

Cabinet

15 March 2023



**Forecast of Revenue and Capital
Outturn 2022/23 – Period to 31
December 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 updated forecast revenue and capital outturn for 2022/23, based on the position to 31 December 2022;
 - (b) the dedicated schools grant and updated forecast schools position as at 31 March 2023, based on the position to 31 December 2022;
 - (c) the updated forecast for the council tax and business rates collection fund position at 31 March 2023, based on the position to 31 December 2022; and
 - (d) details of the updated 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 to 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 has faced further financial challenges, mainly resulting from the impact of the Ukraine conflict. Consumer Price Index inflation (CPI) in the UK economy is presently 10.5% 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 10.5%, 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 budgets.
- 7 On 8 September 2022, the Government announced a package of measures to cap energy costs for households and businesses across the winter period (October 2022 to March 2023), with further detail published on 22 September 2022. The North East Purchasing Organisation (NEPO) has provided regular forecasts based on known detail and these updates have been factored into the quarter three outturn position
- 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 The Local Government Employers offer of £1,925 flat rate increase to 'Green Book' employees (covering the vast majority of council employees) was accepted on 1 November 2022. These uplifts equate to a circa 6.6% increase in the council's 2022/23 pay budget. The 2022/23 original budget included provision for up to 3.25%. After taking into consideration in year vacancies, this has added 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 Local authorities have not received any additional financial support from the government in 2022/23 and will instead need to rely upon available contingencies and reserves to finance any 2022/23 overspends.
- 12 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 updated impact of inflation upon the MTFP(13) forecasts was reported to Cabinet on 8 February 2023, with the 2023/24 budget proposals considered by Council on 22 February 2023.
- 13 Based on the position to 31 December 2022 service grouping cash limit budgets are forecasting an overspend of £31.719 million this year. A sum of £7.294 million was available in general contingencies to partially offset the pay award, resulting in a net cash limit overspend of £24.425 million.
- 14 Budget pressures in relation to areas such as energy, waste disposal and transport are being covered corporately and have been treated as outside the cash limit budgets. Sums covered corporately are forecast to be £11.166 million, resulting in a residual net cash limit overspend of £13.259 million for the year.
- 15 At quarter three, Children and Young People's Services are forecasting a cash limit overspend of £13.832 million (compared to a forecast £12.832 million overspend reported at quarter two). 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.
- 16 Overall, after also taking into account corporate budgets, it is estimated that the council's 2022/23 budget will be overspent by £15.264 million, representing 2.99% of the net expenditure budget of £510.986 million. The £10 million Budget Support Reserve created to finance inflation related pressures in 2022/23 will be fully utilised leaving a £5.264 million overspend (1.03% of the council net revenue expenditure) to be financed from the General Reserve, resulting in a forecast end of year balance of £20.634 million. This is a further £0.677 million reduction in the forecast balance from the quarter two position reported in November 2022.
- 17 Total earmarked and cash limit reserves (excluding school reserves) are forecast to reduce by £47.883 million in 2022/23, from £235.529 million to £187.646 million. This compares to the position forecast at quarter two when reserves were forecast to reduce by £44.915 million in

2022/23, from £235.529 million to £190.614 million. Within the £187.646 million of earmarked reserves are £30.913 million of reserves held on behalf of other organisations whilst £10.028 million of the MTFP Support Reserve has been utilised in the setting of the 2023/24 revenue budget. This notionally reduces the value of usable earmarked reserves to £146.705 million. This sum, allied with the forecast £20.634 million of the General Reserve, can be compared with the 2023/24 gross expenditure budget of the council of £1.7 billion, meaning that notional usable reserves represent circa 10% of total council annual revenue expenditure.

- 18 The forecast reserves position is considered to be prudent given the financial uncertainties facing local government beyond 2022/23. The MTFP(13) report to Council on 22 February 2023 highlighted the ongoing budget concerns for the council with a forecast savings requirement of £41.438 million over the 2023/24 to 2026/27 period (with £22.411 million falling into 2023/24 necessitating a forecast £10.028 million use of reserves to balance the budget next year).
- 19 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 was undertaken (and reported to cabinet at its meeting on 18 January 2023), to ensure that corporate reserves are in place to ensure that the council can set a balanced budget for 2023/24.
- 20 Earmarked reserves totalling £38.119 million were identified and approved for transfer to corporate reserves to replenish and support the council in setting balanced budgets and making savings in a timely manner. These transfers have been factored into Appendix 4 to this report.
- 21 The council's current reserves policy aims to maintain general reserve balance of between 5% and 7.5% of the net budget requirement in the medium term. The forecasted general reserves balance falls below the budgeted 2023/24 policy minimum of £26.009 million (5%) by circa £5.4 million.
- 22 At final outturn consideration will be given to replenishing the general reserve via a transfer from the MTFP Support Reserve to ensure the minimum general reserve level agreed by Council on 22 February 2023 is met.
- 23 The updated forecast position for all maintained schools shows a forecast use of reserves of £7.845 million (£0.524 million above budget). This position has however improved significantly from quarter two where schools were forecasting to require £12.678 million of reserves to

balance the in-year financial position. In addition, the forecast position for Dedicated Schools Grant centrally retained block shows a £0.798 million deficit in relation to High Needs Block (this compares to a quarter two forecast deficit of a £0.250 million).

- 24 The updated projected capital outturn this year is £165.074 million, with the capital budget having been augmented with reprofiled budget from underspending against the 2021/22 capital programme, new spending commitments and funding in year since the budget was agreed, and reprofiling proposals set out in the report to defer capital expenditure to future years where necessary.
- 25 In line with best practice, the report now includes performance against the various prudential indicators agreed by County Council in February 2022, these are set out at paragraph 123 to 129 and show that the council continues to operate within the boundaries agreed.
- 26 The updated forecast outturn for the Council Tax Collection Fund shows an in-year deficit of £0.251 million, and a cumulative deficit of £2.840 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 forecast net deficit is £2.396 million.
- 27 The forecast outturn for the Business Rates Collection Fund is an in-year deficit of £4.499 million, but a cumulative deficit of £3.668 million after taking into account the 2021/22 undeclared surplus. Durham County Council's share (49%) of this forecast deficit is £1.797 million.
- 28 The in year business rates deficit, is offset in the General Fund by the receipt of additional Section 31 grants of £4.548 million.
- 29 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.
- 30 As at 31 December 2022 the council has delivered savings totalling £1.960 million, which is 81% of the £2.427 million savings target for the year.

Recommendations

- 31 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 transfers to and from general contingencies 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 need to review the general reserve balance during final outturn, with consideration to be given to replenishing the general reserve to the minimum level agreed by Council on 22 February 2023 via a transfer from the MTFP Support Reserve;
- (i) note the Dedicated Schools Grant and Schools forecast outturn position;
- (j) note the position on the capital programme and the Collection Funds in respect of Council Tax and Business Rates; and
- (k) note the amount of savings delivered to 31 December 2022 against the 2022/23 targets and the total savings that will have been delivered since 2011.

Background

- 32 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.
- 33 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.
- 34 On 22 February Council considered and agreed Medium Term Financial Plan 13 (MTFP13) and the 2023/24 revenue and capital budgets, