

Cabinet

16 March 2022



**Forecast of Revenue and Capital
Outturn 2021/22 – Period to 31
December 2021 and Update on Progress
towards achieving MTFP(11) savings**

Ordinary Decision

Report of Corporate Management Team

Paul Darby, Corporate Director of Resources

Councillor Richard Bell, Portfolio Holder for Finance

Electoral division(s) affected:

Countywide

Purpose of the Report

- 1 To provide Cabinet with updated information on the:
 - (a) forecast revenue and capital outturn for 2021/22, based on the position to 31 December 2021;
 - (b) forecast for the council tax and business rates collection fund position at 31 March 2022, based on the position to 31 December 2021; and
 - (c) forecast use of and contributions to earmarked, cash limit and general reserves in 2021/22 and the estimated balances to be held at 31 March 2022.
- 2 To seek approval of the revised capital programme, other budget adjustments and proposed sums treated as outside of the cash limit in year.
- 3 To provide Cabinet with an update on progress towards achieving MTFP(11) savings in 2021/22.

Executive summary

- 4 Since the outbreak of COVID-19 in early 2020, the council, its partners, local businesses and local communities have together been working tirelessly to respond to the pandemic and to put plans in place for the restoration and recovery of services post-pandemic.
- 5 COVID-19 had a significant and complex financial impact in 2020/21, which has continued into 2021/22, making forecasting the council's outturn position even more challenging than usual.
- 6 In addition to the general financial uncertainty during 2021/22, the longer term financial impact of the pandemic beyond this year remains uncertain at this stage. The risk in this regard will be considered and assessed in MTFP Cabinet reports.
- 7 Since the outbreak of COVID-19, the council has had to implement national support schemes at short notice such as the various Business Rates Grants Support Scheme(s); the Council Tax Hardship Support Schemes; Test and Trace Payments; the Winter Support Payments Scheme; COVID-19 Local Support Scheme; Infection Control Schemes and Contain Outbreak Management Schemes. In addition, the council has implemented a range of supplier relief schemes and addressed increased demand for support to vulnerable households whilst trying to accommodate new ways of working itself in response to the pandemic.
- 8 Based on the position to 31 December it is forecast that there will be a net in year surplus on the collection fund for the council of £0.342 million after taking into account Section 31 grant receivable. Taking into account the brought forward position from 2020/21 and including the phasing of collection fund deficits over three years there is a total forecast deficit on the collection fund of £1.498 million. This situation will be kept under close review during quarter four, especially in relation to collection rates as the public and businesses recover from the impact of the pandemic.
- 9 The government has provided non ringfenced funding to local authorities in the current year for the additional costs incurred as a result of COVID-19. The funding allocated to the council for 2021/22 is £15.56 million.
- 10 In addition, the government has also extended the Sales, Fees and Charges Income Guarantee Scheme for three months to 30 June 2021. This scheme requires local authorities to bear the first 5% of any qualifying income loss after which the government will provide a grant for 75% of subsequent losses. The council submitted a claim for circa £2.6 million from the scheme for 2021/22.

- 11 Based on the position to 31 December 2021 service groupings are forecasting a net overspend of £14.217 million before any adjustment for COVID-19 related items. This net overspend position mainly arises from additional expenditure and loss of income associated with the COVID-19 outbreak of £22.882 million, offset by COVID-19 related underspends (relating to closure of facilities and disruption to normal service activity as a result of the pandemic) of £7.224 million – giving a net COVID-19 related position of a £15.658 million overspend. This position is a £0.996 million improvement since quarter 2 mainly relating to a lower than forecast impact in relation to materials recycling and income losses not being as high as forecast in leisure centres and car parks. When the net COVID-19 overspend is excluded there is a forecast cash limit underspend of £1.441 million across all service groupings.
- 12 The forecast COVID-19 overspending across the various service groupings is fully offset by the circa £18.2 million the council expects to receive from the government to cover the financial impact of the pandemic. At this stage, net COVID-19 costs are £2.5 million below the grant funding the council expects to receive, which is an improved position on that forecast at quarter two when the net impact was forecast to be £0.5 million below the grant funding provided. This reflects a £1 million improvement in net spending and £1 million of additional grant from the Sales, Fees and Charges Income Guarantee Scheme.
- 13 Overall it is estimated that the council's 2021/22 budget will be underspent by £5.856 million, representing 1.3% of the net expenditure budget of £461.251 million.
- 14 There are a wide range of assumptions that have been made in relation to expenditure and income over the remainder of the financial year, with significant uncertainty regarding the ongoing impact of COVID-19 following the initial lifting restrictions at the beginning of quarter two and the changes implemented in December following the outbreak of the Omicron variant.
- 15 A developing budget pressure relates to hyper inflationary pressures in the energy markets. The additional costs associated with energy price uplifts can be managed within the general contingency budget but this position will need to be kept under review. A further risk relates to pay inflation, where the trade unions have not accepted the employers 1.75% pay offer. Broader inflationary pressures will need to continue to be managed within service cash limits.
- 16 There will potentially be a range of interventions required by the council and ongoing impacts post pandemic that as yet have not been

quantified. The Cash Limit and General Reserves will potentially be required to meet any shortfall that ultimately arises in this regard whilst longer term strategies are implemented.

- 17 In terms of service grouping cash limits, the projected cash limit underspend of £1.441 million is around 0.31% of the cash limit budgets.
- 18 At quarter one, Children and Young People's Services were forecasting an overspend of £4.754 million whilst Adult and Health Services were forecasting an underspend of £3.886 million. On 15 September 2021, Cabinet agreed to a 2021/22 base budget transfer of £4.5 million from Adult and Health Services to Children and Young People's Services which would also be included in the base budget for 2022/23. The updated quarter three forecast of outturn indicates a cash limit underspend of £0.189 million for AHS and a cash limit overspend of £2.210 million for CYPS after this budget transfer has been actioned. Consideration will need to be given at final outturn as to how this CYPS deficit cash limit reserve position is addressed. Previously, cash limit overspends in CYPS have necessitated a transfer from general reserves.
- 19 In terms of sums outside the cash limit, there is a forecast underspend of £4.415 million. This position will be kept under careful review, especially in relation to additional costs and loss of income linked to the ongoing impact of COVID-19 and from any further inflationary pressures.
- 20 Total earmarked and cash limit reserves (excluding school reserves) are forecast to reduce by £38.458 million in 2021/22, from £245.532 million to £207.074 million. The forecast at quarter two indicated that total earmarked and cash limit reserves (excluding school reserves) were forecast to reduce by £36.559 million in 2021/22, to £208.973 million.
- 21 A review of all reserves has enabled the realignment of £14.9 million of cash limit and earmarked reserves enabling the investment of earmarked reserves in council priorities. This includes £10 million transfer into the Members' Initiatives Reserve supporting additional investment and £4.9 million to replenish corporate reserves as factored into MTFP(12) and the 2022/23 budget agreed by Council on 23 February 2022.
- 22 The forecast cash limit and general reserves position is a prudent one given the significant financial uncertainties facing local government beyond 2022/23. The MTFP(12) report to Council on 23 February 2022 highlighted ongoing budget concerns for the council with a forecast savings shortfall of £29.987 million over the 2022/23 to 2025/26 period,

with the delivery of further savings becoming ever more challenging to achieve.

- 23 The projected capital outturn this year is £158.979 million, with the capital budgets having been augmented with reprofiled budget from underspending against the 2020/21 capital programme.
- 24 To the end of quarter three, the council has delivered savings totalling £4.805 million, which is 90% of the £5.312 million target for the year.

Recommendations

- 25 It is recommended that Cabinet:
- (a) note the council's overall financial position for 2021/22 and the continuing uncertainty associated with the outturn forecast resulting from the continuing impact of COVID-19 as set out in the report;
 - (b) agree the proposed 'sums outside the cash limit' for approval as set out in the report;
 - (c) agree the revenue and capital budget adjustments outlined in the report;
 - (d) note the forecast use of earmarked reserves in year;
 - (e) note the forecast end of year position for the cash limit and general reserves;
 - (f) note the additional costs and income loss faced as a result of COVID-19 which is offset by additional grant funding provided by government;
 - (g) note the emerging inflationary pressures which it is forecast can be managed within general contingencies and cash limit reserves;
 - (h) note the position on the capital programme and the Collection Funds in respect of Council Tax and Business Rates; and
 - (i) note the amount of savings delivered to 31 December 2021 against the 2021/22 targets and the total savings that will have been delivered since 2011.

Background

- 26 In accordance with the council's constitution, Council agreed Medium Term Financial Plan 11 (MTFP11), which incorporates the revenue and capital budgets for 2021/22, on 24 February 2021. MTFP(11) covers the period 2021/22 to 2024/25.
- 27 On 23 February 2022 Council considered the Medium Term Financial Plan (MTFP12) covering the period 2022/23 to 2025/26. The MTFP(12) report highlighted ongoing budget concerns for the council with a forecast savings shortfall of £29.987 million over the 2023/24 to 2025/26 period, with the delivery of further savings becoming ever more challenging to achieve.
- 28 The constitution requires that the Chief Finance Officer must report to Cabinet on the overall council budget monitoring position on a quarterly basis.
- 29 This report provides a forecast of the revenue and capital outturn for 2021/22, based upon expenditure and income up to 31 December 2021. It includes details relating to the General Fund revenue and capital budgets 2021/22, the Collection Funds for Council Tax and Business Rates and details relating to the Dedicated Schools Grant funding blocks, including maintained schools. This is the third report on forecast financial performance against the 2021/22 budgets this financial year.
- 30 This report also provides an update on the delivery of MTFP(11) savings for 2021/22. The planned 2021/22 savings were agreed by Council in February 2021 with a savings target of more than £5 million for the current year. This brings the overall savings target for the period from 2011/12 to 2021/22 to circa £246 million. Significant progress has been made towards achieving these savings.

COVID-19 - Context

- 31 Since the outbreak of COVID-19, the council, its partners, local businesses and local communities have together been working tirelessly to respond to the pandemic and to put plans in place for the restoration and recovery of services post-pandemic.
- 32 The financial impact of COVID-19 in 2021/22 continues to be significant and complex which makes forecasting the council's outturn position even more challenging than usual.
- 33 The longer term financial impact of the pandemic beyond this year are uncertain at this stage. The risk in this regard will be considered and assessed in future MTFP(12) Cabinet reports.

