relating to the Early Years Sustainability budget, £0.156 million relating to Pension Liability costs, £0.155 million within the Nursery Outreach costs (mainly on the Inclusion Fund), additional government income of £0.120 million to help fund the Virtual School and a saving of £32,000 relating to commissioned activity across the service.
 - (b) There was a cash limit overspend of £1.192 million within Children's Services (Children's Social Care and Early Help & Intervention). There was an overspend of £5.480 million relating to the cost of looked after children's placements (which have increased to circa 950 children). The overspend on LAC was partially offset by savings of £1.040 million in external adoption fees, savings in placements of non-LAC placed under Special Guardianship and Child Arrangement Orders of £0.434 million and savings of £0.262 million following a reduction in remand bed nights. Additional savings of £1.107 million were achieved resulting from vacant posts and £1.445 million from savings in transportation costs.

- (c) The direct financial impact of COVID-19 was £5.067 million, mainly related to a 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. The net overspend on Children's Services, after adjusting for the impact of COVID-19 is £1.192 million.

- 73 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 950 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 included an additional increase for placement costs of £3.417 million. The Council has agreed further growth of £5.0 million in 2021/22 to meet the pressures associated with the increasing number and complex needs of looked after children.
- 74 The 2021/22 budget also includes additional budget growth of £1.751 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.
- 75 In arriving at the outturn position, the service has identified £7.271 million of additional costs, and lost income relating to COVID-19 offset in part by £2.204 million of COVID-19 related underspends. The net COVID-19 impact is therefore £5.067 million, and this has been covered corporately by utilising Central Government grants.
- 76 The cash limit outturn shows the position after a net £0.455 million use of CYPS reserves. Transfers to and from earmarked reserves, cash limits and contingencies have been applied with the main areas detailed below:
- (a) £0.113 million contribution to the Emotional Well Being Reserve from surplus income;
 - (b) £0.856 million contribution to the Secure Services Reserve mainly from savings from vacancies in the Secure Centre;
 - (c) £0.837 million contribution to Durham Enable Reserves to fund staff costs on the project for the next 3 years;
 - (d) £0.259 million contribution to the Adult Learning Reserve to cover the cost of third-party payments to delivery partners in future years;

- (e) £4.720 million use of the School Reserve to cover the cost of the deficits associated with 5 schools that academised mid year;
- (f) £0.268 million contribution to the Swimming Reserve mainly derived from venue hire savings to go towards future running costs of the service;
- (g) £0.363 million contribution to the Music Service Reserve relating to the balance of unspent Cultural Recovery Grant funds;
- (h) £0.434 million contribution to the Progression & Learning 18-21 Reserve relating to the balance of unspent ESFA funding;
- (i) £0.515 million contribution to the PFI Lifecycle Reserve;
- (j) £0.105 million contribution to the Durham Directions Reserve to fund staff costs for the project in the next financial year;
- (k) £0.100 million use of Neighbourhoods and Climate Change reserve for Durham Enable.

77 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 2020/21 outturn position into account, there is a £1.576 million deficit cash limit position at the year end.

78 The council's financial procedure rules state that where a service groupings cash limit reserve is in deficit, the relevant service is required to make savings/ underspends the following year to bring the reserve back into balance. In this case, given the financial pressures and issues facing CYPS a further transfer from general reserves has been actioned this year end to reduce the CYPS cash limit reserve to zero.

Dedicated Schools Grant and Schools

79 The council currently maintains 197 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.

80 The original budget for 2020/21 for these 197 maintained schools was £278 million, funded by income of £71 million, formula funding budget shares of £199 million (from central government funding) and a budgeted £8 million use of accumulated schools' reserves. The table below summarises the schools' initial budgets.

	Nursery	Alternative Provision	Primary	Secondary	Special	Total
	£ million	£ million	£ million	£ million	£ million)	£ million
Employees	4.463	3.387	153.744	34.230	25.824	221.648
Premises	0.275	0.169	9.583	2.515	1.077	13.619
Transport	0.002	0.843	0.413	0.430	0.297	1.984
Supplies and Services	0.525	2.051	29.459	5.938	2.830	40.803
Income	(3.862)	(0.673)	(47.240)	(14.054)	(4.911)	(70.739)
Net expenditure	1.404	5.776	145.958	29.059	25.118	207.315
Budget share	(1.064)	(5.776)	(140.885)	(29.084)	(22.848)	(199.658)
Contribution (to)/ from reserves	(0.339)	-	(5.138)	(0.062)	(2.267)	(7.806)
Balance at 31 Mar 20	(0.937)	-	(17.498)	2.426	(2.772)	(18.780)
Balance at 31 Mar 21	(0.598)	-	(12.360)	2.488	(0.505)	(10.974)

- 81 The forecasts prepared by the schools at Quarter 3 indicated a reduced use of £2.203 million of accumulated schools' reserves this year. This is significantly less than the budgeted use of balances and was consistent with the cautious approach adopted by schools over recent years.
- 82 The Quarter 3 forecasts were mainly prepared in the autumn term, prior to the winter lockdown and at a time when there was still uncertainty over a number of areas of income and expenditure, following the summer term lockdown, including school meal contractor costs, home to school transport and future demand for catering and childcare provision. Additionally, schools were not fully aware of the support that would be provided from the DfE and the council in respect of the costs incurred as a result of the pandemic.
- 83 Subsequently, schools went into a further lockdown for the spring term 2021. Schools central funding remained unaffected through the COVID-19 disruption, which combined with the schools continued a cautious approach to spending, with savings manifesting themselves in the final quarter that had not been anticipated. Augmented by additional COVID-19 related support, the impact on the final outturn has reduced net expenditure to the point where schools have increased their reserves by around £12 million at year end. The table below summarises the schools' outturn position:

	Nursery	Alternative Provision	Primary	Secondary	Special	Total	Memo: QTR3 Total
	£ million	£ million	£ million	£ million	£ million	£ million	£ million
Employees	4.428	3.506	153.657	33.745	25.336	220.672	221.648
Premises	0.274	0.113	9.303	2.321	0.786	12.798	13.619
Transport	0.002	0.809	0.143	0.291	0.162	1.406	1.984
Supplies and Services	0.389	2.151	24.758	5.605	2.504	35.406	40.803
Income	(4.118)	(0.803)	(54.605)	(16.485)	(6.385)	(82.395)	(70.739)
Net expenditure	0.974	5.776	133.256	25.476	22.403	187.886	207.315
Budget share	(1.072)	(5.776)	(140.969)	(29.130)	(22.848)	(199.795)	(199.658)
Contribution (to)/ from reserves	(0.098)	-	(7.713)	(3.654)	(0.444)	(11.909)	(7.806)
Balance at 31 Mar 20	(0.937)	-	(17.498)	2.426	(2.772)	(18.780)	(18.780)
Balance at 31 Mar 21	(1.034)	-	(25.211)	(1.228)	(3.216)	(30.689)	(10.974)

84 Approval was given to eight schools to set deficit budgets last year, 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 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 following table:

School Name	Phase	Balance at 31 March 2020	Planned in-year use of or contribution to reserves	Licensed deficit at 31 March 2021	Outturn in-year use or contribution to Reserves	Outturn at 31 March 2021
		£ million	£ million	£ million	£ million	£ million
Ferryhill Station	Primary	(0.023)	(0.009)	(0.032)	(0.022)	(0.045)
St. Thomas More RC	Primary	(0.025)	(0.078)	(0.103)	(0.021)	(0.047)
Wellfield	Secondary	(3.406)	0.222	(3.184)	0.268	(3.139)
The Durham Federation	Secondary	(0.414)	(0.381)	(0.795)	(0.090)	(0.504)
Windlestone	Special	0.326	(0.628)	(0.302)	0.059	0.385

85 All of these schools have complied with the terms of their licensed deficit. The council will continue to support and work with schools causing concern to help them resolve their financial concerns, and the s151 officer (Corporate Director of Resources) will consider requests for a licensed deficit for 2021/22.

