

Cabinet

16 November 2022



**Forecast of Revenue and Capital
Outturn 2022/23 – Period to 30
September 2022 and Update on
Progress towards achieving MTFP(12)
savings**

Ordinary Decision

Report of Corporate Management Team

Paul Darby, Corporate Director of Resources

Councillor Richard Bell, Portfolio Holder for Finance

Electoral division(s) affected:

Countywide

Purpose of the Report

- 1 To provide Cabinet with:
 - (a) the forecast revenue and capital outturn for 2022/23, based on the position to September 2022;
 - (b) the forecast dedicated schools grant and schools position as at 31 March 2023, based on the position to 30 September 2022;
 - (c) the forecast for the council tax and business rates collection fund position at 31 March 2023, based on the position to 30 September 2022; and
 - (d) details of the forecast use of and contributions to earmarked, cash limit and general reserves in 2022/23 and the estimated balances that will be held at 31 March 2023.
- 2 To seek approval of the revised capital programme 2022/23, other budget adjustments and proposed sums treated as outside of the cash limit in year.
- 3 To provide Cabinet with an update on progress towards achieving MTFP(12) savings in 2022/23.

Executive summary

- 4 During the last two financial years the council has faced unprecedented budget pressures as a consequence of the Covid-19 pandemic. Across that period the government provided significant additional funding to local authorities to ensure they were able to respond and manage the financial challenges faced.
- 5 In County Durham, the funding received more than offset the costs incurred, net of Covid-19 related underspending, over the last two years, but no further funding is available to the council to offset any legacy impacts arising from the pandemic.
- 6 In 2022/23 the council is facing a new financial challenge, mainly resulting from the impact of the Ukraine conflict. Consumer Price Inflation (CPI) in the UK economy is presently 10.1% and this is driving significant upward pressure across a range of expenditure budgets. Some specific areas of council spending are well in excess of the current CPI level of 10.1%, especially in relation to energy, fuel, and external contracts where energy and fuel are a major factor, such as waste disposal and in home to school transport.
- 7 On 8 September 2022, the Government announced a package of measures to cap energy costs for households and businesses, with further detail published on 22 September 2022. The North East Purchasing Organisation (NEPO) has provided estimated outcomes based on known detail and this has been factored into the updated outturn position. The support to business is only for six months and therefore will only help alleviate some of the pressure experienced during 2022/23.
- 8 The risk arising from escalating inflation, which is also impacting household incomes, was recognised during the 2021/22 final outturn. On 13 July 2022 Cabinet agreed to the creation of a Budget Support Reserve of £10 million to assist with cost inflationary pressures in 2022/23.
- 9 In July 2022, Local Government Employers made an offer of a £1,925 flat rate increase to 'Green Book' employees (covering the vast majority of council employees). This offer, if accepted, equates to a 6.6% increase in the council's pay bill, whereas the 2022/23 budget has provision for up to 3.25%. This offer is presently being considered by trade unions through a consultative ballot. If settled at this level, this will add a forecast circa £6.5 million per annum to council costs in the current year.

- 10 On 23 September 2022, it was announced that the 1.25% increase in National Insurance & the Health and Social Care Levy, was being withdrawn from November 2022. This equates to an in-year saving in 2022/23 of circa £0.7 million.
- 11 At this stage it is not expected that local authorities will receive any additional financial support from the government in 2022/23 and will need to rely upon available reserves to finance any 2022/23 overspends. Of more concern at this stage is what the financial settlement may be for local government in 2023/24. Local authorities continue to be provided with one year financial settlements at this time, which provides little financial certainty and security and given the timing of these announcements in late December, provides little time to react before the following budget needs to be set.
- 12 On 5 October 2022, the government announced that the Fair Funding Review will be delayed and will not now be undertaken during this spending review period.
- 13 Inflationary pressures are resulting in significant overspends in 2022/23 and this is also resulting in additional forecast costs across the MTFP(13) planning period. The impact of inflation upon the MTFP(13) forecasts was reported to Cabinet in October 2022.
- 14 Based on the position to 30 September 2022 service grouping cash limit budgets are forecasting an overspend of £33.091 million this year. A sum of £8.294 million is available in general contingencies to part finance the pay award, resulting in a net cash limit overspend of £24.797 million.
- 15 Budget pressures in relation to areas such as energy, waste disposal and transport will be covered corporately. Sums covered corporately are forecast to be £11.912 million, resulting in a residual net cash limit overspend of £12.885 million for the year.
- 16 At quarter two, Children and Young People's Services are forecasting a cash limit overspend of £12.832 million (compared to a forecast £4.865 million reported at quarter one). The service does not have a cash limit reserve to offset this overspend so, as in previous years, this overspend will need to be financed from the General Reserve.
- 17 Overall, it is estimated that the council's 2022/23 budget will be overspent by £14.640 million, representing 2.83% of the net expenditure budget of £516.496 million. With the General Reserve financing the £12.832 million overspend in Children and Young People's Services, a sum of £53,000 is within the cash limit budgets with £14.587 million to be covered corporately. The £10 million Budget Support Reserve created to finance inflation related pressures in 2022/23 will be fully

utilised leaving £4.587 million to be financed from the General Reserve resulting in a forecast end of year balance of £21.311 million. This is a further £0.139 million reduction in the forecast balance from the quarter one position reported in September 2022.

- 18 There are a wide range of assumptions that have been made in relation to expenditure and income over the remainder of the financial year. Cabinet will continue to receive quarterly reports on outturn forecasts throughout the year, with the next update due to be given in March 2023.
- 19 Total earmarked and cash limit reserves (excluding school reserves) are forecast to reduce by £44.915 million in 2022/23, from £235.529 million to £190.614 million. This compares to the position forecast at quarter one when reserves were forecast to reduce by £42.288 million in 2022/23, from £235.529 million to £193.241 million.
- 20 The forecast cash limit and general reserves position is still considered to be prudent given the financial uncertainties facing local government beyond 2022/23. The MTFP(13) report to Cabinet on 12 October 2022 highlighted the ongoing budget concerns for the council with a forecast savings requirement of £52.569 million over the 2023/24 to 2026/27 period (assuming the Fair Cost of Care outcomes can be accommodated within the grant funding to be provided), with £37.389 million falling into 2023/24 necessitating a forecast £25.536 million use of reserves to balance the budget next year.
- 21 To ensure budgets can be balanced whilst clarity is provided and to provide time to work up proposals to reduce expenditure to address the underlying budget position going forward, a review of all earmarked reserves is being undertaken to ensure that corporate reserves are in place to ensure that the council can set a balanced budget for 2023/24.
- 22 The updated forecast position for all maintained schools shows a forecast use of reserves of £12.637 million (£5.316 million above budget). This position has however improved from quarter one where schools were forecasting to require £17.673 million of reserves to balance the in-year financial position. In addition, the forecast position for Dedicated Schools Grant centrally retained block shows a £0.250 million deficit in relation to High Needs Block (this compares to a quarter one forecast underspend of a £0.205 million).
- 23 The updated projected capital outturn this year is £228.452 million, with the capital budget having been augmented with reprofiled budget from underspending against the 2021/22 capital programme.
- 24 In line with best practice, the report now includes performance against the various prudential indicators agreed by County Council in February,

these are set out at paragraph 123 to 129 and show that the council continues to operate within the boundaries agreed.

- 25 The updated forecast outturn for the Council Tax Collection Fund shows an in-year surplus of £0.211 million, but a cumulative deficit of £2.378 million to 31 March 2023 after accounting for the deficit brought forward from 2021/22 and the third and final instalment of the phasing of the 2020/21 deficit (£1.907 million). Durham County Council's share of this net deficit would be £2.001 million. This is a slight deterioration in the position reported at quarter one.
- 26 The forecast outturn for the Business Rates Collection Fund is an in-year deficit of £4.679 million, but a cumulative deficit of £3.848 million after taking into account the 2021/22 undeclared surplus. Durham County Council's share (49%) of this is £1.886 million.
- 27 The in year business rates deficit, is offset in the General Fund by the receipt of additional Section 31 grants of £4.553 million. Once the Section 31 grant is taken into account, the quarter two position represents an improvement on the position previously reported.
- 28 The in year collection rates for both Council Tax and Business Rates has increased from 2020/21 and 2021/22 following the re-instating of full formal recovery action from June 2021, though are not yet back to pre-pandemic levels.
- 29 As at 30 September 2022 the council has delivered savings totalling £1.960 million, which is 81% of the £2.427 million savings target for the year.

Recommendations

- 30 It is recommended that Cabinet:
 - (a) note the council's overall forecast financial position for 2022/23 and the continuing uncertainty associated with the outturn forecast resulting from the significant inflationary cost pressures and ongoing covid-19 impacts on income as set out in the report;
 - (b) agree the proposed 'sums outside the cash limit' and movement on general contingencies for approval as set out in the report;
 - (c) agree the revenue and capital budget adjustments outlined in the report;
 - (d) note performance against the various prudential indicators agreed by Council in February 2022;

- (e) note the forecast use of earmarked reserves in year;
- (f) note the forecast end of year position for the cash limit and general reserves;
- (g) note the inflationary pressures which are forecast to be managed from the Budget Support Reserve and from the General Reserve;
- (h) note the Dedicated Schools Grant and Schools position;
- (i) note the position on the capital programme and the Collection Funds in respect of Council Tax and Business Rates; and
- (j) note the amount of savings delivered to 30 September 2022 against the 2022/23 targets and the total savings that will have been delivered since 2011.

Background

- 31 Council agreed Medium Term Financial Plan 12 (MTFP12), which incorporates the revenue and capital budgets for 2022/23, on 23 February 2022. MTFP(12) covers the period 2022/23 to 2025/26.
- 32 The MTFP(12) report highlighted ongoing budget concerns for the council with a forecast savings shortfall of £29.987 million over the 2023/24 to 2025/26 period.
- 33 On 12 October 2022 Cabinet considered the initial Medium Term Financial Plan 13 (MTFP13) forecasts, which highlighted further ongoing budget concerns for the council and an updated forecast savings requirement of £52.569 million over the 2023/24 to 2026/27 period, with £37.389 million falling into 2023/24. The delivery of further savings to this magnitude is becoming ever more challenging to achieve, and, based on the quarter two forecasts contained in this report, is highly likely that the position has worsened.
- 34 During the last two financial years the council has faced unprecedented budget pressures as a consequence of the Covid-19 pandemic. Across that period the government provided significant additional funding to local authorities to ensure they were able to respond and manage the financial challenges faced.
- 35 In County Durham, the funding received more than offset the costs incurred, net of Covid-19 related underspending, over the last two years, but no further funding is available to the council to offset any legacy impacts arising from the pandemic.
- 36 In 2022/23 the council is facing a new financial challenge, mainly resulting from high inflation levels because of the impact of the Ukraine conflict. Consumer Price Inflation (CPI) in the UK economy is presently 9.9%.
- 37 The constitution requires that the Chief Finance Officer must report to Cabinet on the overall council budget monitoring position on a quarterly basis.
- 38 This report satisfies that requirement and provides a forecast of the revenue and capital outturn for 2022/23, based upon expenditure and income up to 30 September 2022. It includes details relating to the General Fund revenue and capital budgets 2022/23, the Collection Funds for Council Tax and Business Rates and contains details relating to the Dedicated Schools Grant funding blocks, including the financial performance of our maintained schools. This is the first set of forecasts of financial performance against the 2022/23 budgets this financial year.

- 39 The report also provides an update on the delivery of MTFP(12) savings for 2022/23. The planned 2022/23 savings were agreed by Council in February 2022 with a savings target of £2.427 million for the current year. This brings the overall savings target for the period from 2011/12 to 2022/23 to circa £250 million. Significant progress has been made towards achieving these savings.

Costs outside the Cash limit - Inflationary Pressures

- 40 The current exceptionally high levels of inflation, especially for energy, waste, transport and for pay awards exceed the budget provision. These cost increases are linked to the Ukraine conflict and at this point it is not clear when this impact will dissipate.
- 41 Energy costs started to escalate in late 2021 and have continued to do so ever since. Whilst the 2022/23 in year cost increases have been partially offset by forward purchasing of energy and increased power generation income from the Joint Stocks Landfill site, the forecast additional net budget requirement for energy inflation is £2.247 million (£3.857 million less power income generation of £1.610 million) during 2022/23. This is despite the 2022/23 budget making provision for £3.1 million of growth in the gas and electricity budgets this year. In 2022/23 the forecasts are that the council will spend £16.500 million on gas and electricity, compared to the £7.500 million it spent in 2019/20 (pre-covid).
- 42 The forecasted energy costs at this stage includes assumptions regarding the impact of the government announced measures to cap energy costs for households and businesses and is an improved position when compared to the quarter one forecasts. The support to businesses is only for six months and therefore will only help alleviate some of the pressure experienced during 2022/23.
- 43 A number of the council's major contracts have annual inflationary uplifts built in linked to CPI or RPI levels at specified points in time uplifts and sometimes linked to key materials inflation, e.g. diesel prices. The main contracts affected by these uplifts relate to waste and refuse collection, home to school transport and local bus subsidy contracts and ICT contracts. The additional net forecasted budget requirement for these contracts total £3.853 million during 2022/23.
- 44 The price fluctuation in these markets continues to be significant and complex which makes forecasting the council's outturn position even more challenging than usual.
- 45 The National Employers for Local Government Services pay offer issued on 25 July 2022 set out proposals for a flat rate increase of

£1,925 per annum. This results in a £14.808 million increased employee budget requirement (equating to an average 6.6% increase) during 2022/23. General contingencies provide for funding of £8.294 million (provision for up to a 3.25% increase) therefore there is a shortfall of £6.514 million.

- 46 The government announcement regarding the withdrawal of the 1.25% increase in National Insurance & the Health and Social Care Levy from November 2022 equates to an in-year saving in 2022/23 of circa £0.7 million.
- 47 Overall, it is forecast that unavoidable and unbudgeted inflationary pressures that will need to be picked up corporately amount to £11.912 million. These costs will be financed in the first instance from the £10 million Budget Support Reserve approved for this purpose by Cabinet on 13 July 2022, with the residual £1.912 million to be financed from the General Reserve.

Revenue Outturn Forecast – Based on Position to 30 September 2022

- 48 Adjustments have been made to the original budget agreed by Council on 23 February 2022 as follows:
- (a) agreed budget transfers between service groupings;
- 49 In addition, the forecasted outturn position takes into consideration:
- (a) items outside the cash limit to be funded by General Reserves (for Cabinet consideration and recommended approval);
 - (b) planned use /contribution to earmarked reserves (Appendix 4);
 - (c) planned use of general contingencies (for (cabinet consideration and recommended approval).

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

Forecast of Revenue Outturn 2022/23

	Original Budget 2022/23	Revised Budget	Budget - incorporating adjustments	Service Groupings Forecast of Outturn	Forecasted Variance	Total Contribution to / (Use of) Contingencies and Reserves	Adjusted Variance	Total Adjustment for inflationary sums outside the cash limit	Cash Limit Position
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adult and Health Services	136,741	138,193	137,994	138,107	113	-21	92	-827	-735
Children and Young People's Services	141,886	162,993	162,835	178,691	15,856	2,257	18,113	-5,281	12,832
Neighbourhoods and Climate Change	112,985	116,123	116,138	113,716	-2,422	2,997	575	-82	493
Regeneration, Economy and Growth	54,934	57,588	57,800	65,227	7,427	-2,709	4,718	-4,099	619
Resources	25,249	25,832	25,962	28,263	2,301	-1,002	1,299	-1,623	-324
Cash Limit Position	471,795	500,729	500,729	524,004	23,275	1,522	24,797	-11,912	12,885
Contingencies	17,078	11,817	11,817	9,873	-1,944	494	-1,450	0	-1,450
Corporate Costs	3,816	4,188	4,188	4,087	-101	-1	-102	0	-102
NET COST OF SERVICES	492,689	516,734	516,734	537,964	21,230	2,015	23,245	-11,912	11,333
Capital charges	-61,873	-61,873	-61,873	-61,873	0	0	0	0	0
DSG deficit reserve adjustment	0	0	0	-250	-250	250	0	0	0
Interest and Investment income	-2,900	-2,900	-2,900	-6,505	-3,605	0	-3,605	0	-3,605
Interest payable and similar charges	48,780	48,350	48,350	43,350	-5,000	0	-5,000	0	-5,000
Levies	16,176	16,185	16,185	16,185	0	0	0	0	0
Net Expenditure	492,872	516,496	516,496	528,871	12,375	2,265	14,640	-11,912	2,728
Funded By:									
Council tax	-252,142	-252,142	-252,142	-252,142	0	0	0	0	0
Use of earmarked reserves	-25,072	-46,647	-46,647	-54,153	-7,506	-2,494	-10,000	10,000	0
Estimated net surplus (-) / deficit on Collection Fund	9,788	9,788	9,788	9,788	0	0	0	0	0
Business Rates	-52,873	-52,873	-52,873	-52,873	0	0	0	0	0
Top up grant	-72,780	-72,780	-72,780	-72,780	0	0	0	0	0
Revenue Support Grant	-29,100	-29,100	-29,100	-29,100	0	0	0	0	0
New Homes Bonus	-4,082	-4,082	-4,082	-4,082	0	0	0	0	0
Section 31 Grant	-25,026	-25,026	-25,026	-25,026	0	0	0	0	0
Adult/Childrens Pressures Grant	-30,955	-30,955	-30,955	-30,955	0	0	0	0	0
Lower Tier Services Grant	-786	-786	-786	-786	0	0	0	0	0
Services Grant	-8,776	-8,776	-8,776	-8,776	0	0	0	0	0
Forecast contribution to/from (-) Cash Limit Reserve	-1,068	-3,117	-3,117	-3,399	-282	229	-53	0	-53
Forecast contribution to/from (-) General Reserves	0	0	0	-4,587	-4,587	0	-4,587	1,912	-2,675
Total Funding	-492,872	-516,496	-516,496	-528,871	-12,375	-2,265	-14,640	11,912	-2,728
TOTAL	0	0	0	0	0	0	0	0	0

51 The above table identifies a forecast net overspend of £4.640 million (following the application of the £10 million Budget Support Reserve established on 31 March 2022) representing 0.90% of the net expenditure budget of £516.496 million. Included within this net overspend, the in year cash limit overspend (following general reserve funding of the CYPs cash limit overspend) is forecasted at £53,000. An in year corporate overspend of £4.587 million is also forecast to be financed from the General Reserve.

52 Approval is being sought for the following sums to be funded from / transferred to general contingencies. The following sums are deemed to be outside of service grouping cash limits and will be funded from general contingencies.

Service Grouping	Proposal	Amount £ million
Resources	Strategy staffing	0.041
Resources	Amortisation of software	0.021
Resources	LGPS Kickstart Scheme	0.003
Resources -CAC	Storm emergency costs	0.001
NCC	Platinum Jubilee	0.012
REG	Premises dual running costs	0.059
REG	Leisure Centre Income reduction	0.302
REG	Queens Baton Relay	0.055
TOTAL		0.494

53 The leisure income shortfall is in addition to the forecast £1.18 million reduction factored into the quarter one forecasts and reflects a slower than hoped recovery in income levels after the pandemic. This position will be continue to be closely monitored over the coming months.

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

Type of Reserve	Opening Balance as at 1 April 2022	Budgeted use at 1 April 2022	Movement during 2022/23	2022/23 Forecast of Outturn
	£ million	£ million	£ million	£ million
Service Grouping Cash Limit				
Adult and Health Services	-6.149	0.131	0.710	-5.308
Children and Young People's Services	0.000	0.000	0.000	0.000
Neighbourhoods and Climate Change	-1.457	0.705	0.568	-0.184
Regeneration, Economy and Growth	-2.868	0.000	0.931	-1.937
Resources	-1.090	0.232	-0.025	-0.883
Total Cash Limit Reserve	-11.564	1.068	2.184	-8.312
General Reserve	-25.898	0.000	4.587	-21.311

55 The forecast cash limit and general reserves position is considered to be a prudent one given the significant ongoing financial uncertainties facing local government beyond 2021/22.