- 34 During 2020/21 the council implemented a range of national support schemes at short notice, some of which have continued into 2021/22. These included the various Business Rates Grants Support Scheme(s); the Council Tax Hardship Support Schemes; Test and Trace Payments; the Winter Support Payments Scheme; COVID-19 Local Support Scheme; Infection Control Schemes; and Contain Outbreak Management Schemes as well as dealing with and implementing a range of supplier relief schemes whilst addressing increased demand for support to vulnerable households whilst trying to accommodate new ways of working itself in response to the pandemic.
- 35 In 2021/22 the council continues to 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.
- 36 There will potentially be a range of interventions required by the council and ongoing impacts post pandemic that will have as yet unquantified financial pressures. Cash Limit Reserves and the General Reserves will potentially be required to meet any shortfalls in the funding that will be available.
- 37 COVID-19 has continued to impact on routine business as usual expenditure. There has been some continued delays in 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.

Revenue Outturn Forecast – Based on Position to 31 December 2021

- 38 A number of adjustments have been made to the original budget agreed by Council on 24 February 2021:
- (a) agreed budget transfers between service groupings;
 - (b) additions to budget for items outside the cash limit (for Cabinet consideration and recommended approval);
 - (c) planned use of or contribution to earmarked reserves (please refer to Appendix 4).

39 The following table compares the forecast of outturn with the revised budget. Further detail is provided in Appendices 2 and 3.

Forecast of Revenue Outturn 2021/22

	Original Budget 2021/22	Budget - incorporating adjustments	Service Groupings Forecast of Outturn	Forecasted Variance
	£'000	£'000	£'000	£'000
Adult and Health Services	133,618	126,214	125,583	-631
Chief Executive's Office	1,381	0	0	0
Children and Young People's Services	133,876	145,628	150,580	4,952
Neighbourhoods and Climate Change	105,731	109,662	114,306	4,644
Regeneration, Economy and Growth	49,630	53,591	58,956	5,365
Resources	21,425	27,118	27,005	-113
Cash Limit Position	445,661	462,213	476,430	14,217
Contingencies	10,337	9,122	9,122	0
Corporate Costs	4,378	2,227	2,253	26
NET COST OF SERVICES	460,376	473,562	487,805	14,243
Capital charges	-62,797	-62,797	-62,797	0
DSG deficit reserve adjustment	0	-1,678	-1,678	0
Interest and Investment income	-2,900	-2,900	-3,008	-108
Interest payable and similar charges	38,416	39,057	39,057	0
Levies	16,087	16,007	16,007	0
Net Expenditure	449,182	461,251	475,386	14,135
Funded By:				
Council tax	-241,266	-241,266	-241,266	0
Use of earmarked reserves	-7,957	-20,577	-20,577	0
COVID-19 Support Grant tranche 5	0	0	-15,560	-15,560
COVID-19 Income Guarantee Grant	0	0	-2,652	-2,652
Estimated net surplus (-) / deficit on Collection Fund	-1,514	-1,514	22,380	23,894
Use of earmarked reserves to offset deficit on Collection Fund	0	0	-23,894	-23,894
Business Rates	-57,304	-57,304	-57,304	0
Top up grant	-72,780	-72,780	-72,780	0
Revenue Support Grant	-28,227	-28,227	-28,227	0
Lower Tier Services Grant	-747	-747	-747	0
Local Tax Income Guarantee	-514	-514	-514	0
New Homes Bonus	-4,476	-4,476	-4,476	0
Section 31 Grant	-11,415	-11,415	-13,194	-1,779
Adult/Childrens Pressures Grant	-22,888	-22,888	-22,888	0
Forecast contribution to/from (-) Cash Limit Reserve	-94	457	1,898	1,441
Forecast contribution to/from (-) General Reserves	0	0	4,415	4,415
TOTAL	0	0	0	0

40 The above table identifies a forecast net underspend of £5.856 million, representing 1.3% of the net expenditure budget of £461.251 million, which compares to the net underspend of £8.427 million forecast at the end of quarter two. The updated forecast cash limit underspend of £1.441 million (0.31%) and a forecast General Fund underspend of £4.415 million compares to the position previously reported of a cash limit underspend of £4.876 million (1.04%) and a forecast General Fund underspend of £3.551 million. The cash limit position excludes the impact of COVID-19 which is being managed corporately.

- 41 The forecast position at this stage necessarily includes a number of assumptions in relation to costs and lost income resulting from COVID-19. In 2021/22 the council expects to receive £2.6 million in compensation for lost income through the Sales, Fees and Charges Income Guarantee Scheme, to assist with managing the financial position in 2021/22.
- 42 Approval is being sought for the following sums to be funded from/ transferred to general contingencies. Additional sums in relation to energy inflation will also need to be drawn from contingencies at year end and the sums required become more certain. The following sums are deemed to be outside of service grouping cash limits.

Service Grouping	Proposal	Amount £ million
REG	Grant Scheme for Leisure and Tourism businesses	0.080
REG	Restoring Railways	0.025
REG	Concessionary fares underspend	-0.850
TOTAL		-0.745

- 43 After adjusting the budgets and reserves as detailed above, and factoring in the review of reserves as detailed later in this report, the forecast outturn for cash limit reserves and the general reserve are summarised in the following table.

Type of Reserve	Opening Balance as at 1 April 2021 £ million	Budgeted use at 1 April 2021 £ million	Movement during 2021/22 £ million	2021/22 Forecast of Outturn £ million
Service Grouping Cash Limit				
Adult and Health Services	-10.451		4.306	-6.145
Chief Executive's Office	-0.135		0.135	0.000
Children and Young People's Services	0.000		2.210	2.210
Neighbourhoods and Climate Change	-1.294		-0.606	-1.900
Regeneration, Economy and Growth	-1.431		-1.278	-2.709
Resources	-2.462	0.094	0.927	-1.441
Total Cash Limit Reserve	-15.773	0.094	5.694	-9.985
General Reserve	-26.153	0.000	-4.415	-30.568

- 44 The forecast cash limit and general reserves position is a prudent one given the significant ongoing financial uncertainties facing local government beyond 2021/22. On 23 February 2022 Council considered the Medium Term Financial Plan (MTFP12) covering the period 2022/23 to 2025/26. The MTFP(12) report highlighted ongoing budget concerns for the council with a forecast savings shortfall of £29.987 million over

the 2023/24 to 2025/26 period, with the delivery of further savings becoming ever more challenging to achieve.

- 45 In addition, whilst additional COVID-19 grant has been provided for 2021/22 with the Sales, Fees and Charges Income Guarantee Scheme also in place until 30 June 2021, the ongoing impact of COVID-19 upon both the national finances and the council's budget are uncertain at this point.
- 46 With this in mind there is a heightened risk that funding will be restricted for some public services in the future which could require the council to identify and deliver significant additional savings in the future.
- 47 At quarter one CYPS were forecasting a £4.754 million overspend and AHS were forecasting a £3.886 million underspend. A review of these budget areas determined that a 2021/22 base budget transfer was appropriate, which would also be included in the 2022/23 base budget. Cabinet agreed this transfer on 15 September 2021. A budget transfer of £4.5 million in quarter two was actioned between the service groupings.
- 48 The table above highlights that CYPS are forecast to have a deficit cash limit reserve of £2.210 million at the end of 2021/22. Consideration will need to be given at final outturn as to how this deficit cash limit reserve position is addressed. In previous years the deficit at year end has been cleared by a transfer from General Fund reserves. Based on the quarter three forecast this would result in a cash limit reserve of £12.195 million and a general reserve of £28.358 million.

Review of Earmarked Reserves

- 49 A review of all earmarked reserves was undertaken during quarter three, which considered the pressures and investments in priority areas identified in the MTFP(12) report presented to Cabinet on 8 February 2022 and County Council on 23 February 2022. Consequently, there has been a reallocation of £14.9 million to the earmarked reserves set out in the following table:

Addition to Reserve	£ million
Members Initiatives Reserve	10.000
Budget Support Reserve	2.500
ER/VR Reserve	1.000
Cultural Programme Reserve	1.000
Commercialisation Reserve	0.400
	<hr/>
	14.900
	<hr/>

50 The £14.9 million has been transferred from the following service cash limit and earmarked reserves:

	£ million
Earmarked Reserve	
AHS: Public Health Government Grants Reserve	1.863
CYPS: Children's Services Reserve	0.712
Education Reserve	0.239
NCC: Community Protection Reserve	0.008
Partnerships and Community Engagement Reserve	0.349
REG: Business Growth Fund Reserve	0.150
Economic Development Reserve	0.200
Corporate Property and Land Reserve	1.100
Resources: Corporate Services Reserve	0.299
Revenue and Benefits Reserve	0.422
Legal Services Reserve	0.247
Registrars Trading Reserve	0.150
Operational Reserve	0.100
Transformation Reserve	0.243
COVID-19 Support Grants Reserve	0.191
Corporate: Capital Expenditure Reserve	0.273
Inspire Programme Reserve	0.125
Business Support Reserve	0.938
Recovery Support Reserve	1.800
Cash Limit Reserve	
AHS cash limit	4.000
Resources cash limit	1.500
	<u>14.900</u>

COVID-19 Impact

51 The council continues to face significant additional unbudgeted costs and savings in relation to the outbreak and significant loss of income. The full ongoing impact continues to be uncertain and will be dependent to a large extent on government announcements with regards to any further local or national restrictions. The major areas of forecast additional cost and loss of income are as follows:

- (a) **Adult Social Care Provider Support £2.2 million** – it is forecast that during 2021/22 additional financial support above the contracted provision of circa £1.8 million will have been paid to providers. This support includes a temporary six month 2% uplift in fees and in addition targeted support being given to residential care homes where occupancy levels have dropped significantly.

This support is in addition to support provided through the government's Infection Control Fund;

- (b) **Waste Management and Collection £5.1 million** – a range of additional costs are being incurred, such as increased waste tonnages which remain at very high levels compared to pre-COVID-19 levels, costs associated with the continuing challenges in the market for recycling materials following the pandemic and costs associated with reopening household waste recycling centres. The forecast position has improved by £0.4 million since quarter two as the additional costs of materials recycling have been lower than forecast;
- (c) **Car Park Income £0.1 million** – reduced volume of traffic in town centres has reduced income levels. The forecast position has improved by £0.5 million since quarter two as the loss of income has been lower than forecast;
- (d) **Theatres £1.3 million** – until the end of July 2021, theatres were closed and there continues to be uncertainty as to when our audiences will return to pre-pandemic levels;
- (e) **Leisure Income £3.1 million** – the closure and restrictions on access to facilities is having an ongoing impact on income. The forecast position has improved by £0.5 million since quarter two as the loss of income has been lower than forecast;
- (f) **Aycliffe Secure £2 million** – reduced income due to social distancing requirements resulting in reduced occupancy within the facility;
- (g) **Business Support Grants £3 million** – a package of support has been developed to support current businesses to enable them to stabilise and continue to grow.

52 In 2021/22, the government is providing a fifth tranche of funding for local authorities for additional costs incurred as a result of COVID-19. This funding was allocated based upon formulae; £15.56 million has been received in year by the council.

