

**Cabinet**

**13 July 2022**

**2021/22 Final Outturn for the General Fund  
and Collection Fund**



**Ordinary Decision**

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## **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 information on the:
  - (a) final revenue and capital outturn for the General Fund for 2021/22;
  - (b) final outturn for the Council's Council Tax and Business Rates Collection Fund for 2021/22;
  - (c) use of and contributions to earmarked, cash limit and general reserves in year and at year end together with the closing position regarding balances held at 31 March 2022; and
  - (d) achievement of Medium Term Financial Plan (MTFP) (11) savings targets in 2021/22.

### **Executive summary**

- 2 Since the outbreak of the COVID-19 pandemic in early 2020, the council, its partners, local businesses, and local communities have worked tirelessly to respond to it and put plans in place for the restoration and recovery of services post-pandemic.
- 3 The financial impact of COVID-19 in 2021/22 was again significant and complex, which has made forecasting the council's outturn position even more challenging than usual during the year.

- 4 The longer-term financial impact of the pandemic into the current year and beyond remains uncertain at this stage. The risk in this regard will be considered and assessed in MTFP Cabinet reports going forward.
- 5 Since the outbreak of COVID-19, the council has had to implement a range of national support schemes at short notice such as the various Business Rates Grants Support Schemes; the Council Tax Hardship Support Schemes; Test and Trace Payments; the Winter Support Payments Scheme; Infection Control Schemes and Contain Outbreak Management schemes. In addition, the council has implemented a range of supplier relief schemes and has addressed increased demand for support to vulnerable households whilst trying to accommodate new ways of working in response to the pandemic.
- 6 In 2021/22 service grouping budgets overspent by a net £14.110 million. Within this there was net additional expenditure and loss of income associated with the COVID-19 outbreak of £20.372 million, offset by COVID-19 related underspends of £5.904 million in year (relating to the closure of facilities and disruption to normal activity as a result of the pandemic), resulting in a net COVID-19 additional expenditure of £14.468 million charged to service groupings. Excluding this COVID-19 related net expenditure, which was funded corporately from the government grant funding received in year, the service grouping underlying cash limit position was an underspend of £0.358 million.
- 7 The government provided non ringfenced funding to local authorities in 2021/22 for the additional costs incurred as a result of COVID-19. The funding allocated to the council for 2021/22 was £15.560 million.
- 8 The council submitted returns for support under the government's Sales Fees and Charges Income Guarantee Scheme for three months to 30 June 2021. The scheme required councils to bear the first 5% of any qualifying income loss after which the government provides a grant for 75% of subsequent losses. The council claimed circa £2.650 million from the scheme for 2021/22, bringing the total COVID-19 funding support from government to £18.210 million for 2021/22, which is £3.742 million more than the net COVID-19 costs incurred.
- 9 Throughout the year it has been difficult to forecast the outturn position for 2021/22 and a wide range of assumptions had to be applied in formulating the quarterly forecast reports in year in relation to expenditure and income due to uncertainty around the ongoing impact of COVID-19 restrictions following the initial lifting restrictions at the beginning of quarter two and the changes implemented in December following the outbreak of the Omicron variant.

- 10 There will potentially be a range of interventions required by the council and ongoing impacts post pandemic that will have an as yet unquantified financial pressure. The Cash Limit and General Reserves will potentially be required to meet any shortfalls in the funding that ultimately arises in this regard whilst longer term strategies are implemented.
- 11 Budget pressures relating to inflationary pressures in the energy, transport, and waste management markets have been managed during 2021/22 within the general contingency budget but this position will need to be kept under review as forecasts would indicate that significant overspends will manifest in these budgets in 2022/23. A further corporate risk relates to pay inflation in 2022/23. Broader inflationary pressures will need to continue to be managed within service cash limits in 2022/23 and into future years.
- 12 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. A separate report on the agenda today seeks to update those forecasts and show a deterioration (increased deficit) across the period 2022/23 to 2025/26.
- 13 The final revenue outturn position for 2021/22 is a net service grouping cash limit underspend of £0.358 million and additional s31 government grant income received plus an underspend on other corporate budgets totalling £11.067 million. This includes surplus COVID-19 grant funding of £3.742 million, underspending against corporate contingencies (the pay award was 0.25% less than budgeted in 2021/22 for example) and additional investment income due to unbudgeted dividends received in year and higher level of cash balances being held as significant government grant funding was paid in advance of expenditure being incurred. The total net underspend is £11.425 million which represents 2.48% of the revised net expenditure budget of £461.251 million.
- 14 The year-end underspend position has enabled the creation and replenishment of £11.332 million of earmarked and cash limit reserves as part of the final account's closedown process.
- 15 Total general, earmarked and cash limit reserves (excluding school reserves) reduced by a net £10.258 million in 2021/22, from £271.685 million at 31 March 2021 to £261.427 million at 31 March 2022. This is less than what was forecast at quarter 3 and reflects the receipt of government funding in March where expenditure will be defrayed in 2022/23.

- 16 The general reserve at 31 March 2022 is £25.898 million, which is broadly in line with the position at 31 March 2021 – a slight reduction in year of £0.255 million – and within the council’s general reserves policy of retaining a balance of between 5% and 7.5% of the net budget requirement, which in cash terms is between £23.336 million and £35.005 million. The £25.898 million balance at 31 March 2022 equates to 5.55% of the 2022/23 net budget requirement.
- 17 During the year, a review of all reserves enabled the realignment of £14.9 million of cash limit and earmarked reserves enabling the investment of earmarked reserves in council priorities. This included a £10 million transfer into the Cabinet Priorities Reserve supporting one off investment priorities 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.
- 18 At year end a further review of reserves has enabled a number of adjustments to be made as part of the final accounts’ closedown. A new Budget Support Reserve has been created to offset the overspends manifesting in 2022/23 as a result of inflationary pressures, alongside transfers into the Climate Change Earmarked Reserve, the corporate ERVR Reserve (in anticipation of further staffing reductions across MTFP13) and the Culture Reserve.
- 19 In terms of the capital programme, the final capital outturn position for 2021/22 is an underspend of £15.911 million, which is 10% of the revised capital budget of £158.979 million agreed by Cabinet in March.
- 20 In 2020/21, the government introduced regulations identifying that the financial impact of any 2020/21 in year Collection Fund deficit for council tax and business rates must be spread over three years. Across the three years 2021/22 to 2023/24, the government provided 75% grant support for the 2020/21 in year deficit position.
- 21 The final outturn for the Council Tax Collection Fund is a deficit of £5.772 million after accounting for the second instalment of the phasing of the 2020/21 deficit (£1.907 million). Durham County Council’s share of this net deficit is £4.867 million. The outturn position is broadly in line with the Quarter 3 forecast presented to Cabinet in March.
- 22 The final outturn for the Business Rates Collection Fund is a net deficit of £10.007 million after taking into account the 2020/21 undeclared surplus of which Durham County Council’s share (49%) is £4.903 million.
- 23 The £7.823 million council’s share of the in year business rates deficit, (excluding the surplus brought forward from 2020/21) is offset in the General Fund by the receipt of additional Section 31 grants of £9.166

million, leaving a net in year surplus of £1.343 million at year end, which is an improved position compared to the Quarter 3 forecast.

- 24 The in year collection of Council Tax and Business Rates increased from 2020/21 as a result of re-instating of formal recovery action from June 2021.
- 25 In 2021/22 the council delivered MTFP(11) savings totalling £5.312 million, which was 100% of the target for the year. As at 31 March 2022, since 2011, the council has delivered over £248 million in savings / budget reductions to balance its budgets.

## **Recommendations**

- 26 It is recommended that Cabinet note:
- (a) the final revenue outturn underspend of £11.425 million which represents 2.48% of the revised net expenditure budget of £461.251 million;
  - (b) the net decrease in the Cash Limit Reserves of £4.208 million during 2021/22 (following General Fund funding of CYPS in year Cash limit overspend), with closing Cash Limit Reserves of £11.565 million. These sums will continue to be held as Earmarked Reserves and be available for Service Groupings to manage their budgets effectively;
  - (c) the closing General Reserve balance of £25.898 million, which is within the council's general reserves policy of retaining a balance of between 5% and 7.5% of the net budget requirement;
  - (d) the closing balance on Earmarked Reserves (excluding Cash Limit and Schools Reserves) is £223.964 million, which includes the creation and replenishment of earmarked reserves at year end;
  - (e) the closing balance on Schools Reserves of £34.276 million;
  - (f) the outturn position for the Collection Funds in respect of Council Tax and Business Rates.
  - (g) the amount of savings delivered during 2021/22 of the MTFP(11) period.
  - (h) The emerging inflationary pressures that have been managed within contingencies during 2021/22 and the requirement to manage via reserve and service cash limits going forward.
- 27 It is recommended that Cabinet approve:

- (a) that the capital budget underspend of £15.911 million is carried forward into 2022/23;
- (b) that service groupings continue to regularly review capital profiles throughout 2022/23, reporting revisions to Cabinet as necessary.

## Background

- 28 The longer-term financial outlook for the council will continue to be extremely uncertain until the Fair Funding Review is concluded and detailed national policy around the new Health and Social Care Levy and Fair Cost of Care requirements (as highlighted in the Comprehensive Spending review) are received.
- 29 It is unlikely however that there will be clarity in any of these areas until late 2022 at the earliest leading to potential implementation in 2024/25.
- 30 No detail on links to a Business Rate Reset, further Business Rate Retention (BRR) or consideration of the inclusion of the Public Health Grant in BRR has yet been published therefore significant uncertainty beyond 2022/23 remains. This continues to make accurate medium term financial planning forecasts extremely difficult.
- 31 There is currently no certainty in terms of the quantum of recurrent funding to be available to local government from 2023/24 onwards, nor how this funding will be apportioned between authorities. It is clear however that there are significant risks to the council's funding depending on the principles that are ultimately agreed for fair funding distribution.
- 32 The COVID-19 outbreak has also continued to have a significant financial impact on the council during 2021/22. The council has faced 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.
- 33 More recently, budget pressures relating to inflationary pressures in the energy, transport and waste management markets have emerged. These have been managed during 2021/22 within the general contingency budget but this position will need to be kept under review as forecasts would indicate that significant overspends will manifest in these budgets in 2022/23. A further corporate risk relates to pay inflation in 2022/23. Broader inflationary pressures will need to continue to be managed within service cash limits in 2022/23 and into future years.
- 34 National support schemes implemented in 2020/21 by the council 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 The longer-term financial impact of the pandemic remains uncertain at this stage. There will potentially be a range of interventions required by the council and ongoing impacts post pandemic that will have as yet unquantified financial pressures. Cash Limit Reserves and the General Reserves will potentially be required to meet any shortfalls in the funding that will be available.
- 36 The risk in this regard will be considered and assessed in future MTFP(13) Cabinet reports
- 37 On 24 February 2021, County Council agreed a net revenue budget of £441.131 million for 2021/22. Factoring in any reductions in Government grant, inflation, and other budget pressures, £5.312 million of savings were required in 2021/22 to deliver a balanced budget, alongside the application of £8.778 million of reserves.
- 38 This report provides an update on the delivery of the £5.312 million MTFP(11) savings target included in the 2021/21 budgets, which brings the overall savings target for the period from 2011/12 to 2021/22 to circa £248 million. All £5.312 million savings were achieved in 2021/22.
- 39 Quarterly forecast outturn reports have been considered by Cabinet throughout the 2021/22 financial year. Detailed reports on individual service groupings have also been considered by the various Overview and Scrutiny Committees on a quarterly basis.
- 40 This final outturn for 2021/22 has been prepared as part of the production of the Annual Statement of Accounts. During the process of finalising the Statement of Accounts, the Corporate Director of Resources is required to make a number of technical decisions in the best financial interests of the Council. Such decisions are fully disclosed in the Statement of Accounts.