56 The MTFP(13) forecasts reported to Cabinet in October highlighted ongoing budget concerns, with the delivery of further savings becoming

ever more challenging to achieve. The changeable position will need to be continually monitored over the coming months.

Cash Limit Position

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

Adult and Health Services (AHS)

- 58 The 2022/23 projected outturn for AHS, based upon the position to 30 September 2022 is a cash limit underspend of £0.735 million to the year end, representing circa 0.53% of the total revised budget for AHS. This compares to the quarter one cash limit underspend of £1.063 million, representing circa 0.77% of the total revised budget for AHS.

- 59 The projected outturn takes into account adjustments for sums outside the cash limit including redundancy costs which are met from the corporate reserve, capital accounting entries and use of / contributions to earmarked reserves. Inflationary pressures on energy (£19,000) and the 2022/23 pay award costs of £2.047 million (gross of £1.147 million allocation of general contingencies provision) have also been excluded from the cash limit outturn position along with £92,000 in respect of the National Insurance reversal.

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

- (a) careful management and control of vacant posts and supplies and services budgets across the service together with uncommitted budgets, results in an estimated net under budget position for the year of £1.360 million;
- (b) net spend on adult care packages is £0.625 million over budget. This area of spend is being closely monitored to assess the impact of COVID-19 as well as ongoing demographic and procedural/operational changes, where significant MTFP savings have been taken over recent years;
- (c) net expenditure on Public Health-related activity is in line with grant allocations.

- 61 In addition, a net £21,000 relating to contributions to and from reserves has been excluded from the cash limit outturn forecasts as follows:

- (a) £21,000 drawdown from the AHS Social Care reserve to fund temporary staffing arrangements;
- 62 The following base budget transfers have also been actioned during the second quarter:
- (a) £83,000 budget transfer to CYPS relating to transfer of transitions budget;
 - (b) £92,000 budget transfer to Resources to fund additional posts in Business Support;
 - (c) £24,000 budget transfer to REG for centralised repairs and maintenance budgets.
- 63 Taking the projected outturn position into account, including the transfers to/from and between reserves in year, the estimated cash limit reserve balance for AHS is forecast to be £5.308 million at 31 March 2023.

Children and Young People's Services (CYPS)

- 64 The 2022/23 projected outturn for CYPS, based upon the position to 30 September 2022 is a cash limit overspend of £12.832 million, representing a 7.88% overspend against the total revised budget for CYPS. This compares to a cash limit overspend of £4.865 million at quarter one, representing a 3.3% overspend against the total revised budget for CYPS.
- 65 The cash limit outturn projections exclude forecast use of / contributions to earmarked reserves and items outside the cash limit such as redundancy costs which are met from corporate reserves. Inflationary pressures on energy (£0.233 million) and transport contract prices (£4.000 million) have also been excluded from the cash limit outturn. In addition, the 2022/23 pay award costs of £2.746 million (gross of £1.537 million allocation of general contingencies provision) has also been excluded from the cash limit outturn position along with £0.161 million in respect of the National Insurance reversal.
- 66 The projection factors in forecast overspends within Head of Social Care of £11.457 million, Education of £1.584 million and Operational Support of £28,000, and an underspend in Early Help, Inclusion and Vulnerable Children of £0.209 million, with further details provided below:
- (a) Head of Social Care is forecast to be a net £11.457 million over budget for the year. A major part of this is a forecast overspend of

£13.253 million against budgets for the cost of placements for children looked after where demand continues to rise.

- (b) 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. As at 26 September 2022 there were 1,028 Children Looked After, which is an increase of 45 on the figure of 983 at the end of June 2022.
- (c) Education is reporting an overspend of £1.584 million after taking account of inflationary pressures and estimated pay award adjustments of £4.095 million to be funded corporately.
- (d) An overspend of £0.758 million against the Home to School Transport budget is forecast, after taking account of £4.000 million as inflationary pressures to be funded corporately. In addition to inflationary pressures affecting contract prices, there has also been an increase in the number of contracts reflecting changes in demand.
- (e) A forecast shortfall of £2.041 million against income budgets, of which £0.752 million relates to Service Level Agreements with schools.
- (f) These overspends are to some extent offset by a saving of £1.131 million against employee budgets, which is largely as a result of staffing restructures designed to address income shortfalls and implemented from 1 September 2022, along with other vacancies across the service.
- (g) There is a forecast overspend of £28,000 for Operational Support resulting from a shortfall in recharge income.
- (h) Early Help, Inclusion and Vulnerable Children is reporting an underspend of £0.209 million, which reflects an underspend of £0.570 million against employee budgets across the service, offset by an overspend of £0.359 million for Aycliffe Secure Centre.
- (i) The overspend for Aycliffe Secure Centre is the result of an underachievement of income of £0.932 million and an overspend against energy budgets of £0.153 million, offset by underspends in employees of £0.323 million and the use of £0.403 million of reserves.

67 The forecast cash limit outturn shows the position after a net £2.257 million movement on reserves, cash limits and contingencies. The major items being:

- (a) £0.168 million drawdown from the Music Service reserve to fund additional staffing resources;
- (b) £0.252 million drawdown from the Durham Enable reserve to part fund the Durham Enable employment initiative;
- (c) £0.132 million drawdown from the Mental Health Support reserve to fund the employee and support costs of the Mental Health Support project;
- (d) £0.542 million drawdown from the Corporate ER/VR reserve to fund agreed redundancies across the service;
- (e) £0.110 million drawdown from the Supporting Solutions reserve to fund additional staffing resources to increase referral capacity;
- (f) £0.184 million drawdown from the PAUSE reserve to fund the programme in 2022/23;
- (g) £0.173 million drawdown from the Integrated Rapid Response Service reserve to fund additional staffing resources;
- (h) £0.238 million drawdown from the Emotional Wellbeing Reserve to fund projects in 2022/23 and increased employee costs;
- (i) £0.108 million drawdown from the Mental Health Counselling reserve to fund service delivery and increased employee costs;
- (j) £0.403 million drawdown from Aycliffe Secure Centre reserve to fund increased service delivery costs and under recovery of income.

68 The following budget transfers have also been actioned in the second quarter:

- (a) £0.225 million transfer to REG in relation to the centralisation of repairs and maintenance budgets;
- (b) £15,000 transfer to NCC in relation to grounds maintenance;
- (c) £83,000 transfer from AHS in relation to Navigation Team care packages.

69 Taking the forecast outturn position into account, there is a forecast £12.832 million deficit cash limit reserve balance at 31 March 2023. This

will, as in previous years, need to be funded by the application of general reserves.

Neighbourhoods and Climate Change (NCC)

- 70 The forecast revenue outturn for 2022/23, based on the position to 30 September 2022, for NCC is a cash limit overspend of £0.493 million. The quarter one forecast showed a cash limit overspend of £0.311 million for the year.
- 71 The cash limit outturn projections exclude forecast use of / contributions to earmarked reserves and items outside the cash limit such as redundancy costs which are met from corporate reserves, net inflationary pressures on energy (net underspend of £0.431 million), transport prices (£0.965 million) and waste contract costs (net underspend £1.712 million). The 2022/23 pay award of £3.145 million (less £1.762 million general contingencies provision) have also been excluded from the cash limit outturn position along with £0.123 million in respect of the National Insurance reversal.
- 72 The outturn is a managed position, reflecting the proactive management of activity by Heads of Service across NCC to try and remain within the cash limit. The main reasons accounting for the cash limit outturn position are as follows:
- (a) Environmental Services is forecast to be £42,000 underspent to the year end. In Refuse and Recycling, additional agency cover of £0.340 million has been required due to high sickness levels and additional annual leave carried forward from last year, along with a £0.335 million overspend on vehicle repairs in Refuse and Clean & Green. Additionally, there is £0.144 million of underachieved income on soil imports which have ceased due to capping of the Joint Stocks site. These overspends have been offset by £0.149 million increased income relating to trade and commercial waste collections, and £0.236 million overachieved income for garden waste income. There is also an underspend of £0.503 million due to vacancies and pending restructures. It should be noted that there is forecast to be increased power generation income of £1.610 million from the Joint Stocks landfill site, but this is being offset against corporate inflationary factors, and is outside the cash limit for NCC.
 - (b) Highways is forecast to be overspent by £1.114 million. The main reasons for this are an overspend on the trading areas of £0.713 million due to lower than anticipated levels of work, along with an overspend £0.715 million on Highways Revenue maintenance work, including cyclic works, drainage, bridges, and emergency

action works which is offset by additional income within Strategic Highways relating to enforcement and inspections, road closures, and fixed penalty notices;

- (c) Community Protection is forecast to underspend by £0.217 million. The main reason for this is the net effect of having a number of vacant posts in some areas of the service, while having to be over establishment in other areas to facilitate succession planning relates to underspending against employee staffing budgets, and is the net effect of having a number of vacant posts in some areas of the service, while having to be over establishment in other areas to facilitate succession planning;
- (d) Partnerships & Community Engagement is forecast to underspend by £71,000, mainly due savings from vacancies and some overachievement of income across the service
- (e) The central contingencies budget within NCC is underspent by £0.290 million. This budget has been created to fund any cross cutting service pressures within NCC that may arise during the financial year. This budget will be kept under review as the year progresses and transfers may also be made to Heads of Service areas if the need arises;

73 In arriving at the forecast outturn position, the service is estimating outside the cash limit inflation related pressures which are in the main associated with Energy (£1.179 million) and Fuel (£0.965 million), with these pressures offset by the benefits of increased power generation income of £1.610 million from the Joint Stocks landfill site and waste contracts underspend of £1.7 million (largely due to inflation impact on value of plastics).

74 A net £2.997 million relating to movement on reserves, cash limits and contingencies has also been excluded from the outturn. The major items being:

- (a) £97,000 drawdown from reserves relating to Climate Change and Waste issues;
- (b) £3.086 million contribution to PACE reserves mainly in relation to Humanitarian Support Grant;
- (c) £12,000 drawdown from contingencies relating to Platinum Jubilee costs.