53 The government has extended, for three months to 30 June 2021, the 'Income Guarantee Scheme' to provide financial support for lost sales, fees and charges income. The scheme requires councils to bear the first 5% of any qualifying income loss after which the government will provide a grant for 75% of subsequent losses. A number of areas of income loss such as commercial income and rental income are not covered by the scheme. In addition, any underspends generated in the areas in question must be utilised to offset any lost income.

- 54 The council is required to submit returns for support under the Income Guarantee Scheme. It is estimated that the council may be able to claim circa £2.6 million from the Income Guarantee Scheme for 2021/22 subject to further work and the extent of the claims that are made and paid.
- 55 Based on the position to 31 December 2021 service groupings are forecasting a net overspend of £14.217 million before any adjustment for COVID-19 related items. This net overspend position mainly arises from additional expenditure and loss of income associated with the COVID-19 outbreak of £22.882 million, offset by COVID-19 related underspends (relating to closure of facilities and disruption to normal service activity as a result of the pandemic) of £7.224 million – giving a net COVID-19 related position of a £15.658 million overspend. When this is excluded there is a forecast cash limit underspend of £1.441 million across all service groupings.
- 56 The forecast COVID-19 overspending across the various service groupings is fully offset by the circa £18.2 million the council expects to receive from the government to cover the financial impact of the pandemic. At this stage, net COVID-19 costs are £2.5 million below the grant funding the council expects to receive, which is an improved position on that forecast at quarter two when the net impact was forecast to be £0.5 million below the grant funding provided. This reflects a £1 million improvement in net spending and £1 million of additional grant from the Sales, Fees and Charges Income Guarantee Scheme.

Cash Limit Position

- 57 The reasons for the major variances against the revised budgets are detailed below. It is important to note that the cash limit positions exclude all COVID-19 related issues which are outside the control of budget managers.
- 58 In quarter 2 the former Chief Executive service grouping was absorbed into the REG and Resources service groupings.

Adult and Health Services (AHS)

- 59 The 2021/22 updated projected outturn for AHS is a cash limit underspend of £0.189 million, representing circa 0.15% of the total budget for AHS. This compares with a cash limit underspend at quarter two of £2.350 million. The position factors in the in year £4.5 million budget transfer to CYPs in quarter two.

- 60 The projected outturn takes into account adjustments for sums outside the cash limit including redundancy costs which are met from the corporate reserve, capital accounting entries and use of / contributions to earmarked reserves. COVID-19 related expenditure and loss of income has also been excluded from the cash limit outturn.
- 61 The outturn is a managed position, reflecting the proactive management of activity by Heads of Service across AHS to remain within the cash limit. The outturn position is accounted for as follows:
- (a) careful management and control of vacant posts and supplies and services budgets across the service together with uncommitted budgets, results in an estimated net under budget position for the year of £1.844 million;
 - (b) net spend on adult care packages is £1.655 million over budget. This includes a part-year 10% increase on the domiciliary care fee rate. This area of spend is being closely monitored to assess the impact of COVID-19, which has seen a reduction in care home placements but an increase in domiciliary care, 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 under and overspending in year met from the Public Health Grant reserve.
- 62 In arriving at the forecast outturn position, the service has estimated £2.659 million of additional costs and lost income relating to COVID-19 and £3.101 million of COVID-19 related underspends.
- 63 In addition, a net £2.451 million relating to contributions to and from reserves and contingencies has been excluded from the cash limit outturn forecasts, details as follows:
- (a) use of £0.370 million Adult Cash Limit reserve to fund temporary staffing and short term support;
 - (b) contribution of £2.5 million to the Adult Social Care reserve to in the main fund joint projects with NHS partners;
 - (c) use of 0.376 million Adult Social Care reserve to fund temporary staffing and short term support; and
 - (d) contribution of £0.697 million to Public Health reserves for Public Health projects in future years.

- 64 Taking the projected outturn position into account, including the transfers to/from reserves in year, the estimated cash limit reserve to be carried forward for AHS is forecast to be £6.145 million.

Children and Young People's Services (CYPS)

- 65 The updated forecast revenue outturn for 2021/22 is a cash limit overspend of £2.210 million for the year, representing circa 1.59% of the total budget for CYPS. This compares to a cash limit underspend forecast at quarter two of £1.607 million. The position takes into account the in year £4.5 million budget transfer from AHS.
- 66 The updated outturn forecast takes into account adjustments for sums outside the cash limit, including redundancy costs which are met from the corporate reserve, capital accounting entries and use of/ contributions to earmarked reserves. COVID-19 related expenditure and loss of income has also been excluded from the cash limit outturn.
- 67 The projected outturn includes an overspend within Education of £2.370 million and an underspend within Children's Services of £0.160 million, with further details provided below:
- (a) the Education Service is forecasting an overspend of £2.370 million. This includes a £2.272 million forecast overspend on Home to School Transport, a forecast shortfall in school and academy SLA income of £0.597 million, a forecast shortfall on other income (contributions from schools, course income etc) of £0.456 million and a small overspend on general supplies, printing and postages of £29,000. These overspends are partially offset by savings of £0.413 million in employee costs, mainly due to vacant posts and other pay budgets, a projected underspend of £0.195 million on Other Pay (normally retained for incremental drift), £0.111 million under spend on staff recharges, £0.103 million savings on staff travelling, an underspend on the Early Years Sustainability budget of £82,000 and a reduced pension liability of £80,000; and
 - (b) Children's Services (Children's Social Care and Early Help & Intervention) is forecast to be a net £0.160 million under budget for the year. The Service is forecasting an overspend of £2.817 million in relation to the cost of looked after children's placements, following a budget transfer of £4.5 million from Adult and Health Services; £0.364 million over budget for premises; £1.839 million over budget for supplies and services offset by forecast savings of £0.405 additional income in relation to joint funded arrangements with County Durham Clinical Commissioning Group; £0.705 million on Special Guardianship, Child

Arrangement and Adoption Allowances; £0.239 million for young people placed on remand; £2.467 million for employees including £0.880 million for the Looked After Children restructure, £1.113 million for transport and £0.237 million from Direct Payments and a further £14,000 on other care related activity for children and young people.

- 68 The 2021/22 Children's Social Care and Early Help & Intervention budget includes growth of £6.14 million, a further £4.50 million in-year transfer from Adult and Health Services and £0.821 million temporary funding in order to meet the challenges and pressures being experienced by the service.
- 69 The 2021/22 budgets also included additional budget growth of £1.7 million to recognise the financial pressures being experienced in delivering home to school transport, which has seen costs increase by 35% over the last two years.
- 70 In arriving at the forecast outturn position, the service has identified £2.764 million of additional costs and lost income relating to COVID-19, and £0.629 of COVID-19 related underspends. The net COVID-19 impact is therefore £2.135 million and this is being funded corporately by utilising Central Government grants.
- 71 The forecast cash limit outturn shows the position after a net £325,222 use of reserves. Transfers to and from earmarked reserves, cash limits and contingencies have been applied to finance the following items:
- (a) £16,960 use of the Early Years Activity reserve linked to Early Years Professional Development Programme spend;
 - (b) £40,000 use of the Liquid Logic – Enhance Performance Reserve to fund a Project Manager post;
 - (c) £59,665 use of corporate ER/VR reserve to fund Adult Learning Support Service redundancies;
 - (d) £175,805 use of Aycliffe Secure to cover the costs of a kitchen and bathroom project;
 - (e) £49,141 to National Supporting Families Programme Reserve to fund a Senior EH Adviser in 2022/23;
 - (f) £71,933 use of DFE Holiday Activities and Food Grant; and
 - (g) £10,000 use to support Vulnerable Young Learners.
- 72 In 2020/21, £1.576 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 2021 and to balance the CYPs cash limit reserve to zero.

- 73 Taking the updated forecast outturn position into account, there is a forecast £2.210 million deficit cash limit position at year end. Consideration will need to be given at final outturn as to how to address this issue.

Neighbourhoods and Climate Change (NCC)

- 74 The updated forecast revenue outturn for 2021/22, based on the position to 31 December 2021, is a cash limit underspend of £1.006 million, after taking account of the forecast use of reserves and items outside the cash limit, including COVID-19 related expenditure and loss of income. This compares with a cash limit underspend forecasts at quarter two of £0.101 million.
- 75 The outturn is a managed position, reflecting the proactive management of activity by Heads of Service across NCC to try and remain within the cash limit. The main reasons accounting for the cash limit outturn position are as follows:
- (a) Environmental Services is forecast to be £0.229 million underspent. This is mainly resulting from staffing underspends of £99,000 in Neighbourhood Wardens where staff are not yet at the top of the grade, £0.107 million increased income for trade waste, £0.105 million increased income for commercial waste at the waste transfer stations and £0.106 million savings due to staff turnover. These have been offset by additional transport costs of £0.188 million due to additional vehicles being retained in the service for staff health and safety reasons, until social distancing is phased out;
 - (b) Technical Services is underspent by £0.411 million. Strategic Highways is £0.503 million underspent, which is mainly due to electricity savings in streetlighting, and there are savings of £136,000 associated with the vacant Head of Service post. These savings are partially offset by an overspend in revenue maintenance to cover additional work on gullies, drainage, structures and emergency action work, and an overspend in trading areas due to reduced income;
 - (c) Consumer Protection is forecast to underspend by £0.300 million. There is a net underspend on employees of £0.161 million mainly due to vacant posts which are planned to be filled next financial year, and additional fees and charges income of £99,000. The outturn for this service also includes planned expenditure of £1.353

million on COVID-19 Outbreak Management activities, which is offset by specific government grant;

- (d) Partnerships & Community Engagement is forecast to underspend by £29,000, mainly due a net underspend on employees. The outturn for this service also includes planned expenditure of £2.263 million on COVID-19 Outbreak Management funded activities. The budgets in this area have been augmented with £2.240 million of funding drawn down from the Towns & Villages Reserve to increase Members' budgets by £1.26 million, and AAP budgets by £0.980 million. This year there also an additional £1.400 million being provided to AAPs for Community Recovery that is being funded from the Local Council Tax Support Grant.

76 In arriving at the forecast outturn position, the service is estimating £5.709 million of additional costs, and lost income relating to COVID-19, offset by COVID-19 related savings of £58,000 which have been excluded from the cash limit forecasts. This will be met corporately by utilising central government grants wherever possible.

77 There is a forecast £0.756 million overspend on the winter maintenance budget this year, which is being met from a draw down from the winter maintenance reserve in year, leaving a £0.744 estimated balance on this earmarked reserve at 31 March 2022. The winter maintenance budget was increased by £1.000 million in 2021/22.