## **General Fund Outturn**

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

## Cash Limit Outturn for Service Groupings

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

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

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

- (i) items not controlled by the service groupings e.g., technical accounting entries such as capital charges and central administration recharges processed at year end;
- (ii) exceptional items and expenditure pressures which were not accounted for in the service grouping base budget build and which are funded from contingencies or earmarked reserves held corporately e.g., redundancy and early access costs linked to restructuring activity to achieve MTFP savings proposals, the outcome of the 2021/22 pay agreement; and
- (iii) COVID-19 related expenditure and income losses in year which were met from a received non ring fenced COVID-19 grant support from government to address general expenditure pressures and the Income Guarantee Scheme to support lost income. In total non-ring-fenced funding of £18.2 million was received in 2021/22;

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

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

43 After taking into account the above exclusions, four of the service groupings generated a cash limit underspend in 2021/22 whilst one service grouping overspent. Children and Young People's Services (CYPS) did not have a cash limit reserve balance to call on and have overspent in year by £3.771 million. To prevent a deficit cash limit reserve being carried forward General Reserves have been drawn on. Further details can be found within service grouping commentary.

44 Overall, in 2021/22 there was a net reduction to cash limit reserves of £4.208 million, with the balance carried forward at 31 March 2022 being

£11.565 million. The cash limit position for each service grouping is detailed in the table below:

Type of Reserve	Opening Balance as at 1/4/21	Budgeted Use at 1/4/21	Movement during 21/22		Closing Balance as at 31/3/22
			Contribution to (-)/ Use of Approved Quarter 3	Year end Outturn as at 31/3/22	
	£million	£million	£million	£million	£million
<b>Service Grouping Cash Limit</b>					
Adult and Health Services	-10.451		4.494	-0.192	-6.149
Chief Executive's Office (CEO)	-0.135		0.135	0.000	0.000
Children and Young People's Services	0.000			3.771	3.771
Neighbourhoods & Climate Change	-1.294		0.400	-0.563	-1.457
Regeneration, Economy & Growth	-1.431		0.417	-1.854	-2.868
Resources	-2.462	0.094	2.797	-1.520	-1.091
<b>Total Cash Limit Reserve</b>	<b>-15.773</b>	<b>0.094</b>	<b>8.243</b>	<b>-0.358</b>	<b>-7.794</b>
CYPS Overspend funded by General Reserve					<b>-3.771</b>
<b>Total Cash Limit Reserve</b>					<b>-11.565</b>

45 During the year, a review of all reserves enabled the realignment of £14.9 million of cash limit and earmarked reserves enabling the investment of earmarked reserves in council priorities. This included a £10 million transfer into the Cabinet Priorities Reserve supporting one off investment priorities 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.

46 In closing the accounts for 2021/22, a further review of all reserves has been undertaken. This review has identified a range of areas where it is estimated additional expenditure will be required on a one off basis in the future. Consequently, the following earmarked reserves have been created / replenished as part of the final accounts closedown process:

- (a) **New Budget Support Reserve £10.0 million** – this reserve will provide budget support where inflationary costs significantly

exceed original budgets. The pre-existing Budget Support Reserve was set aside to support the MTFP. The £15.2 million balance on the pre-existing Budget Support Reserve has been transferred into a new MTFP reserve. This reserve will support the MTFP on an ongoing basis whilst the new Budget Support Reserve will support budgets in year where inflation is impacting significantly upon the 2022/23 outturn;

- (b) **Cultural Events Reserve £3.0 million** – the transfer to this reserve will augment existing funding of £2.0 million and provide £5.0 million of funding to support a cultural events programme that will still be implemented despite the 2025 City of Culture Bid outcome;
- (c) **Climate Change Reserve £0.322 million** – this will increase the value of this reserve at 31 March 2022 to £1 million, which is available to support projects within the Climate Emergency Response Plan to help achieve our carbon reduction targets;
- (d) **ER/VR Reserve £2.007 million** – this will increase the value of this reserve to £6.044 million, to provide additional capacity to meet the cost of approved redundancy and early retirements in anticipation of further downsizing required to help balance budgets going forward.

47 Transfers to the above earmarked reserves total £15.329 million and along with the funding of the CYPS Cash limit overspend of £3.771 million, resulted in a total £19.100 million of transfers between reserves at year end. These transfers have been enabled by the underspend position on the General Fund in 2021/22, to the value of £11.322 million, plus a transfer from other Earmarked Reserves (Insurance, Recovery Support and Collection fund deficit) of £7.778 million at year end.

48 In 2021/22, the council received £22.068 million in Section 31 grants from central government to compensate for the lost business rate income which will impact the general fund in future years. The grant has been transferred to the Collection Fund Deficit Reserve to be utilised in 2022/23 and 2023/24.

## Revenue Outturn

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

	£ million	£ million
Gross expenditure		1,645.771
Gross income		-1,188.562
<b>Net Expenditure</b>		<b>457.209</b>
<b>Financed by:</b>		
Council Tax	-241.266	
COVID-19 Support Grant tranche 5	-15.560	
COVID-19 Income Guarantee Grant	-2.652	
Estimated net surplus (-) / deficit on Collection Fund	22.380	
Business Rates	-57.649	
Top up grant	-72.780	
Revenue Support Grant	-28.227	
Lower Tier Services Grant	-0.747	
New Homes Bonus	-4.476	
Section 31 Grant	-22.068	
Adult/Childrens Pressures Grant	-22.888	
Net contribution from Cash Limit Reserve	-7.983	
Use of (-) / contribution to earmarked reserves		
Schools and DSG	0.045	
Non-schools	-14.405	
Net contribution to the General Reserve	11.067	
		<b>-457.209</b>

50 The final outturn position for 2021/22 was an underspend of £11.425 million. The table below details the transfers to reserves:

	£ million
2021/22 underspend transferred to General Reserve	-11.067
2021/22 underspend transferred to Cash Limit Reserves	-0.358
<b>Total 2021/22 Underspend</b>	<b>-11.425</b>

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

	<b>£ million</b>
Opening Balance as at 1 April 2021	-26.153
2020/21 Net Underspend to General Reserve	-11.067
<u>Less:</u>	
Transfer to Earmarked Reserves	7,551
Transfer to CYPS cash limit reserve	3.771
<b>Closing General Reserve Balance at 31 March 2022</b>	<b>-25.898</b>

- 52 The general reserve balance carried forward of £25.898 million is within the council's general reserves policy of retaining a balance of between 5% and 7.5% of the net budget requirement, which in cash terms is between £23.336 million and £35.005 million. The £25.898 million balance at 31 March 2022 equates to 5.55% of the 2022/23 net budget requirement.

- 53 The main reasons for the movement in the general reserve balance during 2021/22 are as follows:

- (a) a transfer of £3.771 million to CYPS cash limit reserve at year end to eradicate the negative cash limit reserve balance in year. This negative cash limit reserve has resulted from continued pressure upon the CYPS revenue budget which is detailed later in the report;
  - (b) net transfers to earmarked reserves totalling £7.551 million as set out at paragraph 46 and 47;
  - (c) additional net expenditure of £20.408 million incurred as a result of COVID-19;
  - (d) a slight overspend of £0.182 million (0.47%) in interest payable and similar charges against the budget;
- offset by:
- (e) COVID-19 related underspends of £5.904 million, due to savings such as: operational building and travelling costs as a

consequence of the majority of the workforce working from home and delays in staff recruitment;

- (f) COVID-19 related grant funding from central government of £18.210 million (£15.56 million COVID-19 grant and £2.65 million from the Income Guarantee Scheme);
- (g) S31 grant and other income being £1.832 million more than budgeted;
- (h) interest and investment income - £1.500 million more than budgeted, mainly generated from higher returns on loan investments, additional dividend income from Durham Villages Regeneration Company and higher levels of cash balances being held; and
- (i) corporate costs and contingencies - £4.174 million less than budgeted, including the fact that the pay award was 0.25% less than budgeted in 2021/22.

54 The following table shows that in 2021/22 the total non schools reserves decreased by 3.77%, from £271.685 million to £261.427 million.

### Total Non-School Reserves

	General Reserve	Earmarked Reserves	Cash Limits	TOTAL
	£ million	£ million	£ million	£ million
Opening Balance at 1 April 2021	-26.153	-229.759	-15.773	-271.685
Net Contribution to (-) / Use of Reserves	0.255	5.795	4.208	10.258
<b>Closing Balance at 31 March 2022</b>	<b>-25.898</b>	<b>-223.964</b>	<b>-11.565</b>	<b>-261.427</b>

55 The total schools' balances and DSG reserves decreased from £35.298 million to £34.276 million during 2021/22.

56 Schools' balances increased slightly from £31.174 million to £31.219 million, however, the DSG High Needs Block (HNB) cumulative deficit balance, which is held in the DSG unusable reserve increased during the year by £0.796 million to £8.843 million. The five-year plan to recover the accumulated deficit continues and adjustments will be made at each year end to recover these accumulated deficits over the coming years.

## Schools Balances and Centrally Held DSG Reserves

	<b>Schools Balances</b>	<b>Centrally Held DSG</b>	<b>TOTAL</b>
	<b>£ million</b>	<b>£ million</b>	<b>£ million</b>
Opening Balance at 1 April 2021	-31.174	-4.124	-35.298
Contribution to (-) / use of Reserves	-0.045	1.067	1.022
<b>Balance at 31 March 2022</b>	<b>-31.219</b>	<b>-3.057</b>	<b>-34.276</b>

57 Appendix 4 details the movement on earmarked reserves during 2021/22.

### Service Grouping Commentary

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

### Adult and Health Services (AHS)

59 The 2021/22 outturn for Adult and Health Services (AHS) is a cash limit underspend of £0.192 million, representing circa 0.15% of the total budget for AHS. The outturn takes into account adjustments for sums outside the cash limit including redundancy costs which are met from the corporate reserve, year-end capital accounting entries and contributions to earmarked reserves. COVID-19 related expenditure and income and any COVID-19 related underspends have also been excluded from the cash limit outturn.

60 The cash limit outturn compares to the previously forecast position at Quarter 3 of £0.189 million under budget, so is broadly in line with the Quarter 3 forecasts.

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 has created a net under budget of £1.931 million;

- (b) Net spend on adult care packages was £1.739 million over budget. This includes the approved in year 10% increase on the domiciliary care fee rate. This area of spend is being closely monitored to assess the ongoing 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 any under or overspending transferred to an earmarked Public Health grant reserve.
- 62 In arriving at the outturn position, the service had £3.147 million of additional costs and lost income relating to COVID-19 and £1.335 million of COVID-19 related underspends in the year. The net COVID-19 impact was £1.812 million, which has been met corporately by utilising central government grants.
- 63 The following items have been excluded from the outturn in arriving at the cash limit at the year-end:
- (a) Contribution of £0.538 million to the Adult Social Care reserve to fund future projects in adult social care;
  - (b) Contribution of £0.600 million to Public Health reserves for future Public Health projects;
  - (c) Contribution of £0.392 million to the Community Discharge Reserve for future projects;
  - (d) Contribution of £3.547 million to Regional Public Health reserves for future regional public health projects;
  - (e) Use of £0.179 million of the Corporate Recovery Reserve to meet COVID19 recovery costs;
  - (f) Use of £0.057 million of the Adults Safeguarding Reserve;
  - (g) Use of £4,000 of the corporate Insurance Reserve;
  - (h) Use of £0.537 million of central contingency to meet the 2021/22 pay award costs;
  - (i) £0.457 million relates to a range of adjustments associated with capital charges, centralised repairs and maintenance and central administration charges outside the cash limit.

- 64 Taking the outturn position into account, including the transfers to/from reserves in year, the cash limit reserve carried forward for AHS is £6.149 million as at 31 March 2022.

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

- 65 The revenue outturn for 2021/22 was a cash limit overspend of £3.771 million for the year, representing circa 2.8% of the total net revenue budget for CYPS. This compares to a forecast cash limit overspend at quarter three of £2.210 million. The final position takes into account the in-year £4.5 million budget transfer from AHS. Had this not been actioned the outturn would have been a £8.271 million overspend when compared to the original budget approved by Council in February 2021.
- 66 The outturn consists of an overspend within Education of £1.539 million and an overspend within Children's Services of £2.232 million. Further details are shown below:

- (a) Within the Education Service there was a net cash limit overspend of £1.539 million, consisting of an overspend of £2.072 million on Home to School Transport, a shortfall in school and academy SLA income of £0.464 million, a shortfall on other income (contributions from schools, course income etc) of £0.374 million and an overspend due to bearing the costs of non-MTFP related early retirement costs of £0.119 million.

These overspends were partially offset by underspends of £0.449 million in employee costs, mainly due to vacant posts and other pay budgets, an underspend on Early Years Administrative costs of £0.385 million, an underspend of £0.233 million on Early Years Sustainability / Activity budgets, an underspend of £0.195 million on 'Other Pay' related activity a £0.172 million underspend relating to an underspend on the SEN Inclusion Fund and general Supplies & Service saving of £56,000.

- (b) The Children's Services (Children's Social Care and Early Help & Intervention) outturn was a net £2.232 million overspend for the year. These services had an overspend of £4.263 million in relation to looked after children's placements and £2.733 million in relation to Bespoke Placements.

These overspends were partially offset by underspending of £2.141 million on employee budgets, £0.993 million on transport budgets, £0.687 million on Special Guardianship, Child Arrangement and Adoption allowances, £0.333 million on other care related activity and third party payments, £0.203 million on Direct Payment budgets, and £0.407 million additional income from SLA arrangements.

- 67 The pressure on the budget in children's social care has been evident for a number of years, as the number of children in the care system has increased significantly and their needs have continued to become more complex. There are now 950 looked after children, compared to an average of 877 in 2019/20.
- 68 This budget was increased by £5.5 million in 2018/19 and by a further £6.5 million in 2019/20 to cover the escalating care costs, as well as additional costs for staffing in order to meet the expected challenges and pressures identified in 2019/20. The 2020/21 budget included an additional increase for placement costs of £3.417 million.
- 69 The Children's Social Care and Early Help & Intervention 2021/22 budget included base growth of £6.14 million, further base growth of £4.50 million following an in-year transfer from Adult and Health Services and investment of £0.821 million temporary one off-funding in order to meet the challenges and pressures being experienced by the service. In setting the 2022/23 budget the Council agreed further growth of £4.4 million in the current year in these budgets.
- 70 The 2021/22 budgets also included additional budget growth of £1.7 million to recognise the financial pressures experienced in delivering home to school transport, which had seen costs increase by 35% over the preceding two years. Additional growth of £2.6 million was built into the 2022/23 budget to reflect the continuing pressure in the home to school transport budget.
- 71 In arriving at the outturn position, £2.955 million of additional costs, and lost income relating to COVID-19 and £0.840 million of COVID-19 related underspends were excluded from the CYPS cash limit. The net impact of these is £2.115 million, which has been financed corporately by utilising Central Government grants.
- 72 The cash limit outturn reported is the position after a net £3.322 million use of CYPS reserves in year. There are a number of transfers to and from earmarked reserves, cash limits and contingencies which have been applied with the main areas detailed below:
- (a) A £119,142 use of the Schools Reserve to cover costs of deficits associated with schools who have academised in year.
  - (b) A £108,641 contribution to the Swimming Reserve mainly derived from venue hire savings to go towards future running costs of the service.
  - (c) A £106,451 contribution to the Early Years Activity reserve linked to Early Years Professional Development unspent grant funds.

- (d) A £145,158 use of the Adult Learning reserve to support payments to delivery partners.
- (e) A £897,568 contribution to the PFI Lifecycle reserve.
- (f) A £191,075 contribution to Durham Enable linked to unspent grant funds.
- (g) A £598,776 contribution to the Durham Directions reserve relating to unspent grant funds.
- (h) A £110,326 contribution to the Kickstart reserve relating to unspent grant funds.
- (i) A £284,490 contribution to the Mental Health Support reserve relating to unspent grant funds.
- (j) A £368,714 contribution to Emotional Wellbeing Reserve from surplus income and funding received for future projects
- (k) A £489,632 contribution to Holiday Activities with Food Reserve from grant income which will be repaid to DfE.
- (l) A £310,500 contribution to Aycliffe Secure Centre Transitions Home Reserve as a contingency related to the capital programme
- (m) A £409,487 use of Corporate ER/VR reserve to fund redundancies in relation to MTFP savings (relating to the Education Service).
- (n) A £148,804 use of Corporate Insurance reserve

73 Taking the 2021/22 outturn position into account, there is a £3.771 million deficit cash limit position at the year end.

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

### **Dedicated Schools Grant and Schools**

75 Taking into account academy transfers during the year, the council currently maintains 174 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.

- 76 The original budget for 2021/22 for these 174 maintained schools was £259.582 million, funded by income of £60.069 million, formula funding budget shares of £191.850 million (from central government funding) and a budgeted £7.663 million use of accumulated schools' reserves. The table below summarises the schools' initial budgets that were set for these 174 maintained schools.

	Nursery	Primary	Secondary	Special / AP	Total
	£ million	£ million	£ million	£ million)	£ million
Employees	4.384	141.206	30.572	30.210	206.371
Premises	0.272	9.471	2.348	1.294	13.385
Transport	0.001	0.347	0.385	1.141	1.874
Supplies and Services	0.432	27.042	5.592	4.887	37.953
Income	-3.804	-37.799	-12.594	-5.872	-60.069
<b>Net expenditure</b>	1.285	140.267	26.302	31.660	199.513
Budget share	-1.072	-134.503	-25.751	-30.524	-191.850
Contribution (to)/ from reserves	0.213	5.764	0.551	1.135	7.663
Balance at 1 April 2021	-1.034	-22.444	-1.085	-3.216	-27.779
<b>Balance at 31 March 2022</b>	-0.822	-16.680	-0.534	-2.081	-20.116

- 77 The forecasts prepared by schools at Quarter 3 indicated that they would use of £1.436 million of their accumulated schools' reserves in 2021/22. This was significantly less than the budgeted use of balances and was consistent with the cautious approach adopted by schools over recent years.
- 78 The final outturn was that rather than there being a draw on reserves, there was a contribution to reserves of £1.929 million, a difference of £3.365 million from the Quarter 3 forecast, representing 1.3% of the original budgeted gross expenditure.
- 79 The table below summarises the schools' outturn position:

	Nursery	Primary	Secondary	Special / AP	Total
	£ million	£ million	£ million	£ million	£ million
Employees	4.593	143.698	30.706	31.986	210.982
Premises	0.292	10.407	2.578	1.530	14.807
Transport	0	0.369	0.427	1.152	1.948
Supplies and Services	0.484	27.240	5.419	4.823	37.966
Income	-4.094	-47.032	-16.112	-7.383	-74.621
<b>Net expenditure</b>	<b>1.274</b>	<b>134.682</b>	<b>23.017</b>	<b>32.109</b>	<b>191.082</b>
Budget share	-1.073	-134.554	-25.774	-31.610	-193.011
Contribution (to)/ from reserves	0.201	0.128	-2.757	0.499	-1.929
Balance at 1 April 2021	-1.034	-22.374	-1.085	-3.216	-27.709
<b>Balance at 31 March 2022</b>	<b>-0.833</b>	<b>-22.246</b>	<b>-3.842</b>	<b>-2.717</b>	<b>-29.638</b>

80 In setting the 2021/22 budgets, the council's S151 officer (Corporate Director of Resources) gave approval for four schools to set deficit budgets. A deficit budget arises where planned expenditure during 2021/22 results in a deficit balance at 31 March 2022 (known as a licensed deficit). One of these schools (St. Thomas More RC Primary) subsequently converted to academy during 2021/22. The remaining three schools budgeted, and outturn positions are summarised in the following table:

School Name	Phase	Deficit at 31 March 2021	Planned in-year use or contribution to reserves	Licensed deficit at 31 March 2022	Outturn in-year use or contribution to Reserves	Deficit at 31 March 2022
		£ million	£ million	£ million	£ million	£ million
Ferryhill Station	Primary	0.045	-0.026	0.019	-0.024	0.021
Wellfield	Secondary	3.114	-0.200	2.914	-0.208	2.906
Durham Community Business College	Secondary	0.504	0.310	0.814	0.166	0.670

81 All of these schools have complied with the terms of their licensed deficit. The council will continue to support and work with schools

causing concern to help them resolve their financial concerns, and the s151 officer (Corporate Director of Resources) will consider requests for a licensed deficit for 2022/23. A report summarising the school budget plans for 2022/23 will be presented to Cabinet in September.

- 82 During 2021/22 the council wrote off £75,000 of accumulated deficits in respect of St Thomas More, RC primary. This was agreed to facilitate the conversion.

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

- 83 The 2021/22 outturn for centrally retained DSG budgets is an overspend of £1.863 million against a total budget of £98.705 million at year end, which represents a 1.89% overspend.

<b>DSG Block</b>	<b>Budgeted £ million</b>	<b>Outturn £ million</b>	<b>Over / (Under) Spend £ million</b>
Schools de-delegated	0.257	0.645	0.388
High Needs	65.746	66.542	0.796
Early Years	29.676	30.395	0.719
Central Schools Services	3.026	2.986	-0.040
<b>TOTAL</b>	<b>98.705</b>	<b>100.568</b>	<b>1.863</b>

- 84 The overspend position relates to overspends on Schools de-delegated, High Needs Block, the Early Years Block partially offset with an underspend against the Central School Services Block.
- 85 The Schools De-delegated funds overspend of £388,000 relates to overspends on Behaviour Support, Contingencies and Trade Union Support.
- 86 The overspend of £796,000 on High Needs mainly relates to Top Up Funding for mainstream Nursery, Primary and Secondary pupils, Special Schools Pupil and Banding Top Up and a shortfall in Turnaround and Permanent Exclusions income.
- 87 The overspend of £719,000 on Early Years largely relates to the reduction of £902,000 in funding experienced in year due to funding being allocated on a termly basis and numbers at the beginning of the year being particularly low due to COVID. It is expected that this funding will be recouped in the summer of 2022/2023 when funding allocations are returned to being allocated on an annual basis against the January 2022 census where pupil numbers had fully recovered.

- 88 The small underspend of £40,000 on the Central School Services Block largely relates to an underspend against the former 'Team around the School' service which has now ceased operation.
- 89 The impact of the outturn on the DSG reserves position is shown in the following table.