75 The following base budget transfer has also been actioned during the second quarter:

- (a) £15,000 transfer from CYPs in relation to grounds maintenance.
- 76 Taking the projected outturn position into account, including the transfers to/ from and between reserves in year, the forecasted cash limit reserve balance for NCC will be £0.184 million at 31 March 2023.

Regeneration, Economy and Growth (REG)

- 77 The forecast revenue outturn for 2022/23, based on the position to 30 September 2022, is a cash limit overspend of £0.619 million, after taking account of the forecast use of reserves and items outside the cash limit, including redundancy costs which are met from the corporate reserve, capital accounting entries and use of / contributions to earmarked reserves. The cash limit overspend at quarter one was £0.808 million.
- 78 Inflationary pressures on energy (£2.462 million) and Transport prices (£0.600 million) have been excluded from the cash limit position. The 2022/23 pay award of £2.726 million (less £1.527 million general contingencies provision) has also been excluded from the cash limit forecast outturn position along with £0.162 million in respect of the National Insurance reversal.
- 79 The outturn is a managed position, reflecting the proactive management of activity by Heads of Service across REG to try and remain within the cash limit. As the service is forecasting an overspend of £0.619 million this has been reflected in the REG Cash Limit Reserve forecast to 31 March 2023. Work is currently underway so appropriate plans can be put in place to rectify the position. The main reasons accounting for the outturn position are as follows:
- (a) Culture, Sport and Tourism is forecast to overspend by £0.152 million against budget. The main reasons are a reduction in fine and reservation income in libraries (£83,000) and an unrealised MTFP saving of £0.190 million pending the full year effect of the current service restructure;
 - (b) Transport is forecast to overspend by £0.458 million against budget. In Strategic Traffic there is an overspend on Parking Services (£0.146 million), and traffic control measures for events (£70,000). In Integrated Passenger Transport there is a reduction of £0.160 million in departure charges arising from the new Durham Bus Station capital scheme;
 - (c) Planning and Housing is forecast to overspend by £0.557 million against budget. This is largely due to anticipated additional expenditure of £0.846 million in Housing Solutions with regard to

temporary accommodation, which continues to be an issue as a legacy of the government initiative to protect and vaccinate all rough sleepers during the pandemic which required additional accommodation (in the form of B&B's and holiday lets). These are still required as these clients remain, due to being the most difficult to house (including victims of domestic abuse fleeing homes as a result of lockdown measures). This overspend is partially offset by underspends of £83,000 elsewhere in Housing Solutions (largely relating to staffing and supplies & services).

Care Connect is also forecast to overspend by £0.398 million. This is due to an overspend of £0.290 million on staffing as well as under-achieved income of £0.108 million in relation to the subsidised client income stream. The position is partially offset by additional net income of £0.463 million within Planning Development (planning & building control fees less anticipated additional appeals costs). There are further forecast underspends relating to Spatial Policy (£71,000) and Service Management (£70,000) – both largely staffing-related;

- (d) Economic Development is forecast to underspend by £89,000. This is largely due to an underspend on employee-related costs within Service Management as well as other areas across the service, partially offset by a minor overspend on staffing within Funding & Programmes;
- (e) Any over or underspends in relation to the activity of Business Durham is managed through an earmarked reserve and therefore there is no impact on the cash limit position. A contribution to reserves in 2022/23 is anticipated based largely upon current occupancy rates across a range of Business Space sites;
- (f) Corporate Property and Land is forecast to overspend by £68,000 against budget. Within Buildings & Facilities Management, there is a forecast overspend of £97,000, due to overspends of £44,000 within Administration and Civic Buildings (largely relating to business rates) and £53,000 within Compliance (relating to staffing). Health & Safety is forecast to overspend by £55,000 due to expenditure relating to the PPE cell arrangements in place until the end of 2022/23. Strategy and Property Management is forecast to overspend by £21,000 due primarily to an overspend on consultants fees and property management premises costs, largely offset by additional unbudgeted commercial properties income. There is also a minor overspend of £7,000 within Strategy and Project Development relating to staffing. Much of the above is offset by an underspend of £0.112 million on supplies and services within Service Management;

- (g) Communications Management is forecast to underspend by £0.111 million against budget. This is due to significant underspends on employee-related costs;
- (h) Central costs are forecast to underspend by £0.416 million against budget pending a re-allocation of budget to services.

80 In arriving at the forecast outturn position, a net £2.709 million relating to use of reserves, cash limits and contingencies has been excluded from the outturn. The major items being:

- (a) £0.416 million from central contingencies to support budget shortfalls as a result of post covid pressures in respect of Leisure Centre income, premises dual running costs and the Queens Baton relay;
- (b) £0.691 million from the Building Trading Account Reserve in respect of the forecast deficit on the trading account;
- (c) £1.000 million from the Bus Services Reserve from the projected underspend in Concessionary Fares to support the provision of bus services and routes in 2022/23;
- (d) £0.503 million to the Business Durham Trading Reserve in respect of the anticipated surplus in 2022/23;
- (e) £0.400 million from the Planning Reserve from the overachievement of income to support the work of the planning function.

81 The following base budget transfers have also been actioned in the second quarter:

- 82 £0.225 million transfer from CYPS in relation to the centralisation of repairs and maintenance budgets;
- 83 £24,000 budget transfer from AHS in relation to the centralisation of repairs and maintenance budgets;
- 84 £38,000 budget transfer to Resources regarding Travel Response Centre Officer posts.

85 Taking the projected outturn position into account, including the transfers to/from and between reserves in year, the forecasted cash limit reserve to be carried forward for Regeneration, Economy and Growth is £1.937 million at 31 March 2023.

Resources

- 86 The 2022/23 forecast revenue outturn for Resources is a cash limit underspend of £0.324 million. At quarter one Resources was forecasting a cash limit overspend of £0.139 million.
- 87 The updated forecasts take into account adjustments for sums outside the cash limit such as redundancy costs which are met from corporate reserves and use of / contributions to earmarked reserves and net inflationary pressures on energy (underspend £36,000). The 2022/23 pay award inflation of £4.144 million (gross of £2.321 million allocation of general contingencies provision) has also been excluded from the cash limit outturn position along with £0.164 million in respect of the National Insurance reversal.
- 88 The Heads of Service across Resources continue to proactively manage activity to remain within the cash limit. The projected over budget position is the net effect of the following items:
- (a) Corporate Finance and Commercial Services is forecast to be under budget by £0.182 million, with managed underspending on employee costs of £0.169 million. There is an overspend on supplies and services of £41,000 and additional income of £54,000 in Financial Management.
 - (b) Transactional and Customer Services is forecast to be under budget by £0.392 million, primarily due to underspends on employee costs of £0.191 million, a forecast underspend on supplies and services costs of £17,000 and overachieved income of £8,000 in Revenues and Benefits. Customer Services is forecasting to be under budget on employee costs of £0.134 million, £23,000 under budget on supplies and services costs and £10,000 under budget on transport costs. Service Management is forecasting to be under budget by £9,000 mainly due to a managed underspend on employee costs.
 - (c) Digital Services is forecast to be over budget by £0.341 million. Within this area underachievement of income is forecast to be £0.935 million. This has been partially offset by forecast underspends on supplies and services of £0.192 million, premises costs of £34,000 and transport costs of £50,000. There is a managed underspend of £0.192 million on employee costs and £0.136 million on central costs. There are also a number of other minor variances in this service area.
 - (d) Internal Audit, Risk and Corporate Fraud is forecast to be under budget by £54,000, comprising of a managed underspend of

£57,000 on employee related expenditure. There are also a number of other minor variances in this service area.

- (e) Legal and Democratic Services is forecast to be under budget by £89,000. This includes a £0.333 million managed underspend on employee related expenditure, and premises costs of £16,000. These underspends have been offset by a forecast overspend of £0.204 million on supplies and services costs (which includes a forecast overspend on barrister costs of £0.180 million) and an underachievement of income of £64,000. There are also a number of other minor variances in this service area.
- (f) HR and Employee Services is forecast to be over budget by £0.146 million. which includes a £37,000 managed overspend on employee related expenditure, £11,000 on supplies and services costs and £0.112 million due to unachievable income. There are also a number of other minor variances in this service area.
- (g) Corporate Policy Planning and Performance is forecast to be under budget by £93,000, primarily due to a managed underspend on employee related costs.
- (h) Procurement, Sales and Business Services is forecast to be under budget by £1,000, due to a forecast of overachieved income.
- (i) There are no material variances in Service Management.

89 The forecast cash limit outturn shows the position after a net £1.002 million of contributions to / from reserves, cash limits and contingencies have been applied. The major items being:

- (a) £0.126 million from the ER/VR Reserve to reflect the cost of early retirements/ voluntary redundancies in 2022/23;
- (b) £0.682 million from the Business Support Reserve in respect of the projected overspend on the unitised Business Support Function.

90 The following base budget transfers have also been actioned in the second quarter:

- (a) £92,000 budget transfer from AHS to fund additional posts in Business Support;
- (b) £38,000 budget transfer from REG to fund travel response centre posts.

- 91 Taking the outturn position into account, including items outside the cash limit and transfers to and from earmarked reserves, the cash limit reserve to be carried forward for Resources is forecast to be £0.883 million.

Corporate Costs

- 92 The forecast revenue outturn for 2022/23 for Corporate Costs is a cash limit underspend of £0.102 million, which is in line with the quarter one forecast and takes into account adjustments for sums outside the cash limit such as the use of / contribution to earmarked reserves.
- 93 The forecast outturn position is mainly due to reduced expenditure on bank charges and payment card fees (£11,000), expenses associated with raising loans (£23,500), legal expenses (£20,000), corporate subscriptions (£30,500) and income from de-minimis capital receipts (£20,000) arising from the sale of assets.

Central Budgets

Interest Payable and Similar Charges - Capital Financing

- 94 The forecast outturn position of £43.350 million is £5.000 million lower than the £48.350 million budget. This forecast underspend includes the taking out of £50 million of new loans in April at interest rates lower than forecast alongside the ability to continue to delay actual borrowing due to the higher than forecast cash balances.