86 During 2020/21 the council wrote off £4.720 million of accumulated deficits for schools that converted to be sponsored by a Multi-Academy Trust either voluntarily or enforced, with details provided below:

	£ million
Bluebell Meadow Primary	0.260
Tanfield School	1.020
Wolsingham School	1.750
Peterlee St Bede's	1.640
The Sacriston Primary	0.050
TOTAL	4.720

87 The earmarked Schools Reserve (a General Fund Reserve) was utilised to fund these write offs. The balance on the Schools Reserve after these write offs and before year end adjustments was £4.358 million. As part of the Statement of Accounts closedown the Schools Reserve has been increased by £1 million, resulting in a carried forward reserve of £5.358 million which should be sufficient to meet the estimated future liabilities from further deficit write offs in the coming years.

Dedicated Schools Grant Centrally Retained block

88 The 2020/21 outturn for centrally retained DSG budgets is an overspend of £2.221 million against a total budget of £61.766 million at year end, which represents a 3.6% overspend.

DSG Block	Budget £ million	Outturn £ million	Over/ (Under) Spend £ million
Schools de-delegated	0.562	0.465	(0.097)
High Needs	27.006	29.327	2.321
Early Years	31.489	31.488	(0.001)
Central Schools Services	2.709	2.708	(0.001)
TOTAL	61.766	63.987	2.221

89 The overspend position relates to spending against the High Needs Block (HNB), which has overspent by £2.321 million in 2020/21. This is primarily as a result of a significant increase in requests for top up funding across all education phases.

90 The impact of the outturn 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	(0.349)
Use [-] / Contribution in 2019/20	(8.598)	(0.095)	(0.365)	(9.058)
Contribution from general reserves	5.600	-	-	5.600
Balance as at 1 April 2020	(5.726)	1.275	0.644	(3.807)
Early Years adjustment 2019/20	-	0.097	-	0.097
Use [-] / Contribution in 2020/21	(2.321)	0.001	2.105	(0.215)
Balance	(8.047)	1.373	2.749	(3.925)
Transfer to Unusable reserves	8.047			8.047
Balance as at 31 March 2021	-	1.373	2.749	4.122

- 91 The overall DSG reserve was a deficit balance of £3.807 million at the start of the financial year and as a result of the accumulated deficit position relating to the high needs block; the deficit has increased further during 2020/21 to £3.925 million.
- 92 Legislation came into force in November 2020 changing the way in which deficit earmarked DSG reserves have to be accounted for. This has resulted in the council no longer being able to hold a deficit earmarked DSG reserve and the requirement to transfer any DSG deficit balance to a new account in unusable reserves.
- 93 Therefore, the DSG High Needs Block (HNB) deficit balance of £5.726 million, which was brought forward at 1 April 2020, has been transferred from earmarked reserves to a new unusable reserve in order to comply with this new legislation. The HNB in-year deficit of £2.321 million has also been transferred to the new unusable reserve, meaning that there is a £8.047 million HNB unusable reserve balance held at 31 March 2021. A five-year plan to recover the accumulated deficit will nevertheless continue.
- 94 The 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 and April forward.

Neighbourhoods and Climate Change (NCC)

- 95 The 2020/21 outturn for Neighbourhoods and Climate Change is a cash limit underspend of £1.144 million. This takes into account adjustments for sums outside the cash limit, such as redundancy and COVID-19

related costs that are met from corporate reserves, year-end capital accounting entries and use of/ contributions to earmarked reserves.

- 96 The previously forecast position at quarter 3 was a cash limit underspend of £1.206 million to year end.
- 97 The main reasons for the underspend position are as follows:
- (a) Environmental Services underspent by £23,000. There were 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 underachieved by £0.350 million for power generation. These overspends were offset by savings resulting from delays in implementing two new refuse collection rounds (£0.330 million), and delays in appointing new Neighbourhood Wardens (£0.126 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 have produced one-off underspends in 2020/21.
 - (b) Technical Services underspent by £1.025 million. The main reasons for this were: employee savings of £0.245 million due to vacancies, a £0.275 million underspend on electricity due to lower than expected prices, and additional income of £0.573 million in relation to Traffic & Street Works, and Highways Permits. There was also an overspend of £0.541 million on Winter Maintenance due to additional activity since Q3, however this was treated as outside the cash limit at year end as there was insufficient funding in the Winter Maintenance earmarked reserve to offset the in-year position.
 - (c) Community Protection underspent by £0.103 million. There are a number of vacant posts that are producing an underspend of £0.283 million, however, this was partially offset by an overspend on staff re-gradings, and under-achieved income (£0.180 million).
 - (d) Partnerships & Community Engagement underspent by £62,000. This was mainly due to a managed underspend in Supplies and Services, that will be utilised in 2021/22 for a delayed MTFP saving.
- 98 Further to the quarter 3 forecast outturn report, the following items have been excluded from the outturn in arriving at the cash limit at the year end:

- (a) £3.277 million – relating to a net contribution to earmarked reserves and cash limit reserves to support specific projects in 2021/22. This includes:
- (i) £0.855 million contribution to reserves relating to Clean & Green, Refuse & Recycling and Environmental Management,
 - (ii) £0.784 million drawdown from reserves to fund the annual cost of the North Pennines Area of Outstanding Natural Beauty
 - (iii) £0.685 million contribution to reserves relating to the Horden Together project, and future COVID-19 related costs in Community Protection,
 - (iv) £0.250 million contribution to reserves to fund future Highways related projects
 - (v) £1.556 million contribution to reserves in relation to carry forward of grant and unspent budgets relating to the Syrian Refugee programme, Area Action Partnerships and future COVID-19 related costs in Partnerships and Community Engagement.
- (b) £22.966 million relating to a range of items outside the control of the service were also excluded from the outturn, with the major component relating to technical accounting entries related to capital charges at year end.

99 COVID-19 related expenditure and lost income of £11.743 million, offset by related savings of £116,000 have been excluded from the net cash limit position and are being treated corporately

100 Taking the outturn position into account, the cash limit reserve to be carried forward for Neighbourhoods and Climate Change is £1.294 million.

Regeneration, Economy and Growth (REG)

101 The 2020/21 outturn for Regeneration, Economy and Growth was a cash limit underspend of £1.266 million. This takes into account adjustments for sums outside the cash limit such as redundancy costs which are met from corporate reserves, year-end capital accounting entries and use of / contributions to earmarked reserves. COVID-19 related expenditure and loss of income has also been excluded from the cash limit outturn.