<b>DSG Reserves</b>	<b>High Needs Block £ million</b>	<b>Early Years Block £ million</b>	<b>Schools Block £ million</b>	<b>Total DSG £ million</b>
<b>Balance as at 1 April 2020</b>	<b>-5.726</b>	<b>1.275</b>	<b>0.644</b>	<b>-3.806</b>
Early Years adjustment 2019/20	0	0.097	0	0.097
Use (-) / Contribution in 2020/21	-2.321	0.003	2.105	-0.213
<b>Balance as at 1 April 2021</b>	<b>-8.047</b>	<b>1.375</b>	<b>2.749</b>	<b>-3.923</b>
Use (-) / Contribution in 2021/22	-0.796	-0.719	-0.348	-1.863
<b>Balance as at 31 March 2022</b>	<b>-8.843</b>	<b>0.656</b>	<b>2.401</b>	<b>-5.786</b>

- 90 The overall DSG reserve position was a net deficit balance of £3.923 million at the start of the financial year, which increased to a net accumulated deficit balance of £5.786 million at 31 March 2022. The accumulated deficit position is dominated by the high needs block position.
- 91 The latest five-year plan for high needs block funding and expenditure, including recovery of the accumulated deficit was considered by Cabinet in April 2022. The financial forecasts indicate that the accumulated budget deficit on the high needs grant will be recovered by the end of the 2023/24 financial year. The position for Durham is better than forecast in the previous version of the five-year plan, reflecting the increased HNB funding levels in 2022/23 and 2023/24.

### **Neighbourhoods and Climate Change (NCC)**

- 92 The 2021/22 outturn for Neighbourhoods and Climate Change was a cash limit underspend of £0.563 million. This takes into account adjustments for sums outside the cash limit, such as redundancy and COVID-19 related costs that are met from corporate reserves, year-end capital accounting entries and use of/contributions to earmarked reserves. The previously forecast position at quarter 3 was a cash limit underspend of £1.006 million to year end.
- 93 The main reasons for the underspend position are as follows:

- (a) Environmental Services was £0.343 million underspent, mainly due to increased income of £0.240 million for trade and bulky waste collections, and staff turnover savings of £0.100 million.
- (b) Technical Services was overspent by £0.119 million. Within this service areas there was an overspend of approximately £1.0 million in revenue maintenance to cover additional work on gullies, drainage, structures, and emergency action work, offset by employee vacancy savings of £0.330 million, and increased trading income of £0.550 million.
- (c) Consumer Protection was underspent by £0.342 million. There was a net underspend on employees of £0.111 million, mainly due to vacant posts, with the balance of the underspend being additional income. This one-off underspend is to be utilised to support the Community Protection workforce development plan over the next 3 years.
- (d) Partnerships & Community Engagement underspent by £97,000. This was mainly due to underspends on employees, and a managed underspend in Supplies and Services, that will be utilised in future MTFP savings.

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

- (a) £5.609 million – relating to a net contribution to earmarked reserves and cash limit reserves to support specific projects in 2022/23. This includes:
  - (i) A £1.008 million contribution to reserves relating to Waste Disposal and Environmental Management;
  - (ii) A £0.496 million contribution to reserves in relation to the North Pennines Area of Outstanding Natural Beauty;
  - (iii) A £0.223 million contribution to reserves relating to future projects in Community Protection;
  - (iv) A £0.480 million contribution to the Winter Maintenance Reserve;
  - (v) A £0.691 million contribution to the Corporate Insurance Reserve; and
  - (vi) A £2.7 million contribution to reserves in relation to carry forward of grant and unspent budgets relating to the Syrian

Refugee programme, Area Action Partnerships and Towns & Villages projects in Partnerships and Community Engagement.

- (b) A sum of £14.687 million relating to a range of items outside the control of the service were also excluded from the outturn, with the major component relating to technical accounting entries related to capital charges at year end.
- 95 COVID-19 related expenditure and lost income of £5.527 million, offset by related savings of £58,000 have been excluded from the net cash limit position and are being treated corporately, funded from the government grant received in 2021/22.
- 96 Taking the outturn position into account, the cash limit reserve to be carried forward for Neighbourhoods and Climate Change is £1.457 million.

### **Regeneration, Economy and Growth (REG)**

- 97 The 2021/22 outturn for Regeneration, Economy and Growth was a cash limit underspend of £1.854 million. This takes into account adjustments for sums outside the cash limit such as redundancy costs which are met from corporate reserves, year-end capital accounting entries and use of / contributions to earmarked reserves.
- 98 The cash limit outturn position compares to the previously forecast position at quarter 3 of a cash limit underspend of £1.695 million
- 99 The outturn was a managed position, reflecting the proactive management of activity across REG to remain within the cash limit. The main reasons accounting for the outturn position are as follows:
- (a) Culture, Sport and Tourism was £0.262 million underspent. The main reasons related to underspends in Service Development (£0.200 million) and Locality Services (£0.608 million), primarily relating to vacant posts offset by an unrealised MTFP saving of £0.201 million and funding of £0.300 million set aside for known costs to be incurred in 2022/23 for Collections storage and City of Culture.
  - (b) Transport and Contract Services was underspent by £30,000. Within this service area, additional enforcement income (£0.597 million) and savings due to staff vacancies across the service were offset by additional bus contract costs (£0.277 million), a loss of departure charges due to the closure of Durham Bus Station (£0.181 million) and the cost of additional repairs to bus stations. In addition, funding has been set aside to cover the known costs of bus station security, car park maintenance and

Care Connect equipment in the first part of 2022/23 (£0.270 million).

- (c) Development and Housing was underspent against budget by £0.740 million. This was the net effect of an underspend of £0.812 million in Planning Development resulting from higher than budgeted levels of income from planning fees and building control fees, and Physical Development of £0.163 million relating to underspends against staffing budgets, offset by overspends of £91,000 in Economic Development, £77,000 in Strategy and Project Development, and £64,000 in Spatial Policy.
  - (d) Business Durham outturn was in line with budget.
  - (e) Corporate Property and Land was £0.209 million underspent. This arose due to an underspend against Facilities Management budgets and lower costs associated with the Energy Centre at Freeman's Reach.
  - (f) Communications Management was underspent by £0.206 million, 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.
  - (g) Central costs were £0.407 million underspent due to lower than expected year end charges.
- 100 In arriving at the forecast outturn position, the service declared £7.460 million of additional costs, and lost income relating to COVID-19 and £2.029 million of COVID-19 related underspends. The net COVID-19 impact is therefore £5.431 million, and this was covered corporately by utilising Central Government grants.
- 101 In arriving at the outturn position, £1.506 million relating to contributions to / use of reserves, cash limits and contingencies has been excluded from the outturn. The major items being:
- (a) £1.319 million use of the Corporate Recovery Support reserve;
  - (b) £0.670 million contribution to the Arts and Cultural reserve;
  - (c) £0.420 million contribution to the Asset Management reserve to cover one-off lease premium payment due in next year;
  - (d) £0.396 million contribution to the Culture, Sport and Tourism reserve;

- (e) £0.300 million contribution to the Building Repairs and Maintenance reserve to support process of unitisation of property repairs and maintenance budget;
- (f) £0.300 million contribution to the Book Fund reserve;
- (g) £0.274 million use of the Social Housing reserve;
- (h) £0.263 million contribution to the Housing Solutions reserve for grant funding to be used in future;
- (i) £0.241 million contribution to the Local Authority Delivery (LAD) Scheme reserve for grant funding to be used in future.

102 Taking the outturn position into account, including items outside the cash limit and transfers to and from earmarked reserves, the cash limit reserve to be carried forward Regeneration, Economy and Growth is £2.868 million.

## Resources

103 The 2021/22 outturn for Resources was a cash limit underspend of £1.520 million. This takes into account adjustments for sums outside the cash limit such as redundancy costs which are met from corporate reserves, year-end capital accounting entries and use of/ contributions to earmarked reserves.

104 The cash limit outturn position compares to the previously forecast position at quarter 3 of a cash limit underspend of £0.761 million.

105 The underspend reflects the proactive management of activity by Heads of Service across Resources throughout the year to remain within the cash limit and to prepare for MTFP12 savings requirements. The outturn position is accounted for as follows:

- (a) Corporate Finance and Commercial Services was underspent by £0.265 million, with managed underspends in Strategic Finance of £0.160 million and Health and Safety of £0.112 million and a number of other minor variances in this service area
- (b) Finance and Transactional Services was underspent by £1.278 million, primarily due to managed underspends on employee costs of £0.696 million and additional grant income of £0.506 million in Revenues and Benefits. Payroll and Employee Services was over budget by £0.104 million, mainly due to unachieved income of £46,000 and a managed overspend on employee costs of £52,000. There were also a number of other minor variances in this service area.

- (c) Digital and Customer Services was overspent by £0.561 million, consisting of managed overspends in relation to transport related costs of £33,000, supplies and services of £1.941 million and Direct Revenue Funding of four ICT capital projects of £0.170 million. These overspend were partially offset by an underspend of £0.767 million on employee related costs and additional income of £0.714 million. There were also a number of other minor variances in this service area.
  - (d) There were no material variances in Internal Audit, Risk and Corporate Fraud.
  - (e) Legal and Democratic Services was £0.675 million underspent. This includes a managed underspend on employee related expenditure of £0.527 million and £0.516 million of additional income. This net underspend has been partially offset by an overspend of £0.299 million on supplies and services. There were also a number of other minor variances in this service area.
  - (f) People and Talent Management was overspent by £0.122 million, which included a £0.202 million managed overspend on employee related expenditure and an £51,000 overspend on supplies and services. The service achieved additional income of £162,000 to partially offset these overspends. There were also a number of other minor variances in this service area.
  - (g) Strategy was overspent by £66,000, due largely to a managed underspend on employee related costs.
  - (h) Transformation was underspent by £0.108 million due to managed underspends on employee related costs of £89,000 and supplies and services of £19,000.
  - (i) Procurement Sales and Business Support was underspent by £29,000 due largely to additional income.
  - (j) Service Management and Central Charges was overspent by £86,000 due primarily to an increase in the bad debt provision at year end.
- 106 In arriving at the forecast outturn position, the service declared £1.284 million of additional costs, and lost income relating to COVID-19 and £1.642 million of COVID-19 related underspends. The net COVID-19 impact is therefore £0.358 million, and this was covered corporately by utilising Central Government grants.
- 107 Further to the quarter 3 forecast of outturn report a net £1.844 million have been excluded from the outturn in arriving at the cash limit outturn position. The main items being as follows:

- (a) £6.801 million relates to a range of adjustments associated with year-end accounting entries for capital charges, centralised repairs and maintenance and central administration recharges as well as a small number of other agreed sums outside the cash limit funded from corporate contingencies;
- (b) £4,064 relates to a transfer to the Insurance Reserve from in-year underspends on central insurance provision;
- (c) £38,170 from the MTFP ER/VR Reserve to reflect an increased cost of early retirements/ voluntary redundancies in 2021/22.
- (d) £0.673 million to the Business Support Reserve in respect of the actual underspend on the unitised Business Support Function in lieu of future MTFP savings;
- (e) £6,817 from the Planning Reserve to fund security and utility costs at the Mount Oswald Development Site in respect of the History Centre;
- (f) £39,748 from the ICT Reserve to support ICT developments;
- (g) £0.247 million transfer to the Corporate Procurement Reserve which will be used to finance various procurement initiatives;
- (h) £1,211 from the Oracle Development Reserve to fund system development and improvements;
- (i) £6,392 from the Welfare Assistance Funding Reserve in respect of the 2021/22 overspend on Discretionary Housing payments (funded from the underspend carried forward from 2020/21);
- (j) £1.962 million to the Housing Benefits Subsidy Reserve to finance the cost of Housing Benefit backdated claims which are not fully funded by Government Subsidy;
- (k) £0.320 million to the Revenues and Benefits Reserve to support the development of the Civica system and to provide funding for additional temporary staff to deal with potential workload and backlog issues within the service;
- (l) £0.233 million to the HR Reserve to fund training and development initiatives;
- (m) £0.114 million to the Elections Reserve to finance the cost of elections;
- (n) £0.171 million to the Legal Expenses Reserve to provide for a projected underachievement of MTFP Savings in 2022/23, and

also to fund equipment and the pending costs of stamp duty land tax;