Interest and Investment Income

- 95 The forecast income of £6.505 million is £3.605 million more than the £2.900 million budget. The forecast surplus reflects increased investment returns, as interest rates achievable on short term investments have improved significantly on the back of recent increases in the bank rate. The bank rate has risen from 0.10% in November 2021 to its current level of 2.25%. Market indications predict further rises in coming months as the Bank of England seeks to suppress inflation.
- 96 The table below highlights the change in borrowing and investments at the end of quarter two:

	Actual 31.03.22 £ Million	Average Interest Rate	Actual 30.09.22 £ Million	Average Interest Rate
Borrowing	418	3.25%	468	3.17%
Investments	342	0.48%	418	2.04%
Net Debt	76		50	

Council Earmarked Reserves Forecast

- 97 Earmarked reserves are funds set aside for specific, known or predicted future expenditure. Appendix 4 details the council and school earmarked reserves showing the opening balance at 1 April 2022, the forecast movement on reserves during the year and the forecast closing balance as at 31 March 2023.
- 98 A summary of the forecast of council reserves (excluding school reserves) is shown below. The summary highlights that the total earmarked and cash limit reserves are forecast to reduce by £44.915 million in 2022/23, from £235.529 million to £190.614 million. This compares to the position forecast at quarter one when reserves were forecast to reduce by £42.288 million in 2022/23, from £235.529 million to £193.241 million. The movement in earmarked reserves is explained in the service grouping commentaries.

	Earmarked £ million	Cash Limit £ million	Total £ million
Opening Earmarked Balances as at 1 April 2022	-223.964	-11.565	-235.529
Adjusted for increase (-) / use of Earmarked Reserves	41.516	3.399	44.915
Transfers Between Earmarked and Cash Limit Reserves	0.146	-0.146	0.000
Earmarked Reserve Balances as at 31 March 2023	-182.302	-8.312	-190.614

- 99 Earmarked reserves can be categorised as sums held for corporate purposes, sums held on behalf of partner organisations / external grants and other sums earmarked for specific purposes. A summary of the expected movement in these reserves for each category is set out in the table below:

Type	Actual Balance at 1 April 2022 £ million	Forecast Balance at 31 March 2023 £ million	Change in Year £ million
Earmarked – Corporate Reserves	-73.697	-52.195	21.502
Earmarked – Partner/External Grant	-42.183	-31.643	10.540
Earmarked - Other	-108.084	-98.464	9.620
Sub-Total	-223.964	-182.302	39.121
Earmarked - Cash Limit	-11.565	-8.312	3.253
Total Earmarked Reserves	-235.529	-190.614	44.915

- 100 Based on the quarter two position, cash limit reserve balances of £8.312 million are forecast at the year end.
- 101 The forecast cash limit and general reserves position is still considered to be prudent given the financial uncertainties facing local government beyond 2022/23. The MTFP(13) report to Cabinet on 12 October 2022 highlighted the ongoing budget concerns for the council with a forecast savings requirement of £52.569 million over the 2023/24 to 2026/27 period (assuming the Fair Cost of Care outcomes can be accommodated within the grant funding provision), with £37.389 million falling into 2023/24 necessitating a forecast £25.536 million use of reserves to balance the budget next year.
- 102 To ensure budgets can be balanced whilst clarity is provided and to provide time to work up proposals to reduce expenditure to address the underlying budget position going forward, a review of all earmarked reserves is being undertaken to ensure that corporate reserves are in place to ensure that the council can set a balanced budget for 2023/24.

Dedicated Schools Grant and Schools

- 103 The council currently maintains 164 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.
- 104 As with the council, schools are facing a range of unfunded inflationary pressures, for pay awards and energy costs in year which are forecast to outstrip the initial budget planning assumptions.
- 105 The forecast position for all maintained schools for quarter two is shown in the following table:

Subjective Budget Heading	Original Budget	Quarter 2 Forecast	Forecast to Budget Variance
	£ million	£ million	£ million
Employees	203.927	221.541	17.614
Premises	13.485	18.061	4.576
Transport	2.001	2.340	0.339
Supplies	35.948	39.585	3.637
Gross expenditure	255.361	281.527	26.166
Income	-62.014	-77.064	-15.050
Net expenditure	193.347	204.463	11.116
Budget share	186.026	191.826	5.800
Use of reserves	7.321	12.637	5.316

Subjective Budget Heading	Original Budget	Quarter 2 Forecast	Forecast to Budget Variance
	£ million	£ million	£ million
Balance at 31 March 2022	28.652	28.652	0
Balance at 31 March 2023	21.331	16.015	-5.316

- 106 In overall terms, the forecast use of reserves of £12.637 million is worse than the original budget position, however it does reflect an improved position from quarter one, when schools were forecasting to require £17.673 million of reserves to balance the in-year financial position.
- 107 The forecasts are based on the following assumptions:
- (a) pay award for teachers at 5% for Upper Pay Scales (UPS) grades and higher levels for Main Pay Scales (MPS) - compared to the budgeted assumptions of a 2% increase in year;
 - (b) pay award of £1,925 per employee per annum for non-teaching support staff - compared to a flat 2% pay award budget assumption;
 - (c) increased electricity and gas provided via NEPO estimated outcomes (based on limited known detail regarding support to businesses on government announced energy cap);
 - (d) impact of inflation on supplies and provisions (particularly food products) has been considered with individual schools;
 - (e) income forecasts have been reviewed and updated to include the latest available information, particularly for SEND funding;
 - (f) no additional grant income is included in the forecast to cover costs associated with pay awards at this stage;
 - (g) budget share increase of £5.800 million from original budget as a result of the finalisation of The Woodlands Pupil Referral Unit budget for this year (£3 million higher) and increases for the vast majority of schools for the allocation of NNDR charges.
- 108 The forecast position at individual school level indicates that a small number of schools may be in deficit at the end of the current financial year (this is in addition to the two schools given permission to set a licensed deficit) and a more significant number of schools may not have sufficient reserves available to set a balanced budget in 2023/24.

- 109 The council will work closely with schools over the autumn term to support the financial planning process in the current and future financial years.

Dedicated Schools Grant Centrally Retained blocks

- 110 The forecast outturn position for the centrally retained DSG budgets shows a projected overspend of £0.250 million, relating to the high needs block, as detailed below:

DSG Block	Budget £ million	Outturn £ million	Over / (Under) Spend £ million
High Needs	76.267	76.517	0.250
Early Years	29.374	29.374	0.000
Central Schools Services	2.860	2.860	0.000
TOTAL	108.501	108.751	0.250

- 111 The forecast overspend position shown against the high needs block relates to the following main areas:
- (a) forecast overspend of £0.668 million against the budget for Special School provision, which largely results from the provision of additional places across the school's sector during the year;
 - (b) forecast overspend of £0.249 million against the budget for placements in Independent and Non-Maintained Special Schools;
 - (c) forecast underspend of £0.380 million against budgets for Early Years Provision;
 - (d) forecast underspend of £0.180 million against the budget allocation for Investment Support Fund;
 - (e) forecast underspend of £0.100 million against the budget for Targeted Support Funding in mainstream schools.
- 112 An updated five-year plan high needs block funding and expenditure, including recovery of the accumulated deficit by the end of the five-year period, was approved by Cabinet in April 2022.
- 113 This plan is now being updated to include the latest forecast of outturn position, revised inflation forecast for future years, and the recent funding announcements.

- 114 A review of the current programme of work is also taking place in the autumn and this will also include a workshop with Schools Forum. In addition, Durham is identified as one of the 55 local authorities with HNB deficits to work with the DfE on its Delivering Better Value programme.
- 115 The impact of the current forecast on the DSG reserves position is shown in the following table:

DSG Reserves	High Needs Block (Unusable Reserve) £ million	Early Years Block £ million	Schools Block £ million	Total DSG £ million
Balance as at 1 April 2021	-8.047	1.375	2.749	-3.923
Use/ Contribution in 2021/22	-0.796	-0.719	-0.348	-1.863
Balance as at 1 April 2022	-8.843	0.656	2.401	-5.786
Forecasted Use / Contribution in 2020/21	-0.250	0	0	-0.250
Forecasted Balance as at 1 April 2023	-9.048	0.656	2.401	-5.991

- 116 The overall DSG reserve was in a net deficit position of £5.786 million at the start of the financial year as a result of the accumulated deficit position in relation to the high needs block. The overall deficit position is now forecast to increase to £5.991 million to the year end.

Capital

- 117 The 2022/23 original budget of £267.920 million was revised to £255.538 million at Cabinet on 14 September 2022 in the quarter one Forecast of Revenue and Capital Outturn 2022/23. Details of the original and revised budget are shown in the table below.
- 118 The council's Capital Member Officer Working Group (MOWG) that closely monitors the capital programme has since considered further revisions to the capital programme, taking into account additional resources received by the authority and further requests for reprofiling as Service Management Teams continue to monitor and review their capital schemes. A further reprofiling review will be carried out in the coming months to provide an updated budget position for the quarter three forecast of outturn report to Cabinet.

119 The following table summarises the latest capital budget for approval alongside the original budget. The table also shows the actual capital spend as at 30 September 2022.

Service Grouping	Original Budget 2022/23	Revised Budget 2022/23 Quarter 1	Amendments recommended by MOWG	Revised Budget 2022/23 Quarter 2	Actual Spend to 30 September 2022 (03/10/22)
	£ million	£ million	£ million	£ million	£ million
Adult and Health Services	1.170	0.435	-0.335	0.100	0.009
Children and Young People's Services	46.281	45.375	-15.786	29.589	6.018
Neighbourhoods and Climate Change	79.173	76.801	0.736	77.537	20.750
Regeneration, Economy and Growth	129.318	122.380	-7.882	114.498	32.580
Resources	11.977	10.547	-3.819	6.728	1.509
TOTAL	267.920	255.538	-27.086	228.452	60.866

120 Since the original 2022/23 budget and quarter one updates were agreed, MOWG has continued to consider a number of variations to the capital programme which are a result of additions and reductions in resources received by the council and reprofiling of budgets over future years. Variations of note are as follows:

(a) **AHS** – the service has the following addition:

(i) **Adult Care** - an increase of £0.383 million in 2023/24 for the Positive Journeys – Chester-Le-Street scheme funded from reserves, alongside £0.147 million which was transferred to the scheme from the Structural Capitalised Maintenance budget.