78 In addition, £0.407 million relating to use of reserves and cash limits has been excluded from the outturn. The major items being:

- (a) £0.756 million drawdown from reserves relating to the Winter Maintenance budget overspend in year;
- (b) £0.248 million drawdown from reserves relating to additional planned expenditure in Highways Services;
- (c) £0.146 million drawdown from reserves relating to the Horden Together Project;
- (d) £0.242 million contribution to reserves relating to Environmental Schemes; and
- (e) £0.493 million contribution to reserves relating to the Town & Villages Reserve, and the Syrian Refugees Settlement Programme.

79 Taking the projected outturn position into account, the forecasted cash limit reserve for Neighbourhoods & Climate Change will be £1.9 million at 31 March 2022.

Regeneration, Economy and Growth (REG)

- 80 The forecast revenue outturn for 2021/22, based on the position to 31 December 2021, is a cash limit underspend of £1.695 million, after taking account of the forecast use of reserves and items outside the cash limit, including redundancy costs which are met from the corporate reserve, capital accounting entries and use of / contributions to earmarked reserves. Covid-19 related expenditure and loss of income has also been excluded from the cash limit outturn. The cash limit underspend forecast at quarter two was £0.230 million.
- 81 The outturn is a managed position, reflecting the proactive management of activity by Heads of Service across REG to try and remain within the cash limit. The main reasons accounting for the outturn position are as follows:
- (a) Culture, Sport and Tourism is forecast to underspend by £0.569 million against budget. The main reasons are underspends in Service Development (£0.243 million) and Locality Services (£0.485 million), primarily relating to vacant posts offset by an unrealised MTFP saving of £0.201 million;
 - (b) Transport and Contract Services is forecast to underspend by £0.535 million against budget. In Strategic Traffic there is an underspend of £0.299 million in Road Safety and Traffic Assets mainly in relation to staff turnover, projected additional enforcement income across the county of £0.313 million and an underspend of £0.092 million relating to the temporary closure of Durham Bus Station offset by costs of repairs to bus shelters and additional security due to anti-social behaviour. In Care Connect there is a shortfall of £0.120 million in relation to reduced SLAs and subsidised client income offset by underspends in staffing. In Sustainable Transport there are additional costs of £36,000 to bring in a consultant to assist on the new database and a reduction of £0.120 million in departure charges from Durham Bus Station;
 - (c) Development and Housing is forecast to underspend against budget by £0.323 million. This is the net effect of an underspend of £0.626 million in Planning Development resulting from higher than budget levels of planning fee and building control income, offset by overspends of £0.170 million in Strategy and Project Development and £0.117 million in Economic Development. There were also various minor overspends across the service. There is a forecast net cost of £0.404 million in this area to be covered via COVID general grant;

- (d) Business Durham is forecast to be in line with budget after the use of £2.710 million of COVID general grant funding to support the payment of business recovery grants;
- (e) Corporate Property and Land is forecast to underspend by £17,000 against budget. This is the net effect of an overspend due to costs associated with external support for case work in the Strategy and Property Management service, offset by lower costs associated with the Energy Centre at Freeman's Reach and savings in Facilities Management. There is a forecast net cost of £0.638 million in this area to be covered via COVID general grant;
- (f) Communications Management is forecast to underspend by £0.127 million against budget due to a combination of vacant posts held in advance of MTFP savings required in 2022/23, and reduced costs due to not publishing a Summer Fun Guide or Guide to Services in 2021/22; and
- (g) Central costs are forecast to underspend by £0.124 million against budget.

82 In arriving at the forecast outturn position, the service is declaring £9.233 million of additional costs, and lost income and relating to Covid-19 and £2.173 million of Covid-19 related underspends. The net Covid-19 impact is therefore £7.060 million, and this will be covered corporately by utilising Central Government grants.

83 In arriving at the forecast outturn position, £0.586 million relating to contributions to / use of reserves, cash limits and contingencies has been excluded from the outturn. The major items being:

- (a) £0.850 million contribution to central contingencies in respect of underspending on Concessionary Fare reimbursement payments;
- (b) £0.600 million use of the Culture, Sport and Tourism Transformation reserve to fund a capital contribution to Beamish Museum;
- (c) £0.400 million contribution to the Regeneration Initiatives reserve included as part of the recent review of earmarked reserves and one-off budgets;
- (d) £0.307 million contribution to the County Durham Lettings Agency reserve to be used in future years to fund major repairs and replacement costs for properties;
- (e) £0.301 million use of the Cultural Programme reserve to fund costs incurred for Lumiere and BRASS in 2021/22;

- (f) £0.279 million use of the Business Durham Programme reserve to provide match funding for schemes that are part funded from European grants;
- (g) £0.219 million use of the Housing Solutions Selective Licensing reserve to cover staffing costs associated with setting up the scheme in advance of commencement on 1 April 2022; and
- (h) £0.200 million contribution to the Planning reserve to fund forecast costs associated with major planning appeals next year and to provide external support for work on the Economic Strategy.

84 Taking the projected outturn position into account, the forecasted cash limit reserve to be carried forward for Regeneration, Economy and Growth is £2.709 million.

Resources

85 The 2021/22 forecast revenue outturn for Resources is a cash limit underspend of £0.761 million. This takes into account adjustments for sums outside the cash limit such as redundancy costs which are met from corporate reserves and use of / contributions to earmarked reserves. Covid-19 related expenditure and loss of income has also been excluded from the cash limit outturn. The forecast cash limit underspend at quarter two was £0.588 million.

86 The Heads of Service across Resources continue to proactively manage activity to remain within the cash limit. The projected under budget position is the net effect of the following items:

- (a) Corporate Finance and Commercial Services is forecast to be under budget by £0.250 million, with includes a managed underspend on employee costs within Occupational Health of £52,000, as well as a forecast underspend of £26,000 on supplies & services costs. These are largely offset by underachieved income of £67,000. There is a managed overspend on supplies & services costs in Health and Safety of £5,000 which has been offset by additional income of £95,000. There is a managed underspend on employee costs in Strategic Finance of £0.110 million, as well as additional income of £39,000. There are also a number of other minor variances in this service area;
- (b) Finance and Transactional Services is forecast to be under budget by £0.829 million, due to underspends on employee costs of £0.593 million, partially offset by a forecast overspend on supplies and services costs of £0.113 million. There is also

additional unbudgeted income of £0.435 million in Revenues and Benefits. Payroll & Employee Services is forecasting to be over budget by £89,000 due to unachievable income of £41,000 and managed overspends on employee costs of £45,000 and £3,000 on supplies and services costs. Service Management / Management is forecasting to be under budget by £50,000 mainly due to a managed underspend on employee costs. Financial Management is forecasting an overspend of £47,000 primarily due to a managed overspend on employee related costs;

- (c) Digital and Customer Services is forecast to be over budget by £0.534 million. Within this area, employee costs are forecast to be £0.663 million under budget, premises costs are forecast to be £85,000 under budget and additional income is forecast to be £0.338 million. This is more than offset by forecast overspends on transport costs of £19,000 and supplies and services costs of £1.458 million. However, this includes an overspend of £0.535 million relating to Oracle software licensing as a result of dual licensing costs in 2021/22 in order to achieve an MTFP saving, which will not be realised until next financial year. In addition, a sum of £0.200 million has been set aside in an earmarked reserve to cover the increased licence costs for Resourcelink. In quarter one a provision was made for Direct Revenue Funding of three ICT capital projects to the value of £0.160 million. There are also a number of other minor variances in this service area;
- (d) Internal Audit, Risk and Corporate Fraud is forecast to be on budget, comprising of a managed overspend of £43,000 on employee related expenditure, offset by additional income of £34,000 and an underspend of £9,000 on supplies and services costs;
- (e) Legal and Democratic Services is forecast to be under budget by £0.136 million. This includes a £0.466 million managed underspend on employee related expenditure, a forecast underspend on premises related costs of £26,000 and overachieved income amounting to £0.115 million. There is a forecast overspend of £0.477 million on supplies and services costs (which includes a forecast overspend on barrister costs of £0.173 million) and a £6,000 overspend on transport costs;
- (f) People and Talent Management is forecast to be over budget by £84,000, which includes a £0.126 million managed overspend on employee related expenditure, a £8,000 overspend on supplies and services and a £26,000 overspend on central support, partially offset by £76,000 of additional income;

- (g) Strategy is forecast to be over budget by £54,000, primarily due to a managed overspend on employee related costs of £35,000 and a forecast overspend on central support of £20,000. There are also a number of other minor variances in this service area;
- (h) Transformation is forecast to be under budget by £99,000, primarily due to a managed underspend on employee costs of £86,000. There are also a number of other minor variances in this service area;
- (i) Procurement, Sales and Business Services is forecast to be under budget by £82,000, which includes a managed overspend on employee related of expenditure of £13,000 and a £31,000 underspend on supplies and services. The service is also forecasting £64,000 of additional income.

87 In arriving at the forecast outturn position, the service is declaring £1.886 million of additional costs, and lost income and relating to Covid-19 and £1.238 million of Covid-19 related underspends. The net Covid-19 impact is therefore £0.648 million, and this will be covered corporately by utilising Central Government grants wherever possible.

88 The forecast cash limit outturn shows the position after a net £0.434 million of contributions to/from reserves, cash limits and contingencies have been applied. The major items being:

- (a) £0.309 million to the Welfare Assistance Scheme Reserve to reflect the forecast underspend for 2021/22 relating to discretionary housing payments; and
- (b) £0.200 million to the Resourcelink ICT Reserve to fund the anticipated cost of additional licences required for the Resourcelink system.

89 Taking the outturn position into account, including items outside the cash limit and transfers to and from earmarked reserves, the cash limit reserve to be carried forward for Resources is forecast to be £1.441 million.

Corporate Costs

90 The forecast revenue outturn for 2021/22 for Resources – Centrally Administered Costs is a cash limit overspend of £10,324. This takes into account adjustments for sums outside the cash limit such as the use of / contribution to earmarked reserves. The forecast position at the end of quarter two was a cash limit overspend of £1,495.

- 91 The forecast outturn position is mainly due to reduced expenditure on expenses associated with raising loans (£30,000) and £71,000 in respect of Contributions to Other Bodies. However, this has been offset by a projected overspend on Audit Fees (£30,000), a projected overspend on professional fees (£15,000) and a forecast shortfall of income from de-minimis capital receipts (£50,000) arising from the sale of assets. There are also a few other minor variances in this service area.

Central Budgets

Interest Payable and Similar Charges - Capital Financing

- 92 This budget has been increased by £0.012 million to £39.057 million, following a budget transfer from services to fund increased leasing costs. The forecast outturn position is in line with the budget.

Interest and Investment Income

- 93 The forecast income of £3.008 million is £0.108 million more than the £2.900 million budget. The forecast surplus reflects the combined effect of reduced investment returns, as interest rates achievable on short term investments have reduced significantly which have been offset in year by increased one off dividends, primarily from Durham Villages Regeneration Limited and higher than usual cash balances due to the receipt of significant grant funding linked to COVID-19.

Council Earmarked Reserves Forecast

- 94 Earmarked reserves are funds set aside for specific, known or predicted future expenditure. Appendix 4 details the council and school earmarked reserves showing the opening balance at 1 April 2021, the forecast movement on reserves during the year and the forecast closing balance as at 31 March 2022.
- 95 A summary of the forecast of council reserves (excluding school reserves) is shown below. This factors in the review of earmarked reserves set out at paragraphs 49 and 50. The summary highlights that the total earmarked and cash limit reserves are forecast to reduce by £38.458 million in 2021/22, from £245.532 million to £207.074 million, primarily relating the defraying of COVID-19 and other one off funding received last year and carried over at year end. The movement in earmarked reserves is explained in the service grouping commentaries.

	Earmarked £ million	Cash Limit £ million	Total £ million
Opening Earmarked Balances as at 1 April 2021	-229.759	-15.773	-245.532
Adjusted for increase (-) / use of Earmarked Reserves	40.357	-1.899	38.458
Transfers Between Earmarked and Cash Limit Reserves	-7.686	7.686	0.000
Earmarked Reserve Balances as at 31 March 2022	-197.088	-9.986	-207.074

96 The position forecast at quarter two indicated that total earmarked and cash limit reserves (excluding school reserves) were forecast to reduce by £36.559 million in 2021/22, to £208.973 million.

97 Further to comments and queries raised on the councils earmarked reserve position, the earmarked reserves analysis at Appendix 4 now includes a breakdown of sums held for corporate purposes, sums held on behalf of partner organisations / external grants and other sums earmarked for specific purposes, as summarised in the table below:

Type	Actual Balance at 1 April 2021 £'000	Forecast Balance at 31 March 2022 £'000	Change in Year £'000
Earmarked – Corporate Reserves	-67,329	-75,644	-8,315
Earmarked – Partner/External Grant	-62,241	-31,969	30,272
Earmarked - Other	-100,189	-89,475	10,714
Sub-Total	-229,759	-197,088	32,671
Earmarked - Cash Limit	-15,773	-9,986	5,787
Total Earmarked Reserves	-245,532	-207,074	38,458

98 The cash limit forecasts include a deficit cash limit reserve of £2.210 million at the end of 2021/22 for CYPS. In previous years the deficit at year end has been cleared by a transfer from General Fund reserves. Based on the quarter three forecast this would result in a cash limit reserve of £12.195 million, with a corresponding adjustment (reduction) in the forecast general reserves position included in this report.

Dedicated Schools Grant and Schools

99 The council currently maintains 176 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.

100 The forecast outturn for 2021/22 for these 176 maintained schools is £266 million, funded by income of £72 million, budget shares of £193 million (from central government funding), and a forecast £1 million use of accumulated schools' reserves. The table below summarises the forecasts.

	Nursery	Primary	Secondary	Special / AP	Current Annual Budget
	£ million	£ million	£ million	£ million	£ million
Employees	4.615	145.177	30.479	30.852	211.123
Premises	0.298	10.359	2.424	1.269	14.349
Transport	0.001	0.312	0.406	1.187	1.905
Supplies and services	0.505	27.884	5.967	4.717	39.073
Gross expenditure	5.418	183.731	39.276	38.025	266.451
Income	(4.103)	(46.478)	(13.647)	(7.853)	(72.081)
Net expenditure	1.315	137.253	25.629	30.173	194.370
Budget share	(1.072)	(135.659)	(25.751)	(30.524)	(193.007)
Contribution to/(from) reserves	0.243	1.594	(0.123)	(0.352)	1.363
Balance at 31 Mar 2021	(1.034)	(22.599)	(1.060)	(3.216)	(27.910)
Balance at 31 Mar 2022	(0.791)	(21.005)	(1.183)	(3.568)	(26.547)

101 The balance at 31 March 2021 in the table above is the balance for the schools that are currently maintained. The total balance at 31 March 2021, including schools that have now converted to academies was £31.174 million. For schools that have now converted to academies, the balances at 31 March 2021 were £3.264 million. These balances are paid over to academies unless the council has agreed to write-off deficit balances, which it has done this year for St Thomas More RC primary, which converted on 1 September and had a deficit balance of £58,000 on conversion.

	Nursery	Primary	Secondary	Special / AP	Total
	£ million	£ million	£ million	£ million	£ million
Balance at 31 March 2021	(1.034)	(25.721)	(1.273)	(3.216)	(31.174)
Less academy convertors	-	3.052	0.212	-	3.264
Less use of reserves	0.243	1.594	(0.123)	(0.352)	1.363
Balance at 31 March 2022	(0.791)	(21.075)	(1.183)	(3.568)	(26.547)

102 At quarter two it was highlighted that schools were reforecasting their budgets with the School Funding Team as part of the autumn term review. At that stage schools were forecasting end of year retained balances of £17.926 million. It was noted that past experience had shown that schools usually underspend significantly against their initial budgets and early forecasts. This has proved to be the case once again, with the quarter three position indicating an improvement in the forecast of the end of year retained balances of £26.547 million. A comparison of the quarter two and quarter three forecasts is summarised in the table below:

	Nursery	Primary	Secondary	Special / AP	Total
	£ million	£ million	£ million	£ million	£ million
Q2 Budgeted Balance at 31 March 2022	(0.731)	(14.789)	(0.498)	(1.909)	(17.926)
Q3 Forecast Balance at 31 March 2022	(0.791)	(21.075)	(1.183)	(3.568)	(26.547)
Change QTR2 to QTR3	(0.061)	(6.286)	(0.685)	(1.659)	(8.621)

103 Note that the budgeted balance is different to that quoted at Quarter 2, (£19.560 million), because of the conversion of more primary schools to academies.

104 Four schools were given approval to set deficit budgets where planned expenditure during 2021/22 would result in a deficit balance at 31 March 2022 (known as a licensed deficit). One of the schools (St Thomas More RC) has now converted and the forecast outturn for the remaining three schools is summarised in the table below.

School Name	Phase	Deficit at 31 March 2021	Planned in-year use or (contribution) to reserves	Planned / Licensed deficit at 31 March 2022	Forecast deficit at 31 March 2022
		£ million	£ million	£ million	£ million
Ferryhill Station	Primary	0.045	(0.026)	0.019	0.009
Wellfield	Secondary	3.114	(0.200)	2.914	2.788
Durham Community Business College	Secondary	0.504	0.310	0.814	0.770

105 In all cases, the quarter three forecasts show an improved position against the licensed deficit position approved for 2021/22.

106 St Thomas More RC Primary converted to an academy in September 2021. This was expected and a licensed deficit of £65,000 to conversion

was approved. To facilitate the conversion of this school the council agreed to write-off the deficit balance at the point of conversion. This limited the council's exposure to having to write-off a larger deficit in the future if the school was to convert with a larger deficit having been accumulated. The final balance upon conversion was a deficit of £58,000, so within the licensed deficit.

- 107 The School funding Team will continue to closely monitor the budget position for these schools and will work with them to identify further savings.

Dedicated Schools Grant Centrally Retained block

- 108 The quarter two financial forecasts for the centrally retained DSG budgets show an overspend of £1.678 million against a total expenditure budget of £101.059 million to year end, which represents a 1.66% overspend.

DSG Block	Budgeted Expenditure	Budgeted Income	Net Budget	Forecast Outturn	Forecast Over / (Under) Spend
	£ million	£ million	£ million	£ million	£ million
Schools de-delegated	0.352	(0.352)	0	0	0
High Needs	67.424	(65.746)	0	1.678	1.678
Early Years	31.935	(31.935)	0	0	0
Central Schools Services	3.026	(3.026)	0	0	0
TOTAL	102.827	(101.059)	0	1.678	1.678

- 109 The forecast overspend position relates to an overspend against the High Needs Block (HNB), which is forecast to overspend by £1.678 million. This is broadly in line with (slight deterioration) the quarter two forecast position which showed a £1.455 million overspend against the HNB.
- 110 The overspending largely relates to Top Up Funding for mainstream Nursery, Primary and Secondary pupils and the Local Authority Pupil Referral Unit and associated income.
- 111 All areas of HNB expenditure will be kept under close review in light of continuing COVID-19 issues, with particular attention on the impact of schools returning where it is possible we will see an upward trend in the volume of requests for additional support for high needs pupils.

112 The impact of the current forecast on the DSG reserves position is shown in the following table:

DSG Reserves	High Needs Block (Unusable Reserve) £ million	Early Years Block £ million	Schools Block £ million	Total DSG £ million
Balance as at 1 April 2020	(5.726)	1.275	0.644	(3.806)
Early Years adjustment 2019/20	0	0.097	0	0.097
Use [-] / Contribution [+] in 2020/21	(2.321)	0.003	2.105	(0.213)
Balance as at 1 April 2021	(8.047)	1.375	2.749	(3.923)
Use [-] / Contribution [+] in 2021/22	(1.678)	0	0	(1.678)
Forecast balance as at 1 April 2022	(9.725)	1.375	2.749	(5.601)

113 The overall DSG reserve was in deficit of £3.923 million at the start of the financial year as a result of the accumulated deficit position in relation to the high needs block. The overall deficit position is now forecast to increase to £5.601 million to the year end.

114 A five-year plan for high needs block funding and expenditure, including recovery of the accumulated deficit by the end of the five-year period, was approved by Cabinet in January 2020. An updated version of the plan was reported to Cabinet in July 2020.

115 Following a funding announcement from Government on 21 July 2021, further information is now available about HNB funding levels in 2022/23. The funding position for Durham is better than forecast in the previous version of the five-year plan and the process of updating the plan to reflect this change, as well as the revised forecast outturn position for 2021/22, is underway, with a further update to be presented to Cabinet in April 2022.

116 Legislation came into force in November 2020 which means that, where a local authority has a deficit in respect of its schools budget for a financial year beginning on 1 April 2020, 2021 or 2022, the authority:

- (a) must not charge to a revenue account an amount in respect of that deficit; and
- (b) must charge the amount of the deficit to an account established, charged and used solely for the purpose of recognising deficits in respect of its schools' budget.

- 117 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 (held in a specific unusable reserve). The £8.047 million deficit balance as at 1 April 2021 has been transferred out of the earmarked reserve and is held in a new unusable reserve, whilst the five-year plan continues to recover the accumulated deficit.

Capital

Background

- 118 The 2021/22 original budget of £205.408 million was revised at both Quarter 1 and Quarter 2, with the revised budget of £199.218 million being approved by Cabinet on 17 November 2021 in the Quarter 2 Forecast of Revenue and Capital Outturn 2021/22. Details of the original and revised budget are shown in the table below.
- 119 The council's Capital Member Officer Working Group (MOWG) that closely monitors the capital programme has since considered further revisions to the capital programme, taking into account additional resources received by the authority and further requests for reprofiling as Service Management Teams continue to monitor and review their capital schemes, especially in light of delays associated with the impact of COVID-19.