- (o) £10,000 from the Resources Cash Limit Reserve in respect of the cost of reviewing Durham County Council's software in the Application Architecture review;
- (p) £48,680 to the Legal Services Reserve to provide for future expenditure for the Coroners service;
- (q) £43,257 to the Internal Audit and Corporate Fraud Reserve to fund future temporary appointments;
- (r) £0.150 million to the SFO Trading Reserve from additional income received to help fund future finance system developments;
- (s) £0.223 million transfer to various COVID-19 Reserves from unspent grant allocations to support the community and businesses in 2022/23;
- (t) £24,263 to the Residents Research Reserve as part of the funding received from CYPs to fund research work;
- (u) £0.122 million to the Welfare Rights Reserve in respect of AiCD (Advice in County Durham) funding carried forward for future use by the Poverty Action Steering Group;
- (v) £0.405 million to the COVID-19 Test & Trace Support Scheme Admin Reserve to fund service package requirements.
- (w) £0.198 million to the Archives Project Reserve in respect of funding carried forward for future projects for the County Archivists, software, and document clearance;
- (x) £55,732 to the Transformation Programme Reserve. The contribution reflects the underspend in 2020/21 associated with the Transformation Team;

108 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 £1.091 million.

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

109 The 2021/22 outturn for Resources - Centrally Administered Costs was a cash limit underspend of £44,000. This takes into account adjustments for sums outside the cash limit such as the use of / contribution to earmarked reserves.

- 110 In arriving at the forecast outturn position, the service declared £35,518 of additional costs, and lost income relating to COVID-19 and no COVID-19 related underspends. The net COVID-19 impact is therefore £35,518, and this was covered corporately by utilising Central Government grants.
- 111 The cash limit outturn position compares to the previously forecast position at quarter 3 of a cash limit underspend of £10,324.
- 112 The final outturn position reflects reduced expenditure on corporate subscriptions of £30,000, expenses associated with raising loans of £29,000 and legal expenses of £20,000. These have been partially offset by a managed overspend of £30,000 relating to audit fees. In addition, there was an overachievement of income from de-minimis capital receipts of £29,000 arising from the sale of assets. There are also a few other minor variances in this service area.
- 113 Further to the quarter 3 forecast of outturn report, the following items have been excluded from the outturn in arriving at the cash outturn position:
- (a) £0.402 million – relates to a range of adjustments associated with capital charges, centralised repairs and maintenance and central administration charges as well as a small number of other agreed sums outside the cash limit funded from corporate contingencies;
  - (b) £0.134 million – relates to a net use of earmarked reserves including £0.271 million from the Welfare Assistance Funding Reserve, £52,370 from the Council Tax Hardship Reserve and £0.189 million to the Insurance Reserve.

## **Central Budgets**

### **Interest and Investment Income**

- 114 There was an overachievement of income of £1.500 million due to higher than forecast returns on loan investments and additional dividends receivable (from Durham Villages Regeneration Company).

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

- 115 The actual interest payable and similar charges outturn position shows a £0.182 overspend to revised budget. This is due to additional use of Direct Revenue Financing (DRF) at year end.

## 2021/22 Capital Outturn

### General Fund Capital Programme

- 116 The original capital budget for 2021/22, taking into account the budget approved by Council on 24 February 2021 and adjustments for re-profiling of underspends at 2020/21 year end, was £205.408 million. This was agreed by Cabinet on 7 July 2021.
- 117 Throughout the year, the Capital Member Officer Working Group (MOWG) has continually reviewed progress in delivering the capital programme to take into account changes in planning and delivery timescales and analysis of changes in demands on resources. This has been particularly important throughout 2021/22 as the council has monitored the impact of the pandemic and global price rises upon the ability to deliver the capital programme effectively. Regular updates to the capital programme were reported to and approved by Cabinet as part of the quarterly budgetary control reports in year. Requests for re-profiling capital programme underspends at 31 March 2022 have also been considered by MOWG.
- 118 Since the Quarter 3 Forecast of Outturn Report was prepared for Cabinet consideration in March 2022, there have been a number of significant increases to the capital budget put forward. These budget increases were considered at the MOWG meeting in May 2022. Significant budget adjustment required include:
- (a) £31.805 million for Towns Deal (Stronger Towns) schemes and £19.857 million for Future High Streets Fund schemes in Bishop Auckland.
  - (b) £25.506 million for Levelling Up Fund schemes in the Bishop Auckland area, which includes £12.000 million for Toft Hill A68 Bypass, £2.000 million for Whorlton Suspension Bridge and £11.506 million for schemes at Locomotion.
  - (c) provision for Leisure Centre Decarbonisation schemes totalling £5.065 million at Newton Aycliffe, Peterlee, Teesdale and Wolsingham Leisure Centres and Social Housing Decarbonisation Fund Wave 1 budget of £5.709 million, along with £4.045 million for Green Homes Phase 2 schemes.
  - (d) a budget increase of £14.890 million for the refurbishment and reopening of the former DLY building at Aykley Heads as a Cultural Venue following a report to Cabinet in March and a budget increase of £12.000 million to rebuild Greenfield Community College on the Aycliffe site following a report to Cabinet in April.

- (e) The capital budget also required adjustment (increase) to reflect higher than anticipated capital grant allocations of £3.285 million for Highways Capitalised Maintenance and £2.665 million for Schools Capital works.
- (f) Other significant budget increases include £2.196 million to meet additional costs in relation to the Durham History Centre project and £2.200 million to create a new budget for a Corporate Business Intelligence System.

119 The following table summarises the revised capital budget for 2021/22, taking into account the further revisions considered by MOWG in May and agreed by Cabinet throughout the year, together with the outturn position for each service area. The table also details the action that has been taken with regard to re-profiling and budget additions/deletions at year end.

### General Fund Capital Programme Outturn 2021/22

Service Area	2021/22 Original Budget	2021/22 Revised Budget	2021/22 Outturn	2021/22 Variance	2021/22 (Additions) / Deletions from Budget	2021/22 Re-profiling into future years
	£000	£000	£000	£000	£000	£000
Adults and Health Services	1,210	377	375	-2	0	2
Childrens and Young People's Services	33,641	16,893	14,525	-2,368	-1,683	4,096
Neighbourhoods and Climate Change	58,033	45,403	41,314	-4,089	-422	5,096
Regeneration, Economy and Growth	95,720	86,976	77,812	-9,164	175	8,359
Resources	16,805	9,330	9,042	-288	-26	314
<b>Total Capital Programme</b>	<b>205,408</b>	<b>158,979</b>	<b>143,068</b>	<b>-15,911</b>	<b>-1,956</b>	<b>17,867</b>

120 The variances in the table above include requests to carry forward unspent budgets to fund the completion of capital schemes from 2022/23 onwards. Also included are 2021/22 overspends on some projects as a result of an acceleration in project delivery timescales, and for these projects future years' budgets have been reduced. All of the

resultant re-profiling is reflected in the capital budgets for 2022/23 to 2025/26.

- 121 The Capital Programme is financed via various funding sources including grants, capital receipts, revenue contributions, contributions from reserves and borrowing. The financing of the 2021/22 outturn is detailed in the following table:

### Financing – General Fund Capital Programme 2021/22

Funding Source	2021/22 Outturn £000
Grants and Contributions	60,010
Revenue & Reserves	26,279
Capital Receipts	7,363
Borrowing	49,415
<b>Total Financing</b>	<b>143,068</b>

### Service Grouping Commentary

- 122 The primary reasons for the net capital underspend of £15.911 million (circa 10% under the revised capital programme budget at year end) are set out below:

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

- 123 The underspend £2.368 million for CYPS is mainly due to:

- (a) **Children's' Care** – Underspend of £0.221 million. This is due to underspends on several schemes relating to the acquisition and refurbishment of Children's Homes, where spend has not been incurred as quickly as expected
- (b) **Children's Services – Planning and Services Strategy** - Underspend £0.128 million. This relates to some payments being re-profiled into 2022/23 for the project to review the Social Services Information Database (SSID) system in CYPS and AHS
- (c) **Devolved Formula Capital** – Overspend of £0.881 million. This is due to unpredicted changes in individual school spending decisions after December when final budget updates were made. The 2021/22 overspend will be met from budgets in 2022/23.
- (d) **School Related** – Underspend of £2.948 million. The most significant underspend in this area is £0.435 million on the new

build primary school in Belmont, with delays due to discussions with DfE about using their Build Framework. Other significant underspends include £0.298 million on Spennymoor New Build Primary due to delays on stage 4 design work and £0.291 million on Bowburn New Build Primary due to ground contamination investigations under the site of the old school delaying phase 2 works.

Delays in getting raw materials from suppliers led to underspends of £0.120 million on works at Prince Bishops Primary and £0.0.111 million on works at Montalbo Primary. Underspends of £0.275 million for Ferryhill Station Primary roof replacement, £0.172 million for electrical works at Thornley Primary, £0.135 million for Coxhoe Primary replacement heating system and £0.121 million for a rewire scheme at St. Annes CE Primary were due to the re-phasing of works between financial years.

There was an overspend of £0.186 million on condition works at Greenfield School due to the ongoing costs of hiring demountables and the purchase of a new substation for the site. This will be met from the Schools Capital Grant unprogrammed budget

- (e) **SEN Capital Fund** – Overspend £0.157 million. Budget has been re-profiled from 2022/23 to 2021/22 to cover the overspend on the project to provide demountable buildings at The Oaks Special School
- (f) **Secure Services** – Underspend of £0.109 million. The majority of this (£90,210) relates to the Transition Home at Aycliffe Secure Centre due to a delayed project start and some sub-contractors not submitting bills by year end.

## Neighbourhoods and Climate Change

124 The underspend of £4.089 million is mainly due to:

- (a) **Environmental Services** – Underspend of £1.839 million. The most significant underspend in this area is £1.165 million on Morrison Busty Vehicle Workshop Refurbishment. This project is eight weeks behind programme due to additional time taken to fill large mineworking voids discovered once ground stabilisation works commenced. This delayed subsequent high value works, such as foundations, the ground floor concrete slab and the structural steel frame.

An underspend of £0.667 million on Solar PV Array (SPA3) schemes for various council buildings resulted from a late decision to allocate spend on Solar PV projects to various Public Sector

Decarbonisation Scheme (PSDS) projects, maximising grant income to the council. There was an underspend of £0.413 million on the On-Street Residential Electric Vehicle Chargepoint scheme due to the waiting time to get EV units delivered from Europe and delays in Northern Powergrid connecting the EV charge points.

An overspend of £0.695 million on Morrison Busty Battery Storage was due to accelerated project spend and will be met by bringing forward budget from 2022/23. Overspends on schemes at Morrison Busty for part demolition of the Bevan Buildings (£0.155 million) and the Phase 3 refurbishment of the offices (£0.497 million) relate to budget being held in the Structural Capitalised Maintenance and Demolition Programme budgets in REG, which were transferred to NCC at year end.