(b) **CYPS** – the service has the following additions:

(i) **School Related** – the 2023/24 budget for the Schools Capital grant has been increased by £8.418 million to bring in the 2023/24 Basic Need grant allocation from the Department for Education (DfE).

(ii) **Special Educational Needs (SEN) Capital** – a budget increase of £4.797 million for the 2023/24 High Needs Capital Provision Fund budget funded by grant from DfE.

(c) **NCC** – the service has the following additions:

(i) **Environmental Services** - the budget for the Morrison Busty Depot Phase 3A scheme has been increased by £0.509 million, funded from direct revenue funding. Budget increases totalling £82,362 for schemes at various play parks, funded by S106 contributions and a capital contribution.

(ii) **Technical Services** – a budget increase of £0.750 million (£0.550 million in 2022/23 and £0.100 million in both 2023/24 and 2024/25) for Rural Link Footways schemes, funded from reserves.

(iii) **Members Neighbourhood Fund** – the Members Towns & Villages Capital budget has been increased by £0.226 million funded from direct revenue funding.

(iv) **Area Action Partnerships (AAP) Capital Budget** – £59,057 budget increase for various AAP Capital budgets funded from the AAP Revenue Reserve.

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

(i) **Corporate Property & Land** - budget increases of £0.571 million for Milburngate Fit Out and £0.429 million for Milburngate Specification Improvements, funded from contingencies.

(ii) **Development & Housing** – the budget for Green Homes Phase 2 schemes has been increased by £3.292 million, funded from Energy Hub grant. An increase of £0.700 million to the Aykley Heads Plot C scheme to fund low carbon technologies has been funded from capital receipts. Other significant increases include £0.300 million for the Rough Sleeper Accommodation scheme funded by Homes England / Homes & Communities Agency grant and £0.250 million for Forrest Park Development funded from contingencies.

(iii) **Transport & Contracted Services** – the Transforming Cities Fund Intelligent Transport Systems (1a) Unprogrammed budget has been reduced by £1.129 million

to reflect a reduction in grant funding from the North East Combined Authority.

- (e) **RES** – the service has the following additions:
 - (i) **Equality & Strategy** – new budgets of £74,708 and £0.203 million for Changing Places facilities at Durham Dales Centre and non-DCC buildings (Locomotion, Weardale Museum and Raby Castle) funded by grant from the Department for Levelling Up, Housing & Communities (DLUHC).
 - (ii) **Digital & Customer Services – Digital Organisation** - the budget for the Digital Mailroom scheme has been increased by £0.159 million funded from reserves.

121 Budget managers also continue to challenge and review the programming and phasing of works, which has resulted in the re-profiling of the following budgets in line with anticipated activity in 2022/23:

- (a) **AHS** - £0.335 million has been re-profiled from 2022/23 to 2023/24 for the Complex Needs in the Community (Harelaw) scheme in Adult Care, as the scheme is not starting until 2023/24.
- (b) **CYPS** – £15.789 million has been re-profiled from 2022/23 across the period 2023/24 to 2025/26. This includes £7 million for Belmont School New Build which has been re-profiled into 2023/24 based on anticipated spend on the scheme. £5.095 million for Spennymoor New Build Primary School has been re-profiled from 2022/23 across the period 2023/24 to 2025/26 in line with the revised cashflow for the scheme. £1.314 million of the High Needs Capital Provision Fund budget has been re-profiled from 2022/23 to 2023/24 as projects are not anticipated to start until 2023/24. Other significant amounts which have been re-profiled from 2022/23 to 2023/24 include £1 million for the re-build of Greenfield Community College on the Aycliffe site, £0.540 million for a replacement demountable at St. Stephen's CE Primary, £0.415 million for replacement windows at Lanchester EP Primary and £0.275 million for roof replacements at Ferryhill Station Primary.
- (c) **NCC** – a sum of £0.508 million has been re-profiled from 2022/23 into 2023/24. This includes £0.264 million for the C12 Front Street Framwellgate Moor carriageway scheme as this has been pushed back to 2023/24 due to other works being carried out in the same location. Other significant amounts include £0.100 million for Building Management Systems and Replacement Boilers and

£98,652 for the Community Protection Civica CX Upgrade scheme which is being reviewed to identify the most suitable service option.

- (d) **REG** – a sum of £12.557 million (net) has been re-profiled from 2022/23 into 2023/24 and 2024/25. Re-profiling from 2022/23 into 2023/24 includes £0.732 million of the Bishop Auckland Future High Streets Fund scheme for Kingsway Car Park & Public Realm, £1 million for the Locomotion – New Exhibition Building, £0.6 million for the Durham Light Infantry (DLI) Museum & Art Gallery Redevelopment and £1.273 million of the Spennymoor Library and Leisure Centre Co-location budget. On the NETPark Phase 3 scheme, £4 million of the 2022/23 budget has been re-profiled to 2024/25 to reflect the latest expenditure forecast. On the Park & Ride schemes, £1.500 million of the budget for Stonebridge and £0.675 million of the budget for Sniperley has been re-profiled from 2022/23 to 2023/24 due to delays with land acquisition. £1.368 million of the Newton Aycliffe Housing Infrastructure Fund budget has been re-profiled from 2022/23 to 2024/25 due to delays on the planning and development elements of the project.
- (e) **Resources** – a sum of £4.135 million has been re-profiled from 2022/23 into 2023/24. This includes £1.737 million for schemes relating to replacement of the Customer Relation Management System and Website which have been pushed back to 2023/24. £0.900 million for End User Equipment Replacement, £0.500 million for Digital Durham – Tees Valley Combined Authority Contract 2, £0.250 million for the Digital Durham Top Up Scheme and £0.300 million for the Accommodation Project ICT budget have also been re-profiled from 2022/23 to 2023/24.

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

Financed By:	Original Budget 2022/23 £ million	Revised Budget 2022/23 Quarter 1 £ million	Amendments recommended by MOWG £ million	Revised Budget 2022/23 Quarter 2 £ million
Grants and Contributions	98.623	93.730	3.363	97.093
Revenue and Reserves	9.741	8.512	1.480	9.992
Capital Receipts	9.058	9.058	0.700	9.758
Borrowing	150.498	144.239	-32.629	111.610
TOTAL	267.920	255.538	-27.086	228.452

Prudential Indicators

- 123 The Local Government Act 2003 requires the council to have regard to the Chartered Institute of Public Finance and Accountancy's Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow.
- 124 The objective of the Prudential Code is to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable. To demonstrate that the council has fulfilled these objectives, the Prudential Code sets out indicators that must be monitored and reported quarterly.

Capital Financing Requirement (CFR)

- 125 The CFR is a measure of the council's underlying borrowing need for capital purposes. It includes other long term liabilities (PFI schemes and finance leases), though these arrangements include an integral borrowing facility so the council does not need to borrow separately for them.
- 126 In the table below, the original CFR estimate for 2022/23 was reported to Council on 23 February 2022 as part of the council's Annual Treasury Management Strategy. The council's actual CFR at 31 March 2022 of £534.012 million was reported to Council on 20 July 2022 as part of the Treasury Management Outturn Report. Estimates as of 30 September 2022:

	2022/23 Original £ Million	2022/23 Estimate £ Million	2022/23 Variance £ Million	2023/24 Estimate £ Million	2024/25 Estimate £ Million
Opening CFR	545.723	534.012	(11.711)	641.919	827.064
Add net borrowing requirement for the year	188.570	111.610	(76.960)	198.765	45.500
Add leasing & PFI requirement for the year	11.922	14.631	2.709	6.159	5.026
Deduct MRP/VRP and other financing movements	(18.275)	(18.334)	(0.059)	(19.779)	(22.183)
Closing CFR	727.940	641.919	(86.021)	827.064	855.408

Gross Debt and the Capital Financing Requirement (CFR)

127 To ensure that debt held will only be for capital purposes, the council should ensure debt does not, except in the short term, exceed the CFR in the preceding year, current year and next two financial years. This is a key indicator of prudence. The table below shows how the council plans to comply with this requirement, which shows gross borrowing continues to be less than the CFR:

	2021/22 Actual £ Million	2022/23 Estimate £ Million	2023/24 Estimate £ Million	2024/25 Estimate £ Million
Borrowing	417.985	449.679	426.639	391.051
Finance leases	47.069	53.460	51.247	47.781
PFI liabilities	35.670	34.779	33.887	32.995
Total Gross Debt	500.724	537.918	511.773	471.827
Capital Financing Requirement	534.012	641.919	827.064	855.408
Headroom (Internal Borrowing)	33.288	104.001	315.291	383.581

Operational Boundary

128 This is the limit which external borrowing is not normally expected to exceed and approximates to the CFR for a given year. Periods where the actual position is either below or over the boundary is acceptable subject to the authorised limit not being breached:

	2022/23 Estimate £ Million	2023/24 Estimate £ Million	2024/25 Estimate £ Million
Borrowing	553.000	742.000	775.000
Other long term liabilities	89.000	86.000	81.000
Total	642.000	828.000	856.000

Authorised Limit

129 This represents a control on the maximum level of borrowing and is a statutory limit determined under section 3 (1) of the Local Government Act 2003. It reflects the level of external borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term:

	2022/23 Estimate £ Million	2023/24 Estimate £ Million	2024/25 Estimate £ Million
Borrowing	603.000	792.000	825.000
Other long term liabilities	94.000	91.000	86.000
Total	697.000	883.000	911.000

Council Tax and Business Rates Collection Funds

Council Tax

- 130 Council Tax is charged for all residential dwellings in bandings agreed by the Valuation Office Agency, which is part of His Majesty's Revenues and Customs (HMRC). Exemptions, reliefs and discounts are awarded dependent upon the state of the property, its use and occupiers' personal circumstances.
- 131 The in year collection rate at 30 September 2022 was 55.92%, an improvement on the position as at 30 September 2020 and 30 September 2021 when in-year recovery for 2020/21 was 53.94 and 2021/22 stood at 54.78%.
- 132 The council is continuing to provide support to those impacted by COVID-19 through Hardship payments of up to £150 for those in receipt of council tax support who are still left with a bill to pay, with £1.642 million having been awarded to 30 September 2022.
- 133 The in-year collection rates at the end of quarter two for the current and last two financial years, are detailed below:

Billing Year	Position at 30 September each Year %
2022/23	55.92
2021/22	54.78
2020/21	53.94

- 134 The income shown in the Council Tax Collection Fund is the amount collectable from council taxpayers in the long run, rather than the actual cash collected in the year the charges are raised. Likely bad debts are accounted for by maintaining a bad debt provision. The amount estimated to be collectable is calculated each year by reference to the actual council tax base for all domestic properties in the county

(schedule of all properties, discounts and reliefs) with an allowance for non-collection.