- 102 The cash limit outturn position compares to the previously forecast position at quarter 3 of a cash limit underspend of £1.761 million
- 103 The outturn was 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 was underspent by £0.118 million. This was mainly the result of an underspend of £0.564 million across Locality Delivery offset by an overspend of £0.419 million relating to the former Leisureworks Service. There was also a number of other minor variances across the service.
 - (b) Development and Housing underspent by £0.555 million. This was mainly due to an underspend of £0.382 million in Housing Solutions, an underspend of £0.302 million in Planning Development, and an underspend of £0.150 million in Physical Development. These underspends were partially offset by an overspend of £0.207 million in Economic Development and other minor variances across the service grouping. The service benefitted from Community Outbreak Management Funding (COMF) of £0.430 million to cover costs associated with providing accommodation and supplies for those at risk of homelessness due to COVID-19.
 - (c) Corporate Property and Land underspent against budget by £0.333 million. This was partly due to one-off unbudgeted income of £0.174 million, as well as an underspend of £0.129 million on the running costs of administration and civic buildings. There were also other minor variances across the service grouping. In order to mitigate workload shortages arising from the COVID-19 pandemic, a sum of £1.3 million of expenditure on repairs and maintenance was incurred against the centralised repairs and maintenance budget that is managed by this service grouping. The funding for this work is included in the £14.791 million additional costs, and lost income relating to COVID-19.
 - (d) Transport and Contracted services was £51,000 underspent. This was mainly due to an underspend in Traffic Services due to an increase in enforcement and advertising income offset by small overspends elsewhere across the service.
 - (e) Any over or underspends in relation to the activity of Business Durham is managed through earmarked reserves and therefore there is no impact on the cash limit position. The service contributed £0.478 million to earmarked reserves in 2020/21 from its normal activity. The service was provided with Community Outbreak Management Funding (COMF) of £60,000 to cover

costs associated with providing security and social distancing measures at NETPark.

- 104 In arriving at the forecast outturn position, the service declared £14.791 million of additional costs, and lost income relating to COVID-19 and £6.615 million of COVID-19 related underspends. The net COVID-19 impact is therefore £8.177 million, and this was covered corporately by utilising Central Government grants.
- 105 In arriving at the outturn position, a net £4.791 million relating to use of/ contributions to earmarked reserves and cash limits has been excluded from the outturn. The major items being:
- (a) £0.478 million transferred to the Business Durham Trading Reserve in respect of Business Durham Operations and a further £0.361 million to the Economic Development Reserves as the appropriate treatment for unspent grant allocations;
 - (b) £0.345 million to the Housing Solutions Reserve as the appropriate treatment for unspent grant allocations;
 - (c) the £0.750 million balance on an invest to save project was transferred to reserves for use in 2021/22 by Culture, Sport & Tourism. In year funding of £0.707 million mainly in respect of library services was also transferred to reserves to be used in 2021/22;
 - (d) £0.663 million was transferred to reserves in respect of in year income for use on bus services in 2021/22.
- 106 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 Regeneration, Economy and Growth is £1.430 million.

Resources

- 107 The 2020/21 outturn for Resources was a cash limit underspend of £1.473 million. This takes into account adjustments for sums outside the cash limit such as redundancy costs which are met from corporate reserves, year-end capital accounting entries and use of/ contributions to earmarked reserves. COVID-19 related expenditure and loss of income has also been excluded from the cash limit outturn.
- 108 The cash limit outturn position compares to the previously forecast position at quarter 3 of a cash limit underspend of £0.963 million.
- 109 The underspend reflects the proactive management of activity by Heads of Service across Resources throughout the year to remain within the

cash limit and to prepare for 2021/22 MTFP savings requirements. The outturn position is accounted for as follows:

- (a) Corporate Finance and Commercial Services was underspent by £0.179 million, with managed overspending in Occupational Health of £60,000 offset by an underspend in Health and Safety of £0.112 million, Strategic Finance of £0.110 million and Financial Systems of £21,000 and a number of other minor variances in this service area.
- (b) Finance and Transactional Services was underspent by £0.535 million, primarily due to managed underspends on employee costs of £0.503 million and additional income of £84,000 in Revenues and Benefits. There was also a number of other minor variances in this service area. Payroll and Employee Services was over budget by £0.151 million mainly due to unachieved income of £49,000 and a managed overspend on employees costs of £0.110 million, offset by a managed underspend on supplies and services costs of £8,000. Financial Management was underspent by £94,000 mainly due to overachieved income of £0.178 million and a managed underspend on employees costs of £62,000 offset by an overspend on supplies and services of £0.146 million. There were also a number of other minor variances in this service area.
- (c) Digital and Customer Services was underspent by £0.190 million, consisting of a managed underspend on employee costs of £0.390 million, overachieved income of £0.258 million, premises costs of £20,000 and transport costs of £31,000. These have been offset by an overspend of £0.209 million on supplies and services and Direct Revenue Funding of three ICT capital projects to the value of £0.300 million.
- (d) Internal Audit, Risk and Corporate Fraud was underspent by £2,000, comprising of a managed overspend of £8,000 on employee related expenditure, a £10,000 overspend on supplies and services offset by £20,000 of additional income.
- (e) Legal and Democratic Services was underspent by £0.216 million. This included a £68,000 managed underspend on employee related expenditure and a £0.118 million overspend on supplies and services. The managed overspending was offset by an underspend of £0.252 million in respect of additional income. There were also a number of other minor variances in this service area.
- (f) People and Talent Management was underspent by £5,000, which includes a £28,000 managed underspend on employee

related expenditure and an £35,000 overspend on supplies and services. The service is also achieved additional income of £8,000. There were also a number of other minor variances in this service area.

- (g) Strategy was underspent by £3,000 due to a managed underspend on supplies and services.
 - (h) Transformation was underspent by £28,000, due to a managed overspend on employee costs of £99,000 offset by an underspend on supplies and services of £44,000 and an overachievement of income amounting to £83,000.
 - (i) Service Management and Central Charges was underspent by £0.315 million due to a managed underspend position on employee related costs £0.317 million, overachieved income of £40,000 and an underspend of £11,000 on transport costs, offset by an overspend of £50,000 on central costs and £3,000 on supplies and services.
- 110 In arriving at the forecast outturn position, the service declared £4.399 million of additional costs, and lost income relating to COVID-19 and £0.917 million of COVID-19 related underspends. The net COVID-19 impact is therefore £3.482 million, and this was covered corporately by utilising Central Government grants.
- 111 Further to the quarter 3 forecast of outturn report a net £3.799 million have been excluded from the outturn in arriving at the cash limit outturn position. The main items being as follows:
- (a) £2.095 million relates to a range of adjustments associated with year-end accounting entries for capital charges, centralised repairs and maintenance and central administration recharges as well as a small number of other agreed sums outside the cash limit funded from corporate contingencies;
 - (b) £0.461 million to the MTFP ER/VR Reserve to reflect a reduced cost of early retirements/ voluntary redundancies in 2020/21.
 - (c) £0.160 million to the Housing Solutions Reserve to fund three temporary posts in Housing Solutions for 18 months to provide advice and guidance in line with the agreed Poverty Action Steering Group investment;
 - (d) £37,502 to the ICT Reserve to support ICT developments;
 - (e) £0.172 million transfer to the Corporate Procurement Reserve which will be used to finance various procurement initiatives;