- (b) **Technical Services** – Underspend of £1.791 million. There was an underspend of £0.233 million on street lighting schemes due to costs recharged being lower than estimated and also delays in materials deliveries caused by a worldwide shortage of electrical components. Other significant underspends include £0.442 million on Whorlton Suspension Bridge as a result of delays to inspection and testing works and the quality of the work resulting in ongoing discussions with the contractor and invoices not yet being agreed by Highways Services.

An underspend of £0.662 million resulted from three unclassified roads schemes being pulled from the programme and incurring no spend in 2021/22. The budget for Surveys, Inspections and Assessments was underspent by £0.307 million due to work by external consultants carrying over into 2022/23.

An underspend of £0.157 million resulted from the A181 Wellfield/Wingate scheme being pulled due to a clash with a major project and housing development. There was an overspend of £1.098 million on Highways patching schemes due to an overspend on Highways Services Patching budget.

- (c) **Members Budgets** – Underspend of £0.475 million. The revised budget was based on applications received up to mid-November. The underspend is due to not as many applications as expected proceeding to payment stage by the end of the financial year. The underspend will be carried forward to 2022/23 and the payments made in due course
- (d) **AAP Capital Budgets** – Overspend £0.217 million. The revised budget was based on applications received up to mid-November. Many more applications were received after this point and more than expected were paid before the end of the financial year. The overspend will be met by bringing budget forward from 2022/23.

## Regeneration, Economy and Growth

125 The underspend of £9.164 million is mainly due:

- (a) **Corporate Property and Land** – Underspend £6.275 million. The most significant underspend in this area was £3.292 million on the Milburngate Fit Out budget as delays with the adoption of the development have put fit out works on hold.

There was an underspend of £1.149 million on the New Council Headquarters scheme due to Kier revising their profile after the final budget amendments were made at quarter 3.

There was an underspend of £1.448 million on the Structural Capitalised Maintenance programme due to a number of schemes which were meant to take place in 2021/22 being delayed until 2022/23. An underspend of £0.297 million on the Demolition Programme budget was mainly due to a budget transfer of £0.235 million to NCC to support works at Morrison Busty.

- (b) **Development and Housing** – Underspend £0.495 million. There were various offsetting underspends and overspends across the service, with the most significant being an overspend of £3.415 million relating to the acquisition of the Newgate Centre in Bishop Auckland, due to the purchase completing in 2021/22 rather than 2022/23 as expected.

There were also overspends of £0.559 million on Green Homes Phase 2 due to the late award of additional government funding which had to be spent in 2021/22, and £0.175 million on Disabled Facilities Grant schemes as schemes were delivered ahead of schedule.

There were significant underspends of £0.669 million on the Homelessness Buy to Lease scheme, £0.550 million on the DCC House Building Programme and £0.417 million on the Rough Sleeper Accommodation (COMF) scheme due to the acquisition of properties not completing before year end.

Underspends of £0.425 million on Aykley Heads Plot C and £0.270 million on the Accelerated Construction Scheme were due to payments being processed in April, rather than March as expected. The Beamish Museum Redevelopment scheme had an underspend of £0.777 million as no claims were received from Beamish in 2021/22

- (c) **Business Durham** – Overspend of £0.653 million. This was mainly due to an overspend of £0.869 million on the Netpark

Phase 3 scheme as consultants have been appointed and the scheme is progressing ahead of schedule. There was an underspend of £0.154 million on the Finance Durham Investment Fund as investment pipeline timelines were slower than expected

- (d) **Culture and Sport** – Underspend of £1.963 million. On the Durham History Centre project there was an overspend of £0.389 million due to a contractor payment being paid in March instead of April. This was offset by an underspend of £0.481 million on the ERDF funded part of the scheme due to delays caused by unforeseen works associated with the listed building.

There was an underspend of £0.750 million on Leisure Centre Transformation schemes at Spennymoor, Teesdale, Abbey, Riverside and Peterlee Leisure Centres due to a complete review of the RIBA stage 3 proposals delaying progress.

The Locomotion New Exhibition Building scheme had an underspend of £0.342 million due to delays in finalising the funding agreement and there was an underspend of £0.209 million on the Consett Leisure Pool Tiling Defect scheme due to slippage in the contractor's programme of works. The DMA Redhills Building Refurbishment scheme had an underspend of £0.200 million as grant payments were put on hold while the owners seek additional funding.

- (e) **Transport and Contracted Services** – Underspend of £1.943 million. There were various offsetting underspends and overspends across the service, with the most significant being an underspend of £0.359 million on Driver Information / UTMC schemes as a longer than anticipated procurement process has delayed delivery into 2022/23. There was an underspend of £0.291 million on the Cycling Super Routes scheme with budget being vired at year end to other LTP schemes.

The A19/A1018 Seaton Lane Junction scheme had an underspend of £0.214 million due to delayed ground investigations by Highways England and an underspend of £0.184 million on Jade Business Park Infrastructure resulted from Highways England requesting that this work should be aligned with the Seaton Lane scheme as one design and construct contract.

Newton Aycliffe Housing Infrastructure Fund had an underspend of £0.270 million as a delay in agreeing the collaboration agreement with the Church Commissioners resulted in infrastructure works being put on hold. An underspend of £0.185 million on Stonebridge Park & Ride resulted from re-programming of the overall Transforming Cities Fund programme. There was

an overspend of £0.155 million on the Toft Hill A68 Bypass scheme due to grant being approved during quarter 4 after the final budget amendments had been made

## Resources

126 The underspend of £0.288 million is mainly due:

- (a) **Digital Organisation** – Underspend of 0.226 million. The most significant underspend was £0.175 million on the End User Equipment Replacement scheme. This was due to global supply chain delays with ICT equipment. 450 monitors and 200 laptops were ordered but due to delays they were not delivered before year end

## Council Tax and Business Rates Collection Funds

### Council Tax

- 127 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.
- 128 The in-year collection rate at 31 March 2022 was 95.46%, which is 1.74% points above the year end position in 2020/21. This improvement is as expected with debt recovery procedures paused during 2020/21 due to the pandemic and only being reintroduced from June 2021.
- 129 The council is providing support to those impacted by COVID-19 through Hardship payments of up to £300 for those in receipt of council tax support with residual elements to pay; a total of £4.033 million was awarded to 31 March 2022.
- 130 The in-year collection rates at 31 March for 2021/22 and the previous two financial years, are shown below.

Billing Year	Position at 31 March
2021/22	95.46%
2020/21 *	96.18%
2019/20 *	97.94%

\*Updated collection rate for payments made in 2021/22 for 2020/21 and 2019/20 liability

- 131 The current overall collection rate for 2020/21 council tax liabilities is now 96.18% (compared to 93.72% at 31 March 2021), and for 2019/20 the rate is now 97.94% (compared to 96.37% at 31 March 2021). The council continues to recover council tax for these years and for earlier years too.
- 132 The income shown in the council tax collection fund is the amount collectable from council tax payers in the long run, rather than the actual cash collected in the year the charges are raised. Likely bad debts are accounted for by maintaining a bad debt provision. The amount collectable is estimated each year by reference to the actual council tax base for all domestic properties in the county (schedule of all properties, discounts, and reliefs) with an allowance for non-collection.
- 133 Actual cash collected as at 31 March 2022 was £303.396 million compared with £278.592 million as at 31 March 2021, however when the Council Tax increases for 2021/22 are factored in, this represents a year on year real terms increase of £15.510 million in terms of Council Tax income received.
- 134 Due to changes in the number of properties (including new build and demolitions), and eligibility of discounts and reliefs during the year, the actual amount of council tax collectable, increases or decreases from the estimate on a dynamic day to day basis. In addition, adjustments for previous billing years take place during each accounting year. All of these adjustments mean that the actual amounts collected will always differ from the estimate.
- 135 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.
- 136 In July 2020 the government announced that repayments to meet any collection fund deficits accrued in 2020/21 will be phased over a three-year period (2021/22 to 2023/24), rather than all being accounted for in 2021/22, to ease immediate pressures on budgets.
- 137 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. In the 2021/22 outturn the second repayment of the 2020/21 Collection Fund deficit must be included

- 138 At 31 March 2022 the final outturn for the council tax collection fund is a deficit of £7.679 million, including the undeclared 2020/21 deficit of £3.741 million and the in-year deficit of £0.124 million. After taking into account the second instalment of the phasing of the 2020/21 deficit (£1.907 million), the overall forecast for the council tax element of the Collection Fund is a £5.772 million deficit as shown in the following table. The councils share of this deficit is £4.867 million.

	<b>£ million</b>
Net Bills issued during Accounting Year 2021/22	367.366
LCTRS and previous years CTB adjustments	-60.372
Calculated change in provision for bad debts required and write offs	-4.279
<b>Net income receivable (a)</b>	<b>302.715</b>
<b>Precepts and Demands</b>	
Durham County Council	241.266
Parish and Town Councils	13.734
Durham Police Crime and Victim's Commissioner	32.607
County Durham & Darlington Fire & Rescue Authority	15.232
<b>Total Precepts and Demands (b)</b>	<b>302.839</b>
<b>Net Surplus / (-) Deficit for year (a) – (b)</b>	<b>-0.124</b>
<b>Spreading of Deficit Adjustment</b>	<b>-1.907</b>
<b>Undeclared Deficit Brought Forward from 2020/21</b>	<b>-3.741</b>
<b>Year end Deficit</b>	<b>-5.772</b>

- 139 The following table identifies the reconciles the gross deficit (including undeclared and in year deficit) to the year end deficit:

	<b>£ million</b>
2020/21 Undeclared Deficit	-3.741
Remaining Deficit Spread	-3.814
Deficit for the year	-0.124
<b>Collection Fund gross deficit</b>	<b>-7.679</b>
2023/24 General Fund impact – deficit spread	1.907
<b>Year end Deficit</b>	<b>-5.772</b>

- 140 The council was required to determine and declare the forecast surplus or deficit on the council tax collection fund for 2020/21 by 15 January 2021. This needed to be considered during the budget setting process for 2021/22. Any difference between this and the actual surplus at 31 March 2021 was carried forward to the next financial year to be taken into account in estimating the surplus/ deficit position for 2021/22 and taken into account during 2022/23 budget setting.
- 141 At 15 January 2022 the estimated in year outturn for the Council Tax Collection Fund was a deficit of £5.090 million to 31 March 2022, including the second instalment of the spreading adjustment from 2020/21 of £1.907 million.

## **Business Rates**

- 142 2013/14 was the first year of the new business rates retention scheme whereby the council has a vested budget interest and stake in the level of business rate yield, as income generated from business rates has since been shared between Central Government (50%), Durham County Council (49%) and County Durham and Darlington Fire and Rescue Authority (1%). Therefore, it is not only the accuracy and timeliness of bills levied and collected that is monitored and audited, but the level of income anticipated for the year is important and new monitoring procedures have been devised for this purpose.
- 143 In 2017/18, following consultation, the Government implemented the first revaluation of business rates since April 2010.
- 144 The revaluation of the rateable values of all business properties was undertaken by the Valuation Office Agency and, along with national changes to multipliers, relief thresholds and transitional arrangements, came into effect from April 2017. The overall effect of the revaluation on the collection fund saw a decrease of an estimated £9.3 million in rates yield/ liability when compared to 2016/17. The revaluation should be cost neutral to Durham County Council and County Durham and Darlington Fire and Rescue Authority; therefore, compensation arrangements are made through adjustments to Section 31 grants and top up grants for their shares of income losses.
- 145 Bills raised, exemptions and reliefs awarded are examined, together with local knowledge of anticipated changes in reliefs such as mandatory charitable relief and discretionary rate relief, on a monthly basis to enable a comparison with the January 2020 estimate of 2020/21 business rates income that was used for budget setting purposes.