- 135 The in year collection rates for Council Tax has increased from 2020/21 and 2021/22 following the re-instating of full formal recovery action from July 2021. Actual cash collected as at 30 September 2022 was £181.582 million compared with £169.311 million as at 30 September 2021. When the council tax increases for 2022/23 are factored in this represents a year on year real terms increase of £4.369 million in terms of council tax income received.
- 136 Due to changes in the number of properties (including new build and demolitions), eligibility of discounts and reliefs during the year, the actual amount collectable increases or decreases from the estimate on a day to day basis. In addition, adjustments for previous billing years take place during each accounting year. All of these adjustments mean that the actual amounts collected will always differ from the original budget.
- 137 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.
- 138 In July 2020 the government however, announced that repayments to meet any collection fund deficits accrued in 2020/21 would be phased over a three-year period (2021/22 to 2023/24) to ease immediate pressures on budgets.
- 139 Two thirds of the estimated total council tax element of the Collection Fund deficit (total £5.720 million) have been accounted for during the 2021/22 and 2022/23 budget setting processes (£3.814 million, with the council's share totalling £3.224 million)
- 140 The 2022/23 forecast Collection Fund position includes the final third of this spread deficit. The council's share will be reflected within the 2023/24 budget.
- 141 In terms of the in year position for the council tax element of the Collection Fund at 30 September 2022, the estimated outturn is a surplus of £0.211 million, with the council's share of the surplus being £0.177 million. At quarter one an in-year surplus of £0.499 million was forecast, with the council's share being £0.420 million.
- 142 After taking into account the undeclared 2021/22 deficit of £2.589 million and the forecast in year surplus of £0.211 million, the overall forecast for

the council tax element of the Collection Fund is a £2.378 million deficit. The council's share of this deficit is £2.001 million.

	£ million
Net Bills issued during Accounting Year 2022/23	381.346
LCTRS and previous years CTB adjustments	-60.595
Calculated change in provision for bad debts required and write offs	-3.919
Net income receivable (a)	316.833
Precepts and Demands	
Durham County Council	252.142
Parish and Town Councils	14.197
Durham Police Crime and Victim's Commissioner	34.521
County Durham and Darlington Fire and Rescue Authority	15.762
Total Precepts and Demands (b)	316.622
Net Surplus / (-) Deficit for year (a) – (b)	0.211
Undeclared Surplus / (-) Deficit brought forward from 2021/22	-2.589
Estimated year end deficit	-2.378

Business Rates

- 143 Business Rates Retention was implemented in 2013/14 and the council now has a vested budget interest and stake in the level of business rate yield, as income generated from Business Rates is shared between Central Government (50%), Durham County Council (49%) and County Durham and Darlington Fire and Rescue Authority (1%). Therefore, it is not only the accuracy and timeliness of bills levied and collected that is monitored and audited, but also the level of income anticipated for the year is important.
- 144 On 25 March 2021, the Government announced the introduction of the COVID-19 Additional Relief Fund (CARF), to support businesses in England affected by COVID-19, but not eligible for existing support linked to business rates. This relief is compensated in full by Section 31 grant. The estimated value of this relief is £8.430 million.

- 145 The collection rate at 30 September 2022 was 57.27%, which is 3.36% points above the same position last year. The in-year collection rates at the end of quarter two for the current and last two financial years, are as follows:

Billing year	Position at 30 September each Year %
2022/23	57.27
2021/22	53.91
2020/21	56.68

- 146 In line with the position for council tax the repayments to meet any collection fund deficits accrued in 2020/21 can be phased over a three-year period (2021/22 to 2023/24) to ease immediate pressure upon the 2021/22 budget.
- 147 Two thirds of the total estimated business rates element of the Collection Fund deficit (total £1.138 million) has been accounted for during the 2021/22 and 2022/23 budget setting processes (£0.758 million, with the council's share totalling £0.372 million)
- 148 In terms of the in year position for the business rate element of the Collection Fund as at 30 September 2022, the estimated outturn for the year is an in year deficit of £4.679 million of which the council's 49% share is £2.293 million.
- 149 After taking into account, the undeclared improvement in the 2021/22 position of £0.831 million and the forecast in year deficit of £4.679 million the overall forecast for the business rate element of the Collection Fund is a £3.848 million deficit, of which the council's share is £1.886 million. At quarter one the forecast in year deficit was £3.702 million and the overall forecast for the business rate element of the Collection Fund was a £2.871 million deficit, of which the council's share was £1.407 million.
- 150 The total position for the business rate element of the Collection Fund for 2022/23 is detailed in the following table.

	£ million
Net rate yield for 2022/23 including previous year adjustments	106.758
Estimate of changes due to appeals lodged and future appeals	-2.022
Estimated losses in Collection – Provision for Bad Debts and Write-offs	-1.102
Net income receivable (a)	103.634
Agreed allocated shares:	
Central Government (50%)	53.758
Durham County Council (49%)	52.683
County Durham and Darlington Fire and Rescue Authority (1%)	1.075
Cost of Collection Allowance and Renewable Energy (paid to Durham County Council)	0.797
Total fixed payments (b)	108.313
Net deficit for year (a) – (b)	-4.679
Undeclared Surplus / (-) Deficit brought forward from 2021/22	0.831
Estimated year end deficit	-3.848

- 151 Taking into account the forecast positions at the end of quarter two for council tax and business rates, alongside the receipt of Section 31 grant for Covid additional Relief Fund (CARF), the overarching position for the council in terms of the 2022/23 Collection Fund are as set out below, which is an overall £0.666 million surplus (which compares with the quarter one forecast of an overall £0.840 net surplus).

	£ million
Council Tax Deficit	-2.001
Business Rates Deficit	-1.886
Section 31 Grant (CARF)	<u>4.553</u>
NET SURPLUS	<u>0.666</u>

Section 31 Grant - Small Business Rate Relief

- 152 Small business (ratepayers occupying 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.

- 153 Small business ratepayers with properties with rateable values up to £12,000 are now being granted full relief, and properties with rateable values between £12,000 and £15,000 have a tapered relief applied to them ranging from 100% down to 0%.
- 154 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.
- 155 At 30 September 2022, the gross small business relief awarded against the 2022/23 business rates bills and adjustments to 2013/14 to 2021/22 bills is £18.537 million, and the council will receive £6.474 million in Section 31 grant, including the capping adjustment and threshold change adjustments, in this regard.

Other Section 31 Grants

- 156 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. In 2021 the Non-Domestic Rating (Public Lavatories) Bill came into force which gives public lavatories 100% relief from business rates, this applies retrospectively from 1 April 2020. Funding for these schemes is provided through Section 31 grants.
- 157 When assessing estimated outturn income from business rates, due regard must also be given on the effect that changes in estimated reliefs will have on the Section 31 grants.

Update on Progress towards achieving MTFP(12) savings

- 158 The delivery of the MTFP(12) agreed savings considers:
- (a) the duties under the Equality Act;
 - (b) appropriate consultation;
 - (c) the HR implications of the change including consultation with employees and trade unions;
 - (d) communication of the change and the consultation results;

(e) sound risk management.

159 MTFP(12) savings proposals for 2022/23, agreed by County Council on 23 February 2022 total £2.427 million.

160 At 30 September 2022, savings totalling £1.960 million, representing 81% of the £2.427 million total savings target have been delivered.

Consultation

161 There has not been any public consultation on any of the MTFP(12) proposals in the last quarter.

HR implications

162 Equality data relating to the 20 staff leaving through voluntary redundancy, early retirement, and ER/VR during quarter 2 of MTFP12 showed that 85.00% were female and 15.00% were male. In terms of race, 15.00% of leavers had not disclosed their ethnicity and the remaining 85.00% stated that they were white British or white English.

163 Regarding disability status no employees said they had a disability, 65.00% had no disability and 35.00% did not disclose their disability status.

164 There have been no employees leaving through compulsory redundancy.

165 Since 2011, equality data relating to staff leaving through voluntary redundancy, showed that 65.69% were female and 34.31% 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.

166 In terms of race, since 2011, 45.39% of leavers had not disclosed their ethnicity, with 54.20% stating that they were white British or white English. Regarding disability status 2.94% said they had a disability, 13.69% had no disability and 83.38% did not disclose their disability status.

Equality Impact Assessments (EIA)

167 Services have completed EIA screenings and assessments where necessary as part of the decision-making process for 2022/23 MTFP(12) proposals.

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

Other useful documents

- County Council – 23 February 2022 – Medium Term Financial Plan 2022/23 to 2025/26 and Revenue and Capital Budget 2021/22
- Cabinet – 13 July 2022 - 2021/22 Final Outturn for the General Fund and Collection Fund
- Cabinet - 14 September 2022 – Forecast of Revenue and Capital Outturn 2022/23.
- Cabinet – 12 October 2022 – MTFP(13) 2023/24 -2026/27 and review of the Local Council Tax Reduction Scheme

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Appendix 1: Implications

Legal Implications

The consideration of regular budgetary control reports is a key component of the council's Corporate and Financial Governance arrangements. This report shows the forecast spend against budgets agreed by Council in February 2022 in relation to the 2022/23 financial year. The forecasts contained within this report have been prepared in accordance with standard accounting policies and procedures.

Finance

The report details the 2022/23 forecast of outturn position for Revenue and Capital and details the forecast movement on reserves.