- (f) £0.506 to the Welfare Assistance Funding Reserve in respect of the 2020/21 underspend on Discretionary Housing payments carried forward to fund initiatives in 2021/22;
- (g) £0.793 million from the Housing Benefits Subsidy Reserve to finance the cost of Housing Benefit backdated claims which are not fully funded by Government Subsidy;
- (h) £0.434 million to the Revenues and Benefits Reserve to support the development of the Civica system and to provide funding for additional temporary staff to deal with potential workload and backlog issues within the service;
- (i) £0.146 million from the Elections Reserve to finance the cost of elections;
- (j) £0.100 million to the Legal Expenses Reserve to support temporary staffing and the purchase of a new time recording system;
- (k) £4.873 million transfer to various COVID-19 Reserves from unspent grant allocations to support the community and businesses in 2021/22.

112 Taking the outturn position into account, including items outside the cash limit and transfers to and from earmarked reserves, the cash limit reserve to be carried forward for Resources is £2.461 million.

Resources - Centrally Administered Costs (Corporate Costs)

113 The 2020/21 outturn for Resources - Centrally Administered Costs was a cash limit underspend of £0.489 million. This takes into account adjustments for sums outside the cash limit such as the use of/ contribution to earmarked reserves.

114 In arriving at the forecast outturn position, the service declared £57,810 of additional costs, and lost income relating to COVID-19 and no COVID-19 related underspends. The net COVID-19 impact is therefore £57,810, and this was covered corporately by utilising Central Government grants.

115 The cash limit outturn position compares to the previously forecast position at quarter 3 of a cash limit underspend of £0.262 million.

116 The forecast outturn position reflects reduced expenditure on payment card fees of £73,000, corporate subscriptions of £57,000, expenses associated with raising loans of £42,000, legal expenses of £27,000, Audit fees of £66,000, contributions to other bodies £77,000 and bank and giro charges £33,000. In addition, there was an overachievement of

income from de-minimis capital receipts of £0.128 million arising from the sale of assets.

- 117 Further to the quarter 3 forecast of outturn report, the following items have been excluded from the outturn in arriving at the cash outturn position:
- (a) £67,071 - relates to a range of adjustments associated with capital charges, centralised repairs and maintenance and central administration charges as well as a small number of other agreed sums outside the cash limit funded from corporate contingencies;
 - (b) £0.569 million – relates to net contributions to earmarked reserves including £0.147 million to the Welfare Assistance Funding Reserve, £0.140 million to the AAP Reserve, £0.320 million to the Council Tax Hardship Reserve and £38,291 from the Insurance Reserve.

Central Budgets

Interest and Investment Income

- 118 There was an overachievement of income of £0.415 million due to higher than forecast returns on loan investments and other sources of income, primarily as a result of higher than expected levels of cash balances being held.

Interest Payable and Similar Charges

- 119 The actual interest payable and similar charges is broadly in line with the revised budget.

2020/21 Capital Outturn

General Fund Capital Programme

- 120 The original capital budget for 2020/21, taking into account the budget approved by Council on 26 February 2020 and adjustments for re-profiling of underspends at 2019/20 year end, was £168.856 million. This was agreed by Cabinet on 8 July 2020.
- 121 Throughout the year, the Capital Member Officer Working Group (MOWG) has continually reviewed progress in delivering the capital programme to take into account changes in planning and delivery timescales and analysis of changes in demands on resources. This has been particularly important throughout 2020/21 as the council has monitored the impact of the pandemic upon the ability to deliver the capital programme effectively. Regular updates to the capital

programme were reported to and approved by Cabinet as part of the quarterly budgetary control reports in year.

- 122 The following table summarises the revised capital budget, taking into account revisions considered by MOWG and agreed by Cabinet throughout the year, together with the outturn position for each service area. The table also details the action that has been taken with regard to re-profiling and budget additions/deletions at year end.

General Fund Capital Outturn 2020/21

Service Grouping	2020/21 Original Budget	2020/21 Revised Budget	Service Grouping Outturn	Variance	(Additions)/ Deletions from Budget	Reprofiling Required
	£ million	£ million	£ million	£ million	£ million	£ million
Adult & Health Services	-	-	0.002	0.002	0.000	(0.002)
Children and Young People's Services	31.945	22.977	17.358	(5.619)	(0.486)	6.107
Neighbourhoods and Climate Change	43.270	43.713	35.416	(8.297)	(2.354)	10.242
Regeneration, Economy and Growth	85.435	69.211	62.793	(6.417)	(1.071)	7.896
Resources	8.206	3.610	3.515	(0.095)	0.013	0.083
TOTAL	168.856	139.511	119.084	(20.427)	(3.899)	24.326

- 123 The variances in the table above include requests to carry forward budgets to fund the completion of capital schemes from 2021/22 onwards. Also included are 2020/21 overspends on some projects as a result of an acceleration in project delivery timescales, and for these projects future years' budgets have been reduced. All of the resultant re-profiling will need to be reflected in the capital budgets for 2021/2022 to 2024/25.
- 124 The Capital Programme is financed via various funding sources including grants, capital receipts, revenue contributions, contributions from reserves and borrowing. The financing of the 2020/21 outturn is detailed in the following table:

Financing – General Fund Capital Programme 2020/21

Financed by	2020/21 Outturn £ million
Grants and Contributions	53.420
Revenue and Reserves	39.424
Capital Receipts	3.988
Borrowing	22.251
TOTAL	119.084

Service Grouping Commentary

125 The primary reasons for the net capital underspend of £20.427 million (circa 15% under the revised capital programme budget at year end) are set out below:

Children and Young People's Services (CYPS)

126 The underspend £5.619 million for CYPS is mainly due to:

- (a) **Childrens' Services - Planning and Services Strategy** – Underspend of £1.182 million. This relates to a deferral of payments into 2021/22 on the project to review the Social Services Information Database (SSID) system in CYPS and AHS.
- (b) **Devolved Formula Capital** – Underspend of £0.991 million. This is due to unpredicted changes in individual school spending decisions after December when final budget updates were made. The 2020/21 underspend will be carried forward into 2021/22.
- (c) **School Related** – Underspend of £1.366 million. The most significant underspend in this area is £0.442 million on the new build primary school in Bowburn. This was due to project risks not fully materialising and the contingency budget being unspent to date. There were underspends of £0.299 million on Spennymoor New Build Primary and £0.180 million on Westlea Primary Roof Replacement due to delays relating to the pandemic. An underspend of £0.176 million on Wingate Primary Ceiling and Roof works was a result of complications with the removal of asbestos and demolition of a chimney. There was an overspend of £0.171 million on condition works at Greenfield School due to the cost of demountable classrooms and the need to fund an upgraded electrical sub-station for the additional power usage of the new classrooms.

- (d) **Special Provision Capital Fund** – Underspend of £2.049 million. This is due to a delay in the start of the project to provide demountable buildings at The Oaks Special School.