Current Position

- 120 The following table summarises the latest capital budget for approval alongside the original budget. The table also shows the actual capital spend as at 31 December 2021.

Service Grouping	Original Budget 2021/22	Revised Budget 2021/22 Quarter 2	Amendments recommended by MOWG	Revised Budget 2021/22 Quarter 3	Actual Spend to 31 Dec 2021
	£ million	£ million	£ million	£ million	£ million
Adult and Health Services	1.210	1.210	-0.833	0.377	0.320
Children and Young People's Services	33.641	25.451	-8.558	16.893	10.696
Neighbourhoods and Climate Change	58.740	62.232	-16.828	45.403	29.637
Regeneration, Economy and Growth	87.554	96.722	-9.746	86.976	51.285
Resources	24.263	13.805	-4.475	9.330	3.759
TOTAL	205.408	199.419	-40.440	158.979	95.696

121 Since the original 2021/22 budget was agreed, MOWG has considered a number of variations to the capital programme which are a result of additions and reductions in resources received by the council and reprofiling of budgets over future years. Variations of note are as follows:

Additions and Reductions

(a) **CYPS** – the service has the following additions and reduction:

- (i) **School Devolved Capital** – a budget increase of £0.320 million for Rural Gigabit Connectivity Fund Broadband schemes financed by a grant from DfE. Increases to the devolved capital budgets of various schools financed from £0.171 million direct revenue funding and £27,367 Salix loan;
- (ii) **School Related** – the budget for the new build primary school in Bowburn was reduced by £1.000 million, which is no longer required and has been returned to capital contingencies: and
- (iii) **Secure Services** - a budget increase of £0.438 million for a Transition Home at Aycliffe Secure Centre, funded from DfE grant.

(b) **NCC** – the service will utilise additional funding as follows:

- (i) **Environmental Health & Consumer Protection** - a budget increase of £62,995 for Horden Social Welfare Centre, funded from reserves.
 - (ii) **Environmental Services** - £1.290 million for Mountsett Crematorium Extension and Cremator Replacement, financed by a loan from the council and £0.156 million for Crimdon Coastal Hub, funded from direct revenue funding.
 - (iii) **Technical Services** – grant of £0.140 million from the Environment Agency for various flood defence schemes and a reduction of £0.100 million to the NIDP – Sedgfield (Ivy Row) Flood Defence scheme which was to be funded by Environment Agency grant, as the scheme will no longer go ahead.
 - (iv) **Members Neighbourhood Fund** – a £14,417 budget increase funded from the Members Neighbourhood Revenue Reserve and £10,000 for the Members Towns & Villages Capital Spend budget, funded from direct revenue funding.
 - (v) **AAP Capital Budget** – a £28,508 increase funded from the AAP Revenue Reserve.
- (c) **REG** – the service has the following additions:
- (i) **Development and Housing** - an increase of £0.509 million for Green Homes Phase 1b schemes, funded from BEIS grant of £0.414 million and a £95,000 contribution from Believe Housing. A budget increase of £1.637 million for the Rough Sleeper Accommodation (COMF) scheme, to be funded by Contain Outbreak Management Fund (COMF) grant. The budget was increased by £4.100 million for the Bishop Auckland Towns Deal scheme, relating to the purchase of the Newgate Centre and site to allow the Future High Street Fund programme to proceed. £1.100 million will be funded from capital contingencies and £3.000 million from self-financing. £25,000 of this budget is profiled in 2021/22 and the remaining £4.075 million in 2022/23;
 - (ii) **Business Durham** - £0.350 million for the Netpark Phase 3 scheme funded by self-financing from future revenue budgets. The total budget for this scheme is £49.592 million, phased over the period 2021/22 to 2024/25.
 - (iii) **Transport & Contracted Services** – £0.650 million NECA grant for Walking and Cycling Routes.
- (d) **RES** – the service has the following addition:

- (i) **Financing Resources** - £12,000 for the Digital Workforce HR/Payroll System financed from direct revenue funding.

- 122 Following the December MOWG, a new capital scheme for £0.335 million will be added to the AHS capital budget for Specialist Accommodation: Increased Capacity for People with Learning Disabilities and Complex Needs in the Community (Harelaw).
- 123 Budget managers continue to challenge and review the programming and phasing of works, which has resulted in the re-profiling of the following budgets in line with anticipated activity in 2021/22:
- (a) **AHS** - £0.833 million has been re-profiled from 2021/22 to 2022/23 for the Hawthorn House Development scheme in Adult Care;
 - (b) **CYPS** - £8.579 million (net) has been re-profiled from 2021/22 into 2022/23 and 2023/24. The most significant amount is the re-profiling of £2.314 million from 2021/22 to 2022/23 for the High Needs Capital Provision Fund. £0.784 million has also been re-profiled from 2021/22 to 2022/23 for the Special Provision Capital Fund as no further schemes have been identified for this financial year. Other amounts re-profiled from 2021/22 to 2022/23 include £1.514 million of School Devolved Capital budget covering a number of schools, £1.000 million of the Schools Capital Grant unprogrammed budget, £0.460 million for St. Stephen's CE Primary replacement demountable, £0.686 million for the New Build Primary School in Bowburn and £0.300 million for Spennymoor New Build Primary School;
 - (c) **NCC** - a sum of £18.931 million has been re-profiled from 2021/22 into 2022/23. Significant amounts include £3.161 million for Annfield Plain Battery Storage, £1.130 million for Morrison Busty Vehicle Workshop Refurbishment, £0.800 million for Burnigill Bank, £0.555 million for Whorlton Suspension Bridge Repairs, and £0.946 million for schemes relating to community buildings. £2.472 million of the SLERP 2 Street Lighting budget and £0.613 million for other Street Lighting schemes has been re-profiled from 2021/22 to 2022/23. £1.658 million of the Members Neighbourhood Fund budget and £0.359 million of the AAP Capital budget has been re-profiled into 2022/23, representing budget which has not yet been spent or committed to projects in 2021/22. Budget of £1.052 million for Chester le Street Deculverting project has been re-profiled from 2021/22 to 2022/23 as this project completed with an underspend on budget and some of the grant funding will be due for repayment in 2022/23. £0.750 million for New Elvet Bridge has been re-profiled from

2021/22 to 2022/23 as, although works are now complete, the final payment will be made in 2022/23;

- (d) **REG** - a sum of £12.512 million (net) has been re-profiled from 2021/22 across the period from 2022/23 to 2024/25. £2.128 million for the Aykley Heads Plot C scheme and £1.162 million for Beamish Museum Redevelopment has been re-profiled from 2021/22 to 2022/23 and 2023/24 to bring the budgets into line with revised cashflows. £1.650 million has been re-profiled from 2021/22 to 2022/23 for schemes at various Leisure Centres, due to delays in the programme. In Transport & Contracted Services £2.590 million has been re-profiled from the 2021/22 budget for Durham Bus Station and North Road Development due to delays in the programme, with £0.500 million going into 2022/23 and £2.090 million into 2023/24. £2.904 million has been re-profiled into 2021/22 for the Finance Durham Investment Fund, with £1.000 million coming from 2022/23 and £1.904 million from 2023/24, to reflect the fact that six additional investments are expected to be made by the end of this financial year. On the Consett Leisure Pool Tiling Defect scheme £1.215 million has been re-profiled from 2022/23 to 2021/22 as it is now confirmed that the majority of the works will take place in 2021/22; and
- (e) **Resources** - a sum of £4.487 million (net) has been re-profiled from 2021/22 into 2022/23. This includes £2.267 million for Digital Durham schemes, £0.633 million for the Accommodation Project ICT schemes, £0.219 million for Middleware Software – Enterprise Application Integration, £0.200 million for the Decommission and Refurbishment of Data Centres, £0.428 million for the End User Equipment Replacement programme, £0.100 million for Operational Equipment Replacement and £0.270 million for the PSN-PCI Security and Firewalling project. Some schemes have been delayed due to a change in service priorities as a result of COVID-19, and global shortages of ICT equipment have also delayed spend on a number of projects. £0.125 million has been re-profiled from 2022/23 to 2021/22 due to an early start to the Cyber Security Vault Expansion project.

124 In February 2022 MOWG received A Transforming Cities Funding Update Report on the Durham Bus Station and Park and Ride schemes and a revised “Durham City Approaches” programme. The re-aligning of TCF budgets as a result of this report will be actioned at the May MOWG.

Capital Financing

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

Financed By:	Original Budget 2021/22	Revised Budget 2021/22 Quarter 2	Amendments recommended by MOWG	Revised Budget 2021/22 Quarter 3
	£ million	£ million	£ million	£ million
Grants and Contributions	66.970	74.867	-1.738	73.129
Revenue and Reserves	13.634	19.489	-1.203	18.286
Capital Receipts	12.204	11.432	-3.719	7.713
Borrowing	112.601	93.631	-33.780	59.851
TOTAL	205.408	199.419	-40.440	158.979

Council Tax and Business Rates Collection Funds

Council Tax

- 126 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.
- 127 The in year collection rate at 31 December 2021 was 82.18%; an improvement on the position as at 31 December 2020 when in-year recovery for 2020/21 stood at 79.12%. This improvement is to be expected as debt recovery procedures were paused during 2020/21 due to the pandemic with debt collection processes only reintroduced from May 2021. The delay in recovery processes is resulting in lower in year recovery rates than the council would normally expect, resulting in larger than normal outstanding debts. The normal bad debt provision calculations are being adjusted to take this position into account.
- 128 The council is continuing to provide support to those impacted by COVID-19 through Hardship payments of up to £300 for those in receipt of council tax support who are still left with a bill to pay, with £3.654 million having been awarded to 31 December 2021.
- 129 On 9 June 2021, the Corporate Director of Resources took a delegated decision to fully reinstate formal recovery action.
- 130 The in-year collection rates at the end of quarter three for the current and last two financial years, are detailed below:

Billing Year	Position at 31 December Each Year %
2021/22	82.18
2020/21	80.52
2019/20	83.71

- 131 The income shown in the Council Tax Collection Fund is the amount collectable from council taxpayers in the long run, rather than the actual cash collected in the year the charges are raised. Likely bad debts are accounted for by maintaining a bad debt provision. The amount estimated to be collectable is calculated each year by reference to the actual council tax base for all domestic properties in the county (schedule of all properties, discounts and reliefs) with an allowance for non-collection.
- 132 Actual cash collected as at 31 December 2021 was £255.738 million compared with £235.254 million as at 31 December 2020. When the council tax increases for 2021/22 are factored in this represents a year on year real terms increase of £12.650 million in terms of council tax income received.
- 133 Due to changes in the number of properties (including new build and demolitions), eligibility of discounts and reliefs during the year, the actual amount collectable increases or decreases from the estimate on a day to day basis. In addition, adjustments for previous billing years take place during each accounting year. All of these adjustments mean that the actual amounts collected will always differ from the original budget.
- 134 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.
- 135 In July 2020 the government however, announced that repayments to meet any collection fund deficits accrued in 2020/21 would be phased over a three-year period (2021/22 to 2023/24) to ease immediate pressures on budgets.
- 136 At the 2020/21 budget setting stage the estimated in year outturn for the council tax element of the Collection Fund was a deficit of £5.720 million. In the preceptors 2021/22 budgets one third of this sum (£1.907 million) had to be repaid to the Collection Fund. The council share of

this amounted to £1.612 million and this requirement was built into the council's 2021/22 budget.