Consultation

None.

Equality and Diversity / Public Sector Equality Duty

None.

Climate Change

None.

Human Rights

None.

Crime and Disorder

None.

Staffing

None.

Accommodation

None.

Risk

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

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

Procurement

None.

Appendix 3: Revenue Summary by Expenditure / Income 2022/23

	Original Budget 2022/23	Revised Budget	Proposed Budget Revisions	Budget - incorporating adjustments	Service Groupings Forecast of Outturn	Forecast of Outturn (including Corporate Costs)	Forecasted Variance (including Corporate Costs)	Contribution to / (Use of) Contingencies, outside the cash limit	Contribution to / (Use of) Cash Limit Reserve	Contribution to / (Use of) Earmarked Reserves	Adjusted Variance	Adjustment for inflationary-related sums outside the cash limit included in Forecast of Outturn					Cash Limit Position
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	Energy	Waste	Transport Fuel	Home to School Transport	Pay Inflation and NI adjustment 22/23	£'000
Employees	538,082	543,844	1,273	545,117	550,809	551,132	6,015	463	0	0	6,478	0	0	0	0	-5,812	666
Premises	50,177	52,495	85	52,580	59,089	59,054	6,474	0	0	0	6,474	-3,857	0	0	0	0	2,617
Transport	51,360	51,471	735	52,206	60,620	60,620	8,414	0	0	0	8,414	0	0	-965	-4,000	0	3,449
Supplies & Services	115,120	115,673	5,929	121,602	131,214	132,520	10,918	-467	0	0	10,451	0	0	0	0	0	10,451
Agency & Contracted	497,612	507,789	-5,983	501,806	512,448	514,769	12,963	-497	0	0	12,466	0	1,712	-600	0	0	13,578
Transfer Payments	149,152	149,254	1,060	150,314	150,530	150,989	675	303	0	0	978	0	0	0	0	0	978
Central Costs	132,392	136,362	-425	135,937	133,718	133,984	-1,953	-546	-229	2,494	-234	0	0	0	0	0	-234
DRF	734	2,254	0	2,254	2,696	2,696	442	0	0	0	442	0	0	0	0	0	442
Other	4	4	0	4	0	0	-4	0	0	0	-4	0	0	0	0	0	-4
Capital Charges	61,873	61,873	0	61,873	61,873	61,873	0	0	0	0	0	0	0	0	0	0	0
GROSS EXPENDITURE	1,596,506	1,621,019	2,674	1,623,693	1,662,997	1,667,637	43,944	-744	-229	2,494	45,465	-3,857	1,712	-1,565	-4,000	-5,812	31,943
Income																	
Government Grants	599,030	582,867	2,078	584,945	609,917	610,386	25,441	0	0	0	25,441	0	0	0	0	0	25,441
Other Grants and Contributions	85,822	88,899	-227	88,672	91,070	91,070	2,398	0	0	0	2,398	0	0	0	0	0	2,398
Sales	6,788	6,256	296	6,552	5,950	6,070	-482	0	0	0	-482	0	0	0	0	0	-482
Fees and Charges	108,377	109,975	28	110,003	110,176	110,140	137	0	0	0	137	-1,610	0	0	0	0	-1,473
Rents	10,433	10,714	-99	10,615	12,625	12,625	2,010	0	0	0	2,010	0	0	0	0	0	2,010
Recharges To Other Services	302,674	307,295	830	308,125	300,824	300,824	-7,301	0	0	0	-7,301	0	0	0	0	0	-7,301
Other	7,771	10,096	-232	9,864	8,431	8,431	-1,433	0	0	0	-1,433	0	0	0	0	0	-1,433
Total Income	1,120,895	1,116,102	2,674	1,118,776	1,138,993	1,139,546	20,770	0	0	0	20,770	-1,610	0	0	0	0	19,160
NET EXPENDITURE	475,611	504,917	0	504,917	524,004	528,091	23,174	-744	-229	2,494	24,695	-2,247	1,712	-1,565	-4,000	-5,812	12,783

Appendix 4: Earmarked Reserves Position as at 30 September 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 31/03/23
		£'000	£'000	£'000	£'000	£'000	£'000
EARMARKED RESERVES AND CASH LIMIT RESERVES							
Corporate Reserves							
Budget Support Reserve	Corporate	-10,000	10,000			10,000	0
Business Support Reserve	Corporate	-1,623	708			708	-915
Cabinet Priorities Reserve	Corporate	-10,000	7,097			7,097	-2,903
Commercialisation Support Reserve	Corporate	-5,634	663			663	-4,971
Equal Pay Reserve	Corporate	-9,479					-9,479
ER/VR Reserve	Corporate	-6,044	731			731	-5,313
Feasibility Study Reserve	Corporate	-500					-500
Inspire Programme Reserve	Corporate	-121					-121
Insurance Reserve	Corporate	-5,000					-5,000
Levelling Up Feasibility Reserve	Corporate	-850	1,010		-253	757	-93
MTFP Reserve	Corporate	-15,162					-15,162
Recovery Support Reserve	Corporate	-1,654	1,559		-421	1,138	-516
Resources DWP Grant Reserve	Corporate	-4,577	408			408	-4,169
Resources Elections Reserve	Corporate	-1,091					-1,091
Resources Housing Benefit Subsidy Reserve	Corporate	-1,962					-1,962
Total Corporate Reserves		-73,697	22,176	0	-674	21,502	-52,195
Sums held for other organisations/grants							
Collection Fund Deficit Reserve	Corporate	-9,166	8,812			8,812	-354
Local Taxation Income Guarantee Reserve	Corporate	-710	355			355	-355
North Pennines AONB Partnership Reserve	NCC	-1,623					-1,623
Public Health Reserves	AHS	-6,538	979		383	1,362	-5,176
Resources Council Tax Hardship Reserve	Resources	-3,411					-3,411
Resources COVID-19 Support Grants	Resources	-828					-828
Social Care Reserve - Community Discharge Grant	AHS	-428					-428
Social Care Reserve - CCG	AHS	-19,479	11			11	-19,468
Total Sums held for other organisations/grants		-42,183	10,157	0	383	10,540	-31,643
Other Specific Reserves							
Business Growth Fund Reserve	REG	-454					-454
Children's Services Reserve	CYPS	-3,961	2,288	-26	-421	1,841	-2,120
Community Protection Reserve	NCC	-3,562	269	-76		193	-3,369
Corporate Property & Land Reserve	REG	-2,763	780	-204		576	-2,187
Culture and Sport Reserve	REG	-19,228	-294	-64	253	-105	-19,333
Economic Development Reserve	REG	-3,901	574	-701		-127	-4,028
Education Reserve	CYPS	-16,697	768			768	-15,929
Employability and Training Reserve	REG	-323	95			95	-228
Environmental Services Reserve	NCC	-4,886	1,310	-157		1,153	-3,733
Funding and Programmes Management Reserve	REG	-628					-628
Grant Reserve	REG	-86					-86
Housing Regeneration Reserve	REG	-255			19	19	-236
Housing Solutions Reserve	REG	-4,699	226	-115	402	513	-4,186
Operational Reserve	REG	-282	65			65	-217
Partnerships and Community Engagement Reserve	NCC	-10,812	1,144	-3,393		-2,249	-13,061
Planning Reserve	REG	-247					-247
Regional Public Health Reserve	AHS	-5,336	49			49	-5,287
REG Match Fund Programme Reserve	REG	-605					-605
Resources Corporate Reserve	Resources	-558	295			295	-263
Resources Customer Services Reserve	Resources	-250					-250
Resources Financial Services Reserve	Resources	-244					-244
Resources Grant Reserve	Resources	-154					-154
Resources Human Resources Reserves	Resources	-397	193			193	-204
Resources ICT Reserves	Resources	-1,256	72			72	-1,184
Resources Internal Audit & Corporate Fraud Reserve	Resources	-197	67			67	-130
Resources Legal Reserves	Resources	-443	61			61	-382
Resources Operational Reserve	Resources	-97					-97
Resources Operations and Data Reserve	Resources	-40	30			30	-10
Resources Revenue and Benefits Reserve	Resources	-857	360			360	-497
Resources System Development Reserve	Resources	-197					-197
Resources Transformation Reserve	Resources	-586	183			183	-403
Social Care Reserve - Specific Purpose	AHS	-2,732	1,986		52	2,038	-694
Technical Services Reserve	NCC	-1,410			184	184	-1,226
Town and Villages Regeneration Reserve	REG	-18,447	3,375			3,375	-15,072
Transport Reserve	REG	-1,494	23		-52	-29	-1,523
Total Other Specific Reserves		-108,084	13,919	-4,736	437	9,620	-98,464
TOTAL EARMARKED RESERVES		-223,964	46,252	-4,736	146	41,662	-182,302

EARMARKED RESERVES AND CASH LIMIT RESERVES	SERVICE GROUPING	OPENING BALANCE £'000	USE OF RESERVES £'000	CONTRIBUTION TO RESERVES £'000	TRANSFERS BETWEEN RESERVES £'000	TOTAL MOVEMENT ON RESERVES £'000	CLOSING BALANCE AT 31/03/23 £'000
Cash Limit Reserves							
Adult and Health Services	AHS	-6,149	1,538	-735	38	841	-5,308
Children and Young People's Services	CYPS	0	-12,832	12,832			0
Neighbourhoods and Climate Change	NCC	-1,457	964	493	-184	1,273	-184
Regeneration, Economy and Growth	REG	-2,868	312	619		931	-1,937
Resources	Resources	-1,091	532	-324		208	-883
Total Cash Limit Reserves		-11,565	-9,486	12,885	-146	3,253	-8,312
Total Council Reserves		-235,529	36,766	8,149	0	44,915	-190,614
Schools' Balances							
Schools' Revenue Balance	CYPS	-31,219	12,637			12,637	-18,582
DSG Reserve	CYPS	-3,056				0	-3,056
Total Schools and DSG Reserves		-34,275	12,637	0	0	12,637	-21,638

*Schools Revenue opening balance of £31.219 million includes £2.567 million of balances relating to schools that converted to academy during the year