Neighbourhoods and Climate Change

127 The underspend of £8.297 million is mainly due to:

- (a) **Environmental Services** – Underspend of £0.654 million. The most significant underspend in this area is £0.555 million on Crimdon Coastal Hub as a result of a 12 week delay in the contractor's programme due to the pandemic. There was an underspend of £0.338 million on the On-Street Residential Electric Vehicle Chargepoint scheme as physical site surveys were unable to take place during lockdown and procurement and land ownership requirements have also caused delays to the installations. There was additional expenditure of £0.330 million on the Peatland Restoration – Yorkshire scheme where extra works were undertaken due to additional funding being awarded by DEFRA. An overspend of £0.129 million on Annfield Plain Battery Storage was due to enhanced spend on feasibility and enabling works and will be met by bringing forward budget from 2021/22.
- (b) **Technical Services** – Underspend of £4.453 million. There was an underspend of £0.999 million on street lighting schemes as worldwide disruption and delays in materials manufacture, due to the pandemic, resulted in delays to installation works. Other significant underspends include £0.609 million on Witton Park Bridge, where the scheme has completed on site but costs will not be finalised until 2021/22. There was also an underspend of £0.475 million on New Elvet Bridge, due to invoices from Balfour Beatty being lower than they had forecast as a result of lower than anticipated outputs on hydro-demolition and cathodic protection works. There was an underspend of £0.553 million on Pothole Fund schemes and £1.031 million on other Highways schemes, mainly as a result of schemes being deferred until 2021/22.
- (c) **Members Budgets** – Underspend of £2.689 million. Elected Members are required to have all funds committed at the end of their term of office. The £2.689 million carried forward to 2021/22 is due to a significant number of projects being submitted for appraisal towards the end of the financial year. It also includes projects that are committed but grants have not yet been paid. This is due to the time lag of projects being appraised, offer letters issued, and conditions of the grant being met before the payment can be made.

- (d) **Community Buildings** - Underspend of £0.206 million. The uncommitted budget for the community asset transfer programme will be carried forward to be available to commit to schemes in 2021/22.
- (e) **AAP Capital Budgets** – Underspend of £0.284 million. This includes projects that have been submitted but not yet paid out, as well as uncommitted funds. Approval was received from the Council to allow AAPs to carry forward all uncommitted funds into 2021/22, without specific spending plans, as a one-off.

Regeneration, Economy and Growth

128 The underspend of £6.417 million is mainly due:

- (a) **Corporate Property and Land** – Overspend of £0.166 million. There was a higher than forecast spend of £1.062 million on the new Headquarters scheme due to an accelerated payment to Kier for works undertaken in March 2021. Budget will be brought forward from 2021/22 to cover this expenditure. The most significant underspend was £0.787 million on the Green Lane Strategic Site scheme due to the redeployment of staff onto other schemes and the discovery of asbestos, requiring investigation before further works could continue.
- (b) **Development and Housing** – Underspend of £3.554 million. There were various offsetting underspends and overspends across the service, with the most significant being an underspend of £1.810 million on Chapter Homes as the drawdown of funding to support the programme was not as originally envisaged. Other underspends include £0.558 million on Green Homes Phase 1a as MHCLG / Homes England re-profiled the timeframes for this scheme, delaying the start on site, and £0.515 million on the Financial Assistance Policy scheme as loans have taken longer to process this year due the pandemic. There was an overspend of £1.322 million on the Disabled Facilities Grant as a result of better than expected end of year delivery and spend. Budget will be brought forward from 2021/22 to cover this.
- (c) **Business Durham** – Underspend of £0.470 million. This was mainly due to an underspend of £0.402 million on the Finance Durham Investment Fund as investment pipeline timelines were altered.
- (d) **Culture and Sport** – Underspend of £1.380 million. £1.260 million of this underspend relates to a contribution to Weardale Railway, where funding has yet to be drawn down.

- (e) **Transport and Contracted Services** – Underspend of £1.125 million. There were various offsetting underspends and overspends across the service, with the most significant being an underspend of £0.690 million on Horden (Peterlee) Railway Station. This was due to Network Rail identifying further required mitigation works and so scheme close out has been delayed until 2021/22. An underspend of £0.268 million on Jade Business Park Infrastructure resulted from ground investigation works being delayed due to awaiting Highways England preliminary design approvals. The most significant overspend was £0.393 million on the A1(M) Junction 61 Capacity Enhancements scheme, relating to the funding agreement repayment to NECA which has been funded from capital contingencies.

Resources

129 The underspend of £0.095 million is mainly due:

- (a) **Digital and Customer Services** – Underspend of £0.112 million. On the Digital Durham project there was a £0.205 million overspend due to funding from the Contract 1 underspend being released back to Sunderland City Council earlier than anticipated. This was met by reprofiling budget from 2021/22 to 2020/21. There was an underspend of £0.144 million due to the development of the Unified Communications project being delayed as the return to the workplace and hybrid working have meant significant changes in requirements and the redesign of technical services to support new ways of working.

Council Tax and Business Rates Collection Funds

Council Tax

- 130 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.
- 131 The in year collection rate at 31 March 2021 was 93.72%, which is 2.65% points below the same position in 2019/20, reflecting the impact of COVID-19, and the cessation of recovery action for unpaid Council Tax across the year.
- 132 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; a total of £4.133 million was awarded to 31 March 2021.

- 133 During the second half of 2020/21, the collections team implemented arrangements to proactively call residents who were in arrears and had not engaged with the service, to discuss their situation and offer help and assistance.
- 134 On 12 February 2021, the Corporate Director of Resources took a delegated decision to reinstate formal recovery action up to and including final demand.
- 135 The in-year collection rates at 31 March for the current and last two financial years, are shown below:

Billing Year	Position at 31 March
2020/21	93.72%
2019/20	96.37%
2018/19	96.65%

- 136 The current overall collection rate for 2019/20 council tax liabilities is now 97.07% (compared to 96.37% at 31 March 2020), and for 2018/19 the rate is now 98.62% (compared to 96.65% at 31 March 2019). The council continues to recover council tax from earlier years.
- 137 The income shown in the council tax collection fund is the amount collectable from council tax payers in the long run, rather than the actual cash collected in the year the charges are raised. Likely bad debts are accounted for by maintaining a bad debt provision. The amount estimated to be collectable is estimated each year by reference to the actual council tax base for all domestic properties in the county (schedule of all properties, discounts and reliefs) with an allowance for non-collection.
- 138 Actual cash collected as at 31 March 2021 was £278.592 million compared with £282.995 million as at 31 March 2020, however when the Council Tax increases for 2020/21 are factored in, this represents a year on year real terms reduction of £18.626 million in terms of Council Tax income received.
- 139 Due to changes in the number of properties (including new build and demolitions), and eligibility of discounts and reliefs during the year, the actual amount of council tax collectable, increases or decreases from the estimate on a dynamic day to day basis. In addition, adjustments for previous billing years take place during each accounting year. All of these adjustments mean that the actual amounts collected will always differ from the estimate.