- 137 In forecasting the 2021/22 outturn for the Collection Fund the second repayment of the 2020/21 deficit must be included in the forecast. The sum for the whole Collection Fund again being £1.907 million and the sum for the council being £1.612 million.
- 138 The 2021/22 forecast Collection Fund position must also take into account the final outturn position for 2020/21. The final outturn position for the council tax element of the Collection Fund had deteriorated from the budget setting stage with an increase (undeclared) in the deficit of £3.741 million with the council share being £3.162 million. This undeclared deficit for 2020/21 must also be taken into account in the 2021/22 Collection Fund.
- 139 In terms of the in year position for the council tax element of the Collection Fund at 31 December 2021, the estimated outturn is a deficit of £0.173 million, with the council's share of the deficit being £0.146 million.
- 140 After taking into account the need to account for the second instalment of the phasing of the 2020/21 deficit of £1.907 million, the undeclared 2020/21 deficit of £3.741 million and the forecast in year deficit of £0.173 million, the overall forecast for the council tax element of the Collection Fund is a £5.821 million deficit. The council's share of this deficit is £4.906 million.

	£ million
Net Bills issued during Accounting Year 2021/22	367.464
LCTRS and previous years CTB adjustments	-60.489
Calculated change in provision for bad debts required and write offs	-4.309
Net income receivable (a)	302.666
Precepts and Demands	
Durham County Council	241.266
Parish and Town Councils	13.734
Durham Police Crime and Victim's Commissioner	32.607
County Durham and Darlington Fire and Rescue Authority	15.232
Total Precepts and Demands (b)	302.839
Net Surplus / (-) Deficit for year (a) – (b)	-0.173
Spreading of Deficit Adjustment	-1.907
Undeclared Surplus / (-) Deficit brought forward from 2020/21	-3.741
Estimated year end deficit	-5.821

Business Rates

- 141 Business Rates Retention was implemented in 2013/14 and the council now has a vested budget interest and stake in the level of business rate yield, as income generated from Business Rates is shared between Central Government (50%), Durham County Council (49%) and County Durham and Darlington Fire and Rescue Authority (1%). Therefore, it is not only the accuracy and timeliness of bills levied and collected that is monitored and audited, but also the level of income anticipated for the year is important.
- 142 In the Budget on 3 March 2021, the Chancellor announced that Expanded Retail Discount (2020/21) was to be extended for three months for eligible properties at 100% relief, uncapped, for the period 1 April 2021 to 30 June 2021. From 1 July 2021 to 31 March 2022, the Expanded Retail Discount will apply at 66% relief for eligible properties in the scheme, with a cash cap of £2 million for businesses that were required to close as at 5 January 2021, and up to £105,000 for business permitted to open at that date.

- 143 The Nursery Discount 2021 was also extended for three months, at 100%, uncapped, for the period 1 April 2021 to 30 June 2021. From 1 July 2021 to 31 March 2022 the Nursery Discount would apply at 66% relief for eligible properties, with a cash cap of £105,000.
- 144 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.
- 145 As with residents, local businesses have been severely impacted by the COVID-19 pandemic, particularly during the national lockdown periods. The extraordinary levels of relief provided during 2020/21 to assist businesses cope with the impact of COVID-19 have been mainly withdrawn this year. The most significant change has been the withdrawal of the Retail Discount and in accordance with legislation, accounts subject to that relief have just been billed.
- 146 The collection rate at 31 December 2021 was 80.91%, which is 1.79% points above the same position last year. The in-year collection rates at the end of quarter three for the current and last two financial years, are as follows:

Billing year	Position at 31 December Each Year %
2021/22	80.91
2020/21	79.12
2019/20	83.01

- 147 In line with the position for council tax the repayments to meet any collection fund deficits accrued in 2020/21 can be phased over a three-year period (2021/22 to 2023/24) to ease immediate pressure upon the 2021/22 budget.
- 148 At the 2020/21 budget setting stage the element of the deficit on the business rate element of the Collection Fund which the council was able to spread over the following three years was £1.138 million. In the preceptors 2021/22 budgets one third of this sum (£0.379 million) had to be repaid to the Collection Fund. The council share of this amounted to £0.186 million and this requirement was built into the council's 2021/22 budget.
- 149 In forecasting the 2021/22 outturn for the Collection Fund the second repayment of the 2020/21 deficit must be included in the forecast. The

sum for the whole Collection Fund again being £0.379 million and the sum for the council being £0.186 million.

- 150 The 2021/22 forecast Collection Fund position must also take into account the final outturn position for 2020/21. The final outturn position for the business rate element of the Collection Fund had improved from the budget setting stage with an improvement (undeclared) in year position of £6.337 million. This undeclared deficit for 2020/21 must also be taken into account in the 2021/22 Collection Fund.
- 151 In terms of the in year position for the business rate element of the Collection Fund as at 31 December 2021, the estimated outturn for the year is an in year deficit of £17.234 million of which the council's 49% share is £8.445 million. This deficit for the council however is offset by the receipt of additional Section 31 grant of £8.933 million due to the additional business rate relief. This results in a forecast in year surplus for the council of £0.488 million.
- 152 After taking into account the need to account for the second instalment of the phasing of the 2020/21 deficit of £0.379 million, the undeclared improvement in the 2020/21 position of £6.337 million and the forecast in year deficit of £17.234 million the overall forecast for the business rate element of the Collection Fund is a £11.276 million deficit, of which the council's share is £5.525 million. This deficit position for the council is offset by the forecast Section 31 grant of £8.933 million resulting in a forecast 2021/22 surplus on the business rate element of the Collection Fund of £3.408 million.
- 153 The total position for the business rate element of the Collection Fund for 2021/22 is detailed in the following table.

	£ million
Net rate yield for 2021/22 including previous year adjustments	97.255
Estimate of changes due to appeals lodged and future appeals	4.098
Estimated losses in Collection – Provision for Bad Debts and Write-offs	-0.631
Net income receivable (a)	100.722
Agreed allocated shares:	
Central Government (50%)	58.344
Durham County Council (49%)	57.696
County Durham and Darlington Fire and Rescue Authority (1%)	1.172
Cost of Collection Allowance and Renewable Energy (paid to Durham County Council)	0.744
Total fixed payments (b)	117.956
Net deficit for year (a) – (b)	-17.234
Spreading of Deficit Adjustment	-0.379
Undeclared Surplus / (-) Deficit brought forward from 2020/21	6.337
Estimated year end deficit	-11.276

- 154 Taking into account the forecast positions at the end of quarter three for council tax and business rates, alongside the receipt of Section 31 grant, the overarching position for the council in terms of the 2021/22 Collection Fund are as set out below, highlighting a forecast overall £1.498 million deficit.

	£ million
Council Tax Deficit	-4.906
Business Rates Deficit	-5.525
Section 31 Grant	<u>8.933</u>
NET DEFICIT	<u>-1.498</u>

Section 31 Grant - Small Business Rate Relief

- 155 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.
- 156 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%.
- 157 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.
- 158 At 31 December 2021, the gross small business relief awarded against the 2021/22 business rates bills and adjustments to 2013/14 to 2020/21 bills is £18.098 million, and the council will receive £6.061 million in Section 31 grant, including the capping adjustment and threshold change adjustments, in this regard.

Other Section 31 Grants

- 159 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.
- 160 In response to the economic impact of COVID-19, the government has introduced the expanded retail discount. The business rates retail discount has been increased to 100% and now covers the leisure and hospitality sectors. The £51,000 rateable value threshold has also been removed. This relief applied to occupied retail, leisure and hospitality properties in the year 2020/21 only, however has since been extended to 30 June 2021, and will continue at a rate of 66% from 1 July 2021 to 31 March 2022. This discount will be fully funded by way of Section 31 grant.
- 161 A nursery discount was also introduced for 2020/21 as a response to COVID-19. The discount has been extended to 30 June 2021 at 100%,

and will continue at 66% from 1 July 2021 until 31 March 2022. This will be fully reimbursed by Section 31 grant.

- 162 When assessing estimated outturn income from business rates, due regard must also be given on the effect that changes in estimated reliefs will have on the Section 31 grants. When the additional Section 31 grants to compensate for the extended retail, hospitality and leisure discounts and the extended nursery discounts are factored in the net impact is an increase in Durham County Council's Section 31 grants of £10.712 million of which £8.933 million relates to the additional reliefs in response to COVID-19.

Update on Progress towards achieving MTFP(11) savings

- 163 The delivery of the MTFP(11) agreed 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.
- 164 MTFP(11) savings proposals for 2021/22, agreed by County Council on 24 February 2021 total £5.312 million.
- 165 At 31 December 2021, savings totalling £4.805 million, representing 90% of the £5.312 million total savings target have been delivered.

Consultation

- 166 There has not been any public consultation on any of the MTFP11 proposals in the last quarter.

HR implications

- 167 It is not possible to effectively analyse the equality data relating to the two staff leaving through voluntary redundancy, early retirement and ER/VR during quarter two of MTFP11, due to the low numbers. In terms of race and disability, again the numbers of leavers are too low to effectively analyse.
- 168 The numbers of those leaving through compulsory redundancy are also too low to effectively analyse (three).
- 169 Since 2011, equality data relating to staff leaving through voluntary redundancy, showed that 65.6% were female and 34.4% 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). This is also reflective of the council's overall gender balance in terms of employees.

- 170 In terms of race, since 2011, 45.78% of leavers had not disclosed their ethnicity, with 53.81% stating that they were white British or white English. Regarding disability status 2.97% said they had a disability, 13.16% had no disability and 83.87% did not disclose their disability status.

Equality Impact Assessments (EIA)

- 171 Services have completed EIA screenings and assessments where necessary as part of the decision-making process for 2021/22 MTFP11 proposals.
- 172 Projects to deliver growth proposals will be supported to ensure robust planning and that EIA screening are also completed.