- 146 At 31 March 2022, the actual outturn for the collection fund business rates is a deficit of £10.007 million, after taking into account the undeclared surplus as at 31 March 2021 of £6.337 million, as shown in the following table.

	<b>£ million</b>
Net rate yield for 2021/22 including previous year adjustments	95.469
Estimate of changes due to appeals lodged and future appeals	6.225
Estimated losses in Collection – Provision for Bad Debts and Write-offs	0.299
<b>Net income receivable (a)</b>	<b>101.993</b>
Agreed allocated shares	
Central Government (50%)	57.434
Durham County Council (49%)	58.606
County Durham and Darlington Fire and Rescue Authority (1%)	1.172
Cost of Collection Allowance and Renewable Energy (paid to Durham County Council)	0.746
<b>Total fixed payments (b)</b>	<b>117.958</b>
<b>Net deficit for year (a) – (b)</b>	<b>-15.965</b>
<b>Spreading of Deficit Adjustment</b>	<b>-0.379</b>
<b>Undeclared Surplus brought forward from 2020/21</b>	<b>6.337</b>
<b>Year end Deficit</b>	<b>-10.007</b>

- 147 As with Council Tax, the in year deficit on business rates estimated in January 2021 was eligible to be spread over a three-year period (2021/22 to 2023/24) to ease immediate pressures on budgets. The in-year business rates deficit for 2020/21 eligible to be spread over three years was calculated by taking the in-year deficit estimated at January 2021 and excluding the additional reliefs awarded which are fully funded by Section 31 grant income. Therefore, the deficit eligible to be spread over three years is £1.138 million (£0.379 million per year), of which the council's share is £0.558 million (£0.186 million per year)

- 148 The in-year deficit of £15.965 million and the undeclared surplus brought forward from 2020/21, leaves a net deficit of £10.007 million at 31 March 2022. The surplus/ deficit at 31 March in any year is shared proportionately between Durham County Council, Central Government and County Durham and Darlington Fire and Rescue; Durham County Council's share is 49%. Durham County Council's share of the year end deficit is £4.903 million, which is around £0.622 million lower than what was forecast at Quarter 3.
- 149 The in-year collection rate at 31 March 2022 was 98.38%: 4.95% points higher than in 2020/21. This improvement was as expected with debt recovery procedures paused during 2020/21 due to the pandemic being reintroduced from June 2021.
- 150 Over the last year the council has made payments to eligible businesses totalling circa £47.200 million, under the national Local Restrictions Support Grants, Additional Restrictions Support Grant, Restart Grants and Omicron Retail & Hospitality Grants. Total payments to eligible businesses over the last two years total £203.8 million.
- 151 The in-year collection rates at March 2022 for the current and last two financial years, are as follows:

<b>Billing year</b>	<b>Position at 31 March</b>
2021/22	98.38%
2020/21	98.63%
2019/20	99.60%

\*Updated collection rate for payments made in 2021/22 for 2020/21 and 2019/20 liability

- 152 The current overall collection rate for 2020/21 business rate liabilities is now 98.19% (compared to 98.63% at 31 March 2021) and for 2019/20 business rate liabilities is now 99.60% (compared to 97.91% at 31 March 2020). The council continues to recover business rates for these and from earlier years.
- 153 Taking into account the positions at 31 March 2022 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 asset out below, highlighting an overall £0.602 million deficit, which compares to the Quarter 3 forecast of a £1.498 million overarching deficit.

	<b>£ million</b>
Council Tax Deficit	4.867
Business Rates Deficit	4.903
S31 Grants for 2021/22 reliefs	-9.166
<b>Net Deficit</b>	<b>0.602</b>
<b>Note:</b>	
Final year of spreading (2022/23 General fund impact)	1.798
<b>Total Net Deficit</b>	<b>2.400</b>

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

- 154 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.
- 155 Small business ratepayers with properties with rateable values up to £12,000 are 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%.
- 156 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.
- 157 At 31 March 2022, the gross small business relief awarded against 2021/22 business rates bills and adjustments for the period 2013/14 to 2021/22 was £18.303 million, and the council will receive £6.389 million in Section 31 grant, including the capping adjustment and threshold change adjustments, in this regard.

### **Other Section 31 Grants**

- 158 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.

- 159 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 was extended to 30 June 2021, and continued at a rate of 66% from 1 July 2021 to 31 March 2022. This discount is fully funded by way of Section 31 grant.
- 160 A nursery discount scheme was also introduced for 2020/21 as a response to COVID-19. This discount was also extended to 30 June 2021 at 100% and continued at 66% from 1 July 2021 until 31 March 2022. Again, this is fully funded by Section 31 grant.
- 161 When assessing income from business rates, due regard must also be given on the effect that changes in reliefs has on the Section 31 grants. When the additional Section 31 grants, to compensate for the extended retail, hospitality and leisure discounts and the extended nursery discounts, are factored in, the total amount of Section 31 grants due to Durham County Council is £22.068 million of which £9.166 million relates to the additional reliefs in response to COVID-19.
- 162 Durham County Council's share of the in-year deficit of £7.823 million, excluding the surplus brought forward from 2020/21 of £3.105 million, is therefore offset in the General Fund by the receipt of the additional Section 31 grants of £9.166 million, leaving a net in-year surplus of £1.343 million from business rates activity.

### **Update on Progress towards achieving MTFP (11) savings**

- 163 The delivery of the MTFP (11) 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 totalled £5.312 million.

165 At 31 March 2022, 100% of the £5.312 million total savings target, had been delivered.

## **Consultation**

166 There has not been any public consultation on MTFP(11) proposals during the year

## **HR implications**

167 Equality data relating to the seven employees leaving through voluntary redundancy, early retirement, and ER/VR during 2021/22 shows that 71% were female and 29% were male. In terms of race, 14% of leavers had not disclosed their ethnicity and the remaining 86% stated that they were white British or white English. Regarding disability status 14% of leavers said they had a disability, 14% had no disability and 72% did not disclose their disability status.

168 Equality data relating to the five employees leaving through compulsory redundancy during 2021/22 shows that 60% were female and 40% were male. In terms of race, 20% of leavers had not disclosed their ethnicity and the remaining 80% stated that they were white British or white English. Regarding disability status no leavers said they had a disability, 60% had no disability and 40% did not disclose their disability status.

169 Since austerity began in 2011, equality data relating to employees 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, 45.84% of leavers had not disclosed their ethnicity, with 53.75% stating that they were white British or white English. Regarding disability status 2.96% said they had a disability, 13.12% had no disability and 83.92% 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 MTFP(11) 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 – 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.
- Cabinet – 17 November 2021 - Council Tax Base 2022/23 and Forecast Deficit on the Council Tax Collection Fund as at 31 March 2022.
- County Council – 23 February 2022 – Medium Term Financial Plan 2022/23 to 2025/25 and Revenue and Capital Budget 2022/23.
- 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.

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## **Appendix 1: Implications**

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### **Legal Implications**

This report shows the actual outturn compared to original and revised budgets as agreed by Council in relation to the 2021/22 financial year and is a key component of the council's Corporate and Financial Governance arrangements. The information contained within this report has been prepared in accordance with standard accounting policies and procedures.

### **Finance**

The report details the financial outturn for the council for 2021/22 for revenue and capital. The report covers general fund for revenue and capital and the outturn position for general and earmarked reserves at 31 March 2022, plus the Collection Fund outturn, covering council tax and business rates.

### **Consultation**

None.

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

None.

### **Climate Change**

None.

### **Human Rights**

None.

### **Crime and Disorder**

None.

### **Staffing**

None.

### **Accommodation**

None.

### **Risk**

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

## **Procurement**

None.

## Appendix 2: General Fund Revenue Summary 2021/22

	Original Budget 2021/22	Revised Budget 2021/22	Service grouping Outturn	Variance	Cash Limit Adjustments			Variance
					Sums outside the cash limit	Contribution to / Use of Cash Limit Reserve	Contrib. to / Use of Earmarked Reserves	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adult and Health Services	133,618	126,214	123,077	-3,137	-79	0	4,837	1,621
Chief Executive's Office	1,381	0	0	0	0	0	0	0
Children and Young People's Services	133,876	145,628	185,427	39,799	-40,839	0	6,926	5,886
Neighbourhoods and Climate Change	105,731	109,662	94,270	-15,392	14,687	0	5,610	4,905
Regeneration, Economy and Growth	49,630	53,591	70,169	16,578	-14,507	0	1,506	3,577
Resources	21,425	27,118	27,086	-32	-6,803	-10	4,966	-1,879
<b>Cash Limit Position</b>	<b>445,661</b>	<b>462,213</b>	<b>500,029</b>	<b>37,816</b>	<b>-47,541</b>	<b>-10</b>	<b>23,845</b>	<b>14,110</b>
Contingencies	10,337	9,122	0	-9,122	4,958			-4,164
Corporate Costs	4,378	2,227	2,753	526	-402	0	-134	-10
<b>NET COST OF SERVICES</b>	<b>460,376</b>	<b>473,562</b>	<b>502,782</b>	<b>29,220</b>	<b>-42,985</b>	<b>-10</b>	<b>23,711</b>	<b>9,936</b>
Capital charges	-62,797	-62,797	-131,186	-68,389	68,389			0
Gains / losses on disposal of fixed assets	0	0	20,579	20,579	-20,579			0
HR accrual	0	0	3,943	3,943	-3,943			0
DSG deficit reserve adjustment	0	-1,678	-796	882	-882			0
Interest and Investment income	-2,900	-2,900	-4,400	-1,500				-1,500
Interest payable and similar charges	38,416	39,057	50,279	11,222		-1,100	-9,940	182
Levies	16,087	16,007	16,008	1				1
<b>Net Expenditure</b>	<b>449,182</b>	<b>461,251</b>	<b>457,209</b>	<b>-4,042</b>	<b>0</b>	<b>-1,110</b>	<b>13,771</b>	<b>8,619</b>
<b>Funded By:</b>								
Council tax	-241,266	-241,266	-241,266	0				0
Use of (-) / contribution to earmarked reserves	-7,957	-12,891	10,048	22,939				22,939
COVID-19 Support Grant tranche 5	0	0	-15,560	-15,560				-15,560
COVID-19 Income Guarantee Grant	0	0	-2,652	-2,652				-2,652
Estimated net surplus (-) / deficit on Collection Fund	-1,514	-1,514	22,380	23,894				23,894
Use of earmarked reserves to offset deficit on Collection Fund	0	0	-23,894	-23,894				-23,894
Business Rates	-57,304	-57,304	-57,649	-345				-345
Top up grant	-72,780	-72,780	-72,780	0				0
Revenue Support Grant	-28,227	-28,227	-28,227	0				0
Lower Tier Services Grant	-747	-747	-747	0				0
Local Tax Income Guarantee	-514	-514	-514	0				0
New Homes Bonus	-4,476	-4,476	-4,476	0				0
Section 31 Grant	-11,415	-11,415	-22,068	-10,653			9,166	-1,487
Adult/Childrens Pressures Grant	-22,888	-22,888	-22,888	0				0
Contribution to/from (-) Cash Limit Reserve	-94	-7,229	-7,983	-754		3,771		3,017
Contribution to/from (-) General Reserves	0	0	11,067	11,067				11,067
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,661</b>	<b>22,937</b>	<b>25,598</b>