- 140 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.
- 141 In July 2020 the government announced that repayments to meet any collection fund deficits accrued in 2020/21 will be phased over a three-year period (2021/22 to 2023/24), rather than all being accounted for in 2021/22, to ease immediate pressures on budgets.
- 142 At 31 March 2021 the final outturn for the council tax collection fund is a deficit of £10.316 million as shown in the following table, which takes into account the undeclared deficit of £0.854 million as at 31 March 2020. Durham County Council's share of this deficit is £8.707 million.

	£ million
Net Bills issued during Accounting Year 2020/21	354.481
LCTRS and previous years CTB adjustments	-60.506
Calculated change in provision for bad debts required and write offs	-9.882
Net income receivable (a)	284.093
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 & Darlington Fire & Rescue Authority	14.951
Total Precepts and Demands (b)	293.555
Net Surplus / (-) Deficit for year (a) – (b)	-9.462
Undeclared Deficit Brought Forward from 2019/20	-0.854
Year end surplus	-10.316

- 143 The council was required to determine and declare the forecast surplus or deficit on the council tax collection fund for 2020/21 by 15 January 2021. This needed to be considered during the budget setting process for 2020/21. Any difference between this and the actual surplus at 31 March 2021 is carried forward to the next financial year to be taken into account in estimating the surplus/ deficit position for 2021/22, which will need to be taken into account for 2022/23 budget setting.

- 144 At 15 January 2021 the estimated in year outturn for the Council Tax Collection Fund was a deficit of £5.720 million, caused in the main by the impact of COVID-19. This amount is to be spread over three years therefore the account is credited with two-thirds of the deficit (£3.814 million), leaving the actual in year declared deficit as £1.907 million, of which the council's share is £1.612 million. The declared 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.

Business Rates

- 145 2013/14 was the first year of the new business rates retention scheme whereby the council has a vested budget interest and stake in the level of business rate yield, as income generated from business rates has since been shared between Central Government (50%), Durham County Council (49%) and County Durham and Darlington Fire and Rescue Authority (1%). Therefore, it is not only the accuracy and timeliness of bills levied and collected that is monitored and audited, but the level of income anticipated for the year is important and new monitoring procedures have been devised for this purpose.
- 146 In 2017/18, following consultation, the Government implemented the first revaluation of business rates since April 2010.
- 147 The revaluation of the rateable values of all business properties was undertaken by the Valuation Office Agency and, along with national changes to multipliers, relief thresholds and transitional arrangements, came into effect from April 2017. The overall effect of the revaluation on the collection fund saw a decrease of an estimated £9.3 million in rates yield/ liability when compared to 2016/17. The revaluation should be cost neutral to Durham County Council and County Durham and Darlington Fire and Rescue Authority, therefore compensation arrangements are made through adjustments to Section 31 grants and top up grants for their shares of income losses.
- 148 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.
- 149 At 31 March 2021, the actual outturn for the collection fund business rates is a deficit of £35.331 million, after taking into account the

undeclared surplus as at 31 March 2019 of £8.233 million, as shown in the following table.

	£ million
Net rate yield for 2020/21 including previous year adjustments	68.427
Estimate of changes due to appeals lodged and future appeals	5.822
Estimated losses in Collection – Provision for Bad Debts and Write-offs	-2.970
Net income receivable (a)	71.279
Agreed allocated shares	
Central Government (50%)	57.053
Durham County Council (49%)	55.912
County Durham and Darlington Fire and Rescue Authority (1%)	1.141
Cost of Collection Allowance and Renewable Energy (paid to Durham County Council)	0.737
Total fixed payments (b)	114.843
Net deficit for year (a) – (b)	-43.564
Undeclared Surplus brought forward from 2019/20	8.233
Year end Deficit	-35.331

- 150 The in-year deficit of £43.564 million and the undeclared surplus brought forward from 2019/20, leaves a net deficit of £35.331 million at 31 March 2021. 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 is 49%. Durham County Council's share of the year end deficit is £17.312 million.
- 151 As with Council Tax, the in year deficit on business rates estimated in January 2021 is eligible to be spread over a three-year period (2021/22 to 2023/24) to ease immediate pressures on budgets. The in year business rates deficit for 2020/21 eligible to be spread over three years was calculated by taking the in year deficit estimated at January 2021 and excluding the additional reliefs awarded which are fully funded by Section 31 grant income. 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.

- 152 The total declared 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) was a deficit of £40.910 million.
- 153 During 2020/21, the outturn position has been significantly influenced by the outcome of a review of the provision for appeals, which includes the removal of a provision that had been made to cover a potential liability to refund business rates to NHS bodies. The provision for this case covered 30% of the potential liability on the basis of the perceived risk of a successful appeal, however the appeal against the High Court decision that NHS Trusts are not eligible for mandatory relief was dismissed in March 2021 and therefore this provision has been removed from the accounts.
- 154 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 March 2021 was 93.43%; 4.48%points below last year's position.
- 155 Over the last year the council has made payments to eligible businesses totalling circa £162 million, under the national Small Business Grant Fund and Retail Hospitality and Leisure Grants Fund schemes and the Local Discretionary Grants Fund; Local Restrictions Support Grants, Additional Restrictions Support Grant, Christmas Support Payment for Pubs and the Closed Business Lockdown Payments schemes.
- 156 As with Council Tax, on 12 February 2021, the Corporate Director of Resources took a delegated decision to reinstate formal recovery action up to and including final demand. The in-year collection rates at March 2021 for the current and last two financial years, are as follows:

Billing year	Position at 31 March
2020/21	93.43%
2019/20	97.91%
2018/19	97.90%

- 157 The current overall collection rate for 2019/20 business rate liabilities is now 98.19% (compared to 97.91% at 31 March 2020) and for 2018/19 business rate liabilities is now 99.52% (compared to 97.90% at 31 March 2019). The council continues to recover business rates from earlier years.

Section 31 Grant - Small Business Rate Relief

- 158 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.
- 159 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%.
- 160 The Government has agreed to pay Section 31 grant for any additional small business rate relief in respect of business rates bills and adjustments thereof relating to the period commencing 1 April 2013. Any adjustments that relate to bills for years prior to this will be dealt with as part of the normal rate retention shares. At 31 March 2021, the gross small business relief awarded against 2020/21 business rates bills and adjustments for the period 2013/14 to 2019/20 is £18.110 million, and the council will receive £6.263 million in Section 31 grant, including the capping adjustment and threshold change adjustments, in this regard.

Other Section 31 Grants

- 161 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.
- 162 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.

163 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.

164 Further measures announced on 17 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 2020/21.

165 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.

166 When assessing income from business rates, due regard must also be given on the effect that changes in reliefs has 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 total amount of Section 31 grants due to Durham County Council is £36.764 million of which £24.863 million relates to the additional reliefs in response to COVID-19.

167 Durham County Council's share of the in year deficit of £21.346 million, excluding the surplus brought forward from 2019/20 of £4.034 million, is therefore offset in the General Fund by the receipt of the additional Section 31 grants of £24.863 million, leaving a net surplus of £3.517 million.

Update on Progress towards achieving MTFP(10) savings

168 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.

169 MTFP(10) savings proposals for 2020/21, agreed by County Council on 26 February 2020 totalled £8.010 million.

170 At 31 March 2021, savings totalling £7.760 million, representing 97% of the £8.010 million total savings target, had been delivered.