Other useful documents

- County Council – 24 February 2021 – Medium Term Financial Plan 2021/22 to 2024/25 and Revenue and Capital Budget 2021/22
- Cabinet – 7 July 2021 - 2020/21 Final Outturn for the General Fund and Collection Fund
- Cabinet – 15 September 2021 – Forecast of Revenue and Capital Outturn 2021/22 – Period to 30 June 2021 and Update on Progress towards achieving MTFP(11) savings
- Cabinet – 17 November 2021 – Forecast of Revenue and Capital Outturn 2021/22 – Period to 30 September 2021 and Update on Progress towards achieving MTFP(11) savings.

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Appendix 1: Implications

Legal Implications

The consideration of regular budgetary control reports is a key component of the council's Corporate and Financial Governance arrangements. This report shows the forecast spend against budgets agreed by Council in February 2021 in relation to the 2021/22 financial year. The forecasts contained within this report have been prepared in accordance with standard accounting policies and procedures.

Finance

The report details the 2021/22 forecast of outturn position for Revenue and Capital and details the forecast movement on reserves.

Consultation

None.

Equality and Diversity / Public Sector Equality Duty

None.

Climate Change

None.

Human Rights

None.

Crime and Disorder

None.

Staffing

None.

Accommodation

None.

Risk

The figures contained within this report have been extracted from the General Ledger, and have been scrutinised and supplemented with information supplied by the Service Management Teams and budget holders. The projected outturn has been produced taking into consideration spend to date,

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

Procurement

None.

Appendix 3: Revenue Summary by Expenditure / Income 2021/22

	Original Budget 2021/22	Revised Budget	Proposed Budget Revisions, including sums outside the cash limit	Contribution to / Use of Cash Limit Reserve	Contribution to / Use of Earmarked Reserves	Budget - incorporating adjustments	Service Groupings Forecast of Outturn	Corporate Costs Forecast of Outturn	Forecast of Outturn (including Corporate Costs)	Forecasted Variance (including Corporate Costs)	Forecasted Variance - Corporate Costs
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Employees	509,033	529,957	-285	0	1,356	531,028	518,204	335	518,539	-12,489	-2
Premises	50,677	52,655	7	0	-493	52,169	53,855	0	53,855	1,686	0
Transport	47,496	47,469	-6	0	194	47,657	51,205	0	51,205	3,548	0
Supplies & Services	113,643	126,687	144	0	1,158	127,989	142,018	2,044	144,062	16,073	734
Agency & Contracted	427,506	471,828	-927	0	136	471,037	481,682	4,157	485,839	14,802	-6
Transfer Payments	166,814	174,490	440	0	-109	174,821	210,404	8,400	218,804	43,983	2,811
Central Costs	127,115	128,761	47	0	-5,289	123,519	129,726	158	129,884	6,365	43
DRF	3,641	4,388	255	0	0	4,643	5,526	120	5,646	1,003	0
Other	0	1,495	218	370	-370	1,713	36	0	36	-1,677	0
Capital Charges	62,796	62,796	0	0	0	62,796	62,796	0	62,796	0	0
GROSS EXPENDITURE	1,508,721	1,600,526	-107	370	-3,417	1,597,372	1,655,452	15,214	1,670,666	73,294	3,580
Income											
Government Grants	548,132	613,828	239	0	702	614,769	662,849	12,895	675,744	60,975	-3,638
Other Grants and Contributions	83,208	85,243	-89	0	3,126	88,280	97,800	0	97,800	9,520	0
Sales	7,235	6,876	-6	0	0	6,870	5,229	100	5,329	-1,541	50
Fees and Charges	104,257	104,936	165	0	78	105,179	97,257	-34	97,223	-7,956	34
Rents	9,086	10,335	-84	0	0	10,251	11,529	0	11,529	1,278	0
Recharges To Other Services	296,974	300,396	-4	0	-65	300,327	295,948	0	295,948	-4,379	0
Other	9,790	7,256	0	0	0	7,256	8,410	0	8,410	1,154	0
Total Income	1,058,682	1,128,870	221	0	3,841	1,132,932	1,179,022	12,961	1,191,983	59,051	-3,554
NET EXPENDITURE	450,039	471,656	-328	370	-7,258	464,440	476,430	2,253	478,683	14,243	26

Appendix 4: Earmarked Reserves Position as at 31 December 2021

EARMARKED RESERVES AND CASH LIMIT RESERVES	OPENING BALANCE	USE OF RESERVES	CONTRIBUTION TO RESERVES	TRANSFERS BETWEEN RESERVES	TOTAL MOVEMENT ON RESERVES	CLOSING BALANCE AT 31/03/22
	£'000	£'000	£'000	£'000	£'000	£'000
Corporate Reserves						
Budget Support Reserve	-16,440	3,778		-2,500	1,278	-15,162
Business Support Reserve	-1,949	61		938	999	-950
Capital Reserve	-273			273	273	
Commercialisation Support Reserve	-10,096	238		-410	-172	-10,268
COVID-19 Support Grant Reserve						
Equal Pay Reserve	-9,479					-9,479
ER/VR Reserve	-3,993	252		-1,000	-748	-4,741
Feasibility Study Reserve	-500					-500
Inspire Programme Reserve	-246			125	125	-121
Insurance Reserve	-9,564					-9,564
Levelling Up Feasibility Reserve	-1,000					-1,000
Office Accommodation Capital Reserve	-1,945	233			233	-1,712
Office Accommodation Project Reserve						
Recovery Support Reserve	-8,236			1,800	1,800	-6,436
Resources DWP Grant Reserve	-1,895	343	-2,845	-336	-2,838	-4,733
Resources Elections Reserve	-1,713	735			735	-978
Resources Housing Benefit Subsidy Reserve						
Members' Priorities-NCC Reserve				-7,160	-7,160	-7,160
Members' Priorities-REG Reserve				-2,840	-2,840	-2,840
Total Corporate Reserves	-67,329	5,640	-2,845	-11,110	-8,315	-75,644
Sums held for other organisations/grants						
Collection Fund Deficit Reserve	-24,863	23,894			23,894	-969
Local Taxation Income Guarantee Reserve	-1,224	514			514	-710
North Pennines AONB Partnership Reserve	-1,127					-1,127
Public Health Reserves	-7,332	1,282	-942	1,006	1,346	-5,986
Resources Council Tax Hardship Reserve	-2,820	3,020	-3,663		-643	-3,463
Resources COVID-19 Support Grants	-4,873	4,482		191	4,673	-200
Social Care Reserve - Community Discharge Grant	-121	85			85	-36
Social Care Reserve - CCG	-19,881	653	-2,500	2,250	403	-19,478
Total Sums held for other organisations/grants	-62,241	33,930	-7,105	3,447	30,272	-31,969
Other Specific Reserves						
Business Growth Fund Reserve	-604			150	150	-454
CEO Grant Reserve	-86	121	-121			-86
CEO Operational Reserve	-431	125			125	-306
Children's Services Reserve	-2,761	569	-49	-181	339	-2,422
Community Protection Reserve	-1,145	146	-9	-1,942	-1,805	-2,950
Corporate Property & Land Reserve	-1,913	80	-1,008	1,100	172	-1,741
Culture and Sport Reserve	-15,289	1,848	-716	-1,000	132	-15,157
Economic Development Reserve	-5,899	3,225	-1,055	70	2,240	-3,659
Education Reserve	-14,946	406	-48	188	546	-14,400
Employability and Training Reserve	-276		-20		-20	-296
Environmental Services Reserve	-4,835	2,117	-900		1,217	-3,618
Funding and Programmes Management Reserve	-540					-540
Housing Regeneration Reserve	-473	219			219	-254
Housing Solutions Reserve	-3,523	105	-838		-733	-4,256
Neighbourhoods AAP Reserve						
Partnerships and Community Engagement Reserve	-6,204	3,048	-518	-4,361	-1,831	-8,035
Planning Reserve	-168	55	-200		-145	-313
Public Health Reserves	-2,293	503			503	-1,790
REG Match Fund Programme Reserve	-843	238	-27		211	-632
Resources Corporate Reserve	-680	70		299	369	-311
Resources Customer Services Reserve	-250					-250
Resources Financial Services Reserve	-94					-94
Resources Grant Reserve	-154					-154
Resources Human Resources Reserves	-392	482	-101	-154	227	-165
Resources ICT Reserves	-1,166	319	-214	-250	-145	-1,311
Resources Internal Audit & Corporate Fraud Reserve	-125	41	-70		-29	-154
Resources Legal Reserves	-535	188		55	243	-292
Resources Operational Reserve	-199	108		19	127	-72
Resources Operations and Data Reserve	-38	28	-30		-2	-40
Resources Registrars Trading Reserve	-150			150	150	
Resources Revenue and Benefits Reserve	-906	198	-52	224	370	-536
Resources System Development Reserve	-308	110			110	-198
Resources Transformation Reserve	-967	-327		764	437	-530
Restructure Reserve						
Social Care Reserve - Specific Purpose	-4,673	1,972	-284	695	2,383	-2,290
Technical Services Reserve	-2,044	1,003		-40	963	-1,081
Town and Villages Regeneration Reserve	-24,084			4,200	4,200	-19,884
Transport Reserve	-1,195	159	-159	-9	-9	-1,204
Total Other Specific Reserves	-100,189	17,156	-6,419	-23	10,714	-89,475
TOTAL EARMARKED RESERVES	-229,759	56,726	-16,369	-7,686	32,671	-197,088

EARMARKED RESERVES AND CASH LIMIT RESERVES	OPENING BALANCE	USE OF RESERVES	CONTRIBUTION TO RESERVES	TRANSFERS BETWEEN RESERVES	TOTAL MOVEMENT ON RESERVES	CLOSING BALANCE AT 31/03/22
	£'000	£'000	£'000	£'000	£'000	£'000
Cash Limit Reserves						
Adult and Health Services	-10,451	-1,507	-189	6,002	4,306	-6,145
Chief Executive's Office	-135	0	0	135	135	0
Children and Young People's Services	0	0	2,210	0	2,210	2,210
Neighbourhoods and Climate Change	-1,294	400	-1,006	0	-606	-1,900
Regeneration, Economy and Growth	-1,431	422	-1,695	-5	-1,278	-2,709
Resources	-2,462	227	-761	1,554	1,020	-1,442
Total Cash Limit Reserves	-15,773	-458	-1,441	7,686	5,787	-9,986
Total Council Reserves	-245,532	56,268	-17,810	0	38,458	-207,074
Schools' Balances						
Schools' Revenue Balance	-31,174	9,982	-5,355	0	4,627	-26,547
DSG Reserve	-4,124	0	0	0	0	-4,124
Total Schools and DSG Reserves	-35,298	9,982	-5,355	0	4,627	-30,671
Total Earmarked Reserves	-280,830	66,250	-23,165	0	43,085	-237,745