### Appendix 3: General Fund Revenue Summary by Expenditure/ Income for 2021/22

	Original Budget 2021/22	Revised Budget	Service Groupings Final Outturn	Corporate Costs Final Outturn	Final Outturn (including Corporate Costs)	Variance (including Corporate Costs) before cash limit adjustments	Cash Limit Adjustments			Cash limit Variance including Corporate costs	Variance - Corporate Costs
							Sums outside the cash limit	Contribution to/ Use of Cash Limit Reserve	Contribution to/ Use of Earmarked Reserves		
							£'000	£'000	£'000		
Employees	509,033	531,028	522,372	164	522,536	-8,492	205	0	1,926	-6,361	-7
Premises	50,677	52,169	51,876	101	51,977	-192	3,763	0	530	4,101	0
Transport	47,496	47,657	52,711	2	52,713	5,056	-14	0	127	5,169	0
Supplies & Services	113,643	127,989	139,728	2,123	141,851	13,863	-512	-10	2,526	15,867	602
Agency & Contracted	427,506	471,037	493,921	4,178	498,099	27,062	269	0	-257	27,074	-307
Transfer Payments	166,814	174,821	165,842	5,648	171,490	-1,205	-39	0	2,704	1,460	-7
Central Costs	127,115	123,519	125,636	541	126,177	3,141	17,404	0	5,950	26,495	426
DRF	3,641	4,643	6,090	0	6,090	1,447	0	0	38	1,485	-120
Other	0	1,713	5,065	0	5,065	3,352	17,314	0	0	20,666	0
Capital Charges	62,796	62,796	110,947	0	110,947	48,151	-69,424	0	0	-21,273	0
<b>GROSS EXPENDITURE</b>	<b>1,508,721</b>	<b>1,597,372</b>	<b>1,674,188</b>	<b>12,757</b>	<b>1,686,945</b>	<b>92,183</b>	<b>-31,034</b>	<b>-10</b>	<b>13,544</b>	<b>74,683</b>	<b>587</b>
<b>Income</b>											
Government Grants	548,132	614,769	646,155	9,644	655,799	43,174	-3	0	-4,010	39,161	-387
Other Grants and Contributions	83,208	88,280	105,094	214	105,308	17,028	0	0	-4,367	12,661	-214
Sales	7,235	6,870	5,538	180	5,718	-1,152	0	0	11	-1,141	-30
Fees and Charges	104,257	105,179	103,516	-34	103,482	-1,697	0	0	-436	-2,133	34
Rents	9,086	10,251	11,341	0	11,341	1,090	0	0	-422	668	0
Recharges To Other Services	296,974	300,327	281,828	0	281,828	-18,499	22,095	0	-17	3,579	0
Other	9,790	7,256	20,688	0	20,688	13,898	-5,183	0	-926	7,789	0
<b>GROSS INCOME</b>	<b>1,058,682</b>	<b>1,132,932</b>	<b>1,174,158</b>	<b>10,004</b>	<b>1,184,162</b>	<b>53,840</b>	<b>16,909</b>	<b>0</b>	<b>-10,167</b>	<b>60,582</b>	<b>-597</b>
<b>NET EXPENDITURE</b>	<b>450,039</b>	<b>464,440</b>	<b>500,029</b>	<b>2,753</b>	<b>502,782</b>	<b>38,342</b>	<b>-47,943</b>	<b>-10</b>	<b>23,711</b>	<b>14,100</b>	<b>-10</b>

**Appendix 4: General Fund Earmarked Reserves as at 31 March 2022**

EARMARKED RESERVES AND CASH LIMIT RESERVES	SERVICE GROUPING	OPENING BALANCE	USE OF RESERVES	CONTRIBUTION TO RESERVES	TRANSFERS BETWEEN RESERVES	TOTAL MOVEMENT ON RESERVES	CLOSING BALANCE AT 31/03/22
		£'000	£'000	£'000	£'000	£'000	£'000
<b>Corporate Reserves</b>							
Budget Support Reserve	Corporate	0		-10,000		-10,000	-10,000
Business Support Reserve	Corporate	-1,949	68	-680	938	326	-1,623
Cabinet Priorities Reserve	Corporate	0			-10,000	-10,000	-10,000
Capital Reserve	Corporate	-273			273	273	0
Commercialisation Support Reserve	Corporate	-10,096	4,872		-410	4,462	-5,634
Equal Pay Reserve	Corporate	-9,479					-9,479
ER/VR Reserve	Corporate	-3,993	956	-2,007	-1,000	-2,051	-6,044
Feasibility Study Reserve	Corporate	-500					-500
Inspire Programme Reserve	Corporate	-246			125	125	-121
Insurance Reserve	Corporate	-9,564	5,309	-745		4,564	-5,000
Levelling Up Feasibility Reserve	Corporate	-1,000	253	-103		150	-850
MTFP Reserve	Corporate	-16,440	3,778		-2,500	1,278	-15,162
Office Accommodation Capital Reserve	Corporate	-1,945	2,266	-352	31	1,945	0
Recovery Support Reserve	Corporate	-8,236	4,782		1,800	6,582	-1,654
Resources DWP Grant Reserve	Corporate	-1,895	620	-2,966	-336	-2,682	-4,577
Resources Elections Reserve	Corporate	-1,713	748	-126		622	-1,091
Resources Housing Benefit Subsidy Reserve	Corporate	0		-1,962		-1,962	-1,962
<b>Total Corporate Reserves</b>		<b>-67,329</b>	<b>23,652</b>	<b>-18,941</b>	<b>-11,079</b>	<b>-6,368</b>	<b>-73,697</b>
<b>Sums held for other organisations/grants</b>							
Collection Fund Deficit Reserve	Corporate	-24,863	24,863	-9,166		15,697	-9,166
Local Taxation Income Guarantee Reserve	Corporate	-1,224	514			514	-710
North Pennines AONB Partnership Reserve	NCC	-1,127		-496		-496	-1,623
Public Health Reserves	AHS	-7,332	1,302	-1,543	1,035	794	-6,538
Resources Council Tax Hardship Reserve	Resources	-2,820	3,072	-3,663		-591	-3,411
Resources COVID-19 Support Grants	Resources	-4,873	4,482	-553	116	4,045	-828
Social Care Reserve - Community Discharge Grant	AHS	-121	85	-392		-307	-428
Social Care Reserve - CCG	AHS	-19,882	653	-2,500	2,250	403	-19,479
<b>Total Sums held for other organisations/grants</b>		<b>-62,242</b>	<b>34,971</b>	<b>-18,313</b>	<b>3,401</b>	<b>20,059</b>	<b>-42,183</b>
<b>Other Specific Reserves</b>							
Business Growth Fund Reserve	REG	-604			150	150	-454
Children's Services Reserve	CYPS	-2,761	1,028	-2,002	-226	-1,200	-3,961
Community Protection Reserve	NCC	-1,145	269	-745	-1,941	-2,417	-3,562
Corporate Property & Land Reserve	REG	-1,913	135	-2,085	1,100	-850	-2,763
Culture and Sport Reserve	REG	-15,289	4,353	-7,260	-1,031	-3,938	-19,227
Economic Development Reserve	REG	-5,899	4,398	-2,204	70	2,264	-3,635
Education Reserve	CYPS	-14,946	779	-2,734	203	-1,752	-16,698
Employability and Training Reserve	REG	-276		-47		-47	-323
Environmental Services Reserve	NCC	-4,835	2,338	-2,389		-51	-4,886
Funding and Programmes Management Reserve	REG	-540	51	-92		-41	-581
Grant Reserve	REG	-86	121	-121			-86
Housing Regeneration Reserve	REG	-473	224	-6		218	-255
Housing Solutions Reserve	REG	-3,523	719	-1,904	-38	-1,223	-4,746
Operational Reserve	REG	-431	149			149	-282
Partnerships and Community Engagement Reserve	NCC	-6,204	3,669	-3,916	-4,361	-4,608	-10,812
Planning Reserve	REG	-168	133	-212		-79	-247
Regional Public Health Reserve	AHS	-2,293	513	-3,556		-3,043	-5,336
REG Match Fund Programme Reserve	REG	-843	265	-27		238	-605
Resources Corporate Reserve	Resources	-680	70	-247	299	122	-558
Resources Customer Services Reserve	Resources	-250					-250
Resources Financial Services Reserve	Resources	-94		-150		-150	-244
Resources Grant Reserve	Resources	-154					-154
Resources Human Resources Reserves	Resources	-392	482	-333	-154	-5	-397
Resources ICT Reserves	Resources	-1,166	374	-214	-250	-90	-1,256
Resources Internal Audit & Corporate Fraud Reserve	Resources	-125	57	-129		-72	-197
Resources Legal Reserves	Resources	-535	188	-417	55	-174	-709
Resources Operational Reserve	Resources	-199	107	-24	19	102	-97
Resources Operations and Data Reserve	Resources	-38	28	-30		-2	-40
Resources Registrars Trading Reserve	Resources	-150			150	150	0
Resources Revenue and Benefits Reserve	Resources	-906	197	-447	299	49	-857
Resources System Development Reserve	Resources	-308	111			111	-197
Resources Transformation Reserve	Resources	-967		-383	764	381	-586
Social Care Reserve - Specific Purpose	AHS	-4,672	2,070	-863	733	1,940	-2,732
Technical Services Reserve	NCC	-2,044	1,153	-479	-40	634	-1,410
Town and Villages Regeneration Reserve	REG	-24,084	1,437		4,200	5,637	-18,447
Transport Reserve	REG	-1,195	247	-537	-9	-299	-1,494
<b>Total Other Specific Reserves</b>		<b>-100,188</b>	<b>25,665</b>	<b>-33,553</b>	<b>-8</b>	<b>-7,896</b>	<b>-108,084</b>
<b>TOTAL EARMARKED RESERVES</b>		<b>-229,759</b>	<b>84,288</b>	<b>-70,807</b>	<b>-7,686</b>	<b>5,795</b>	<b>-223,964</b>
<b>Cash Limit Reserves</b>							
Adult and Health Services	AHS	-10,451	-1,508	-192	6,002	4,302	-6,149
Chief Executive's Office	CEO	-135			135	135	0
Children and Young People's Services	CYPS	0	-3,771	3,771			0
Neighbourhoods and Climate Change	NCC	-1,294	400	-563		-163	-1,457
Regeneration, Economy and Growth	REG	-1,431	422	-1,854	-5	-1,437	-2,868
Resources	Resources	-2,462	1,337	-1,520	1,554	1,371	-1,091
<b>Total Cash Limit Reserves</b>		<b>-15,773</b>	<b>-3,120</b>	<b>-358</b>	<b>7,686</b>	<b>4,208</b>	<b>-11,565</b>
<b>Total Council Reserves</b>		<b>-245,532</b>	<b>81,168</b>	<b>-71,165</b>	<b>0</b>	<b>10,003</b>	<b>-235,529</b>
<b>Schools' Balances</b>							
Schools' Revenue Balance	CYPS	-31,174	9,982	-10,027		-45	-31,219
DSG Reserve	CYPS	-4,124	1,107	-40		1,067	-3,057
<b>Total Schools and DSG Reserves</b>		<b>-35,298</b>	<b>11,089</b>	<b>-10,067</b>	<b>0</b>	<b>1,022</b>	<b>-34,276</b>
<b>Total Earmarked Reserves</b>		<b>-280,830</b>	<b>92,257</b>	<b>-81,232</b>	<b>0</b>	<b>11,025</b>	<b>-269,805</b>