Consultation

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

HR implications

172 Equality data relating to the 3 staff leaving through voluntary redundancy, early retirement and ER/VR during quarter 4 of 2020/21 showed that 67% were female and 33% were male. In terms of race, 33% of leavers had not disclosed their ethnicity and the remaining 67% stated that they were white British or white English. Regarding disability status no employees said they had a disability, 33% had no disability and 67% did not disclose their disability status.

173 The numbers of those leaving through compulsory redundancy are also too low to effectively analyse (zero).

174 Since austerity began in 2011, equality data relating to staff leaving through voluntary redundancy, showed 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).

- 175 In terms of race, since 2011, 45.5% of leavers had not disclosed their ethnicity, with 54% 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)

- 176 Services have completed EIA screenings and assessments where necessary as part of the decision-making process for 2020/21 MTFP10 proposals.
- 177 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 – 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.
- Cabinet – 18 November 2020 - Council Tax Base 2021/22 and Forecast Deficit on the Council Tax Collection Fund as at 31 March 2021.
- 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.

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Appendix 1: Implications

Legal Implications

This report shows the actual outturn compared to original and revised budgets as agreed by Council in relation to the 2020/21 financial year and is a key component of the council's Corporate and Financial Governance arrangements. The information contained within this report has been prepared in accordance with standard accounting policies and procedures.

Finance

The report details the financial outturn for the council for 2020/21 for revenue and capital. The report covers general fund for revenue and capital and the outturn position for general and earmarked reserves at 31 March 2021, plus the Collection Fund outturn, covering council tax and business rates.

Consultation

None.

Equality and Diversity / Public Sector Equality Duty

None.

Climate Change

None.

Human Rights

None.

Crime and Disorder

None.

Staffing

None.

Accommodation

None.

Risk

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

Procurement

None.

Appendix 2: General Fund Revenue Summary 2020/21

	Original Budget 2020/21	Revised Budget	Service Groupings Final Outturn	Variance	Cash Limit Adjustments			Variance
					Sums outside the cash limit	Contribution to / Use of Cash Limit Reserve	Contribution to / Use of Earmarked Reserves	
					£'000	£'000	£'000	
Adult and Health Services	129,627	116,233	122,519	6,286	-500	0	-2,373	3,413
Chief Executive's Office	1,823	1,632	2,481	849	-885	0	8	-28
Children and Young People's Services	123,877	129,643	112,735	-16,908	2,050	0	21,501	6,643
Neighbourhoods and Climate Change	108,622	111,681	91,419	-20,262	22,966	-47	3,324	5,981
Regeneration, Economy and Growth	52,770	44,440	54,604	10,164	-8,045	0	4,791	6,910
Resources	25,705	23,861	22,071	-1,790	-2,095	-86	5,980	2,009
Cash Limit Position	442,424	427,490	405,829	-21,661	13,491	-133	33,231	24,928
Contingencies	8,155	21	0	-21				-21
Corporate Costs	4,498	1,536	603	-933	-67	0	569	-431
NET COST OF SERVICES	455,077	429,047	406,432	-22,615	13,424	-133	33,800	24,476
Capital charges	-65,068	-65,068	-87,488	-22,420	-21,786			-44,206
Gains / losses on disposal of fixed assets	0	0	44,206	44,206				44,206
HR accrual	0	0	-4,109	-4,109	4,109			0
DSG deficit reserve adjustment	0	0	-2,321	-2,321	2,321			0
Interest and Investment income	-2,900	-2,900	-3,315	-415				-415
Interest payable and similar charges	36,614	60,285	62,331	2,046	-63		-1,828	155
Levies	15,991	15,991	15,996	5				5
Net Expenditure	439,714	437,355	431,732	-5,623	-1,995	-133	31,972	24,221
Funded By:								
Council tax	-234,458	-234,458	-234,457	1				1
Contribution to/-Use of earmarked reserves	-7,700	-4,059	71,775	75,834			17,774	93,608
COVID-19 Support Grant tranche 1-use of earmarked reserves	0	0	-17,521	-17,521				-17,521
COVID-19 Support Grant tranches 2-4	0	0	-27,081	-27,081				-27,081
COVID-19 Income Guarantee Grant	0	0	-8,890	-8,890				-8,890
Estimated net surplus on Collection Fund	-1,740	-1,740	-1,740	0				0
Business Rates	-56,083	-56,083	-56,140	-57				-57
Top up grant	-72,780	-72,780	-72,780	0				0
Revenue Support Grant	-28,070	-28,070	-28,070	0				0
New Homes Bonus	-7,564	-7,564	-7,564	0				0
Section 31 Grant	-11,713	-11,713	-36,600	-24,887			24,863	-24
Local Tax Income Guarantee Grant	0	0	-1,224	-1,224			1,224	0
Adult/Childrens Pressures Grant	-17,652	-17,652	-17,652	0				0
Forecast contribution to/from (-) Cash Limit Reserve	-1,954	-3,236	4,013	7,249		1,576		8,825
Forecast contribution to/from (-) General Reserves	0	0	2,199	2,199				2,199
TOTAL	0	0	0	0	-1,995	1,443	75,833	75,281

Appendix 3: General Fund Revenue Summary by Expenditure/ Income for 2020/21

	Original Budget 2020/21	Revised Budget	Service Groupings Final Outturn	Corporate Costs Final Outturn	Final Outturn (including Corporate Costs)	Variance (including Corporate Costs)	Cash Limit Adjustments			Cash Limit Position	Variance - Corporate Costs
							Sums outside the cash limit	Contribution to/ Use of Cash Limit Reserve	Contribution to/ Use of Earmarked Reserves		
							£'000	£'000	£'000		
Employees	561,387	526,979	528,962	281	529,243	2,264	-4,934	-37	1,073	-1,634	-6
Premises	53,923	63,301	45,463	0	45,463	-17,838	2,176	-49	16	-15,695	0
Transport	46,738	46,439	44,403	0	44,403	-2,036	1	0	-103	-2,138	0
Supplies & Services	130,374	117,564	113,147	1,482	114,629	-2,935	-525	0	-1,481	-4,941	-340
Agency & Contracted	417,221	410,518	432,605	4,658	437,263	26,745	2,673	0	-3,214	26,204	2,315
Transfer Payments	163,446	156,325	185,863	4,309	190,172	33,847	-7,084	-47	520	27,236	6,967
Central Costs	106,669	119,937	114,554	323	114,877	-5,060	7,963	0	7,051	9,954	208
DRF	2,330	3,441	5,004	0	5,004	1,563	0	0	57	1,620	0
Other	0	30	241	0	241	211	0	0	13,511	13,722	0
Capital Charges	65,068	65,068	43,285	0	43,285	-21,783	21,784	0	10	11	0
GROSS EXPENDITURE	1,547,156	1,509,602	1,513,527	11,053	1,524,580	14,978	22,054	-133	17,440	54,339	9,144
Income											
Government Grants	607,033	571,283	636,861	10,182	647,043	75,760	-6,269	0	-6,912	62,579	-9,474
Other Grants and Contributions	78,298	80,925	100,930	5	100,935	20,010	-14	0	-2,394	17,602	-5
Sales	11,349	6,152	2,307	295	2,602	-3,550	-21	0	23	-3,548	-128
Fees and Charges	103,391	105,012	80,424	0	80,424	-24,588	140	0	-523	-24,971	0
Rents	9,208	8,850	9,805	0	9,805	955	-180	0	-1,269	-494	0
Recharges To Other Services	282,668	301,209	260,207	0	260,207	-41,002	14,595	0	-919	-27,326	0
Other	8,287	7,145	17,164	-32	17,132	9,987	379	0	-4,366	6,000	32
Total Income	1,100,234	1,080,576	1,107,698	10,450	1,118,148	37,572	8,630	0	-16,360	29,842	-9,575
NET EXPENDITURE	446,922	429,026	405,829	603	406,432	-22,594	13,424	-133	33,800	24,497	-431

Appendix 4: General Fund Earmarked Reserves as at 31 March 2021

EARMARKED RESERVES AND CASH LIMIT RESERVES	SERVICE GROUPING	OPENING BALANCE	USE OF RESERVES	CONTRIBUTION TO RESERVES	TRANSFERS BETWEEN RESERVES	TOTAL MOVEMENT ON RESERVES	CLOSING BALANCE AT 31/3/21
		£'000	£'000	£'000	£'000	£'000	£'000
Social Care Reserve	AHS	-25,671		-1,070	2,220	1,150	-24,521
Public Health Reserve	AHS	-5,246	537	-4,986	70	-4,379	-9,625
CEO Grant Reserve	CEO	-86				0	-86
CEO Operational Reserve	CEO	-119	106	-363	-55	-312	-431
Children's Services Reserve	CYPS	-1,785	472	-1,467	145	-850	-2,635
Education Reserve	CYPS	-12,629	3,789	-4,369	-1,736	-2,316	-14,945
Community Protection Reserve	NCC	-575	107	-696	19	-570	-1,145
Environmental Services Reserve	NCC	-1,483	127	-3,588	107	-3,354	-4,837
North Pennines AONB Partnership Reserve	NCC	-1,911	784			784	-1,127
Partnerships and Community Engagement Reserve	NCC	-5,603	526	-1,366	-40	-880	-6,483
Technical Services Reserve	NCC	-802	658	-1,400	-500	-1,242	-2,044
Business Growth Fund Reserve	REG	-604		-150	150	0	-604
Corporate Property & Land Reserve	REG	-1,356	245	-802		-557	-1,913
Culture and Sport Reserve	REG	-2,286	131	-12,786	-350	-13,005	-15,291
Economic Development Reserve	REG	-2,123	108	-3,762	-122	-3,776	-5,899
Employability and Training Reserve	REG	-276				0	-276
Funding and Programmes Management Reserve	REG	-506	1	-35		-34	-540
Housing Regeneration Reserve	REG	-473				0	-473
Housing Solutions Reserve	REG	-2,199		-1,445	122	-1,323	-3,522
Planning Reserve	REG	-862	694			694	-168
REG Match Fund Programme Reserve	REG	-1,214	221		150	371	-843
Town and Villages Regeneration Reserve	REG	-19,767	683		-5,000	-4,317	-24,084
Transport Reserve	REG	-746	224	-723	50	-449	-1,195
Resources Corporate Reserve	Resources	-530	26	-526	350	-150	-680
Resources Council Tax Hardship Reserve	Resources	0		-2,820		-2,820	-2,820
Resources COVID-19 Support Grants	Resources	0		-4,873		-4,873	-4,873
Resources Customer Services Reserve	Resources	-315			65	65	-250
Resources DWP Grant Reserve	Resources	-573		-1,321		-1,321	-1,894
Resources Elections Reserve	Resources	-860		-853		-853	-1,713
Resources Financial Services Reserve	Resources	0		-94		-94	-94
Resources Grant Reserve	Resources	-154				0	-154
Resources Housing Benefit Subsidy Reserve	Resources	-1,542	792		750	1,542	0
Resources Human Resources Reserves	Resources	-323		-69		-69	-392
Resources ICT Reserves	Resources	-1,242	184	-203	95	76	-1,166
Resources Internal Audit & Corporate Fraud Reserve	Resources	-80		-45		-45	-125
Resources Legal Reserves	Resources	-451	16	-100		-84	-535
Resources Operational Reserve	Resources	-58		-141		-141	-199
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	189	-382	140	-53	-907
Resources System Development Reserve	Resources	-354	46			46	-308
Resources Transformation Reserve	Resources	-1,277	310			310	-967
Budget Support Reserve	Corporate	-19,172	2,733			2,733	-16,439
Business Support Reserve	Corporate	-1,032		-1,643	726	-917	-1,949
Capital Reserve	Corporate	-700	427			427	-273
Collection Fund Deficit Reserve	Corporate	0		-24,863		-24,863	-24,863
Commercialisation Support Reserve	Corporate	-8,376		-1,720		-1,720	-10,096
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	1,353		-2,000	-647	-3,993
Feasibility Study Reserve	Corporate	-500				0	-500
Inspire Programme Reserve	Corporate	-330	84			84	-246
Insurance Reserve	Corporate	-10,070	6		500	506	-9,564
Levelling Up Feasibility Reserve	Corporate	0		-1,000		-1,000	-1,000
Local Taxation Income Guarantee Reserve	Corporate	0		-1,224		-1,224	-1,224
Office Accommodation Capital Reserve	Corporate	-24,739	22,794			22,794	-1,945
Recovery Support Reserve	Corporate	0		-8,236		-8,236	-8,236
Total Earmarked Reserves		-192,938	55,894	-89,121	-3,594	-36,821	-229,759

EARMARKED RESERVES AND CASH LIMIT RESERVES	SERVICE GROUPING	OPENING BALANCE £'000	USE OF RESERVES £'000	CONTRIBUTION TO RESERVES £'000	TRANSFERS BETWEEN RESERVES £'000	TOTAL MOVEMENT ON RESERVES £'000	CLOSING BALANCE AT 31/3/21 £'000
Cash Limit Reserves							
Adult and Health Services		-8,354	-624	-3,473	2,000	-2,097	-10,451
Chief Executive's Office		0	16	-26	-126	-136	-136
Children and Young People's Services		0	-1,575	1,575		0	0
Neighbourhoods and Climate Change		0		-1,144	-150	-1,294	-1,294
Regeneration, Economy and Growth		0		-1,267	-164	-1,431	-1,431
Resources		-2,758	383	-1,473	1,387	297	-2,461
Regeneration and Local Services		-329			329	329	0
Transformation and Partnerships		-318			318	318	0
Total Cash Limit Reserves		-11,759	-1,800	-5,808	3,594	-4,014	-15,773
Total Council Reserves		-204,697	54,094	-94,929	0	-40,835	-245,532
Schools' Balances							
Schools' Revenue Balance	CYPS	-15,949		-15,225		-15,225	-31,174
DSG Reserve	CYPS	3,807		-2,205	-5,726	-7,931	-4,124
Total Schools and DSG Reserve		-12,142	0	-17,430	-5,726	-23,156	-35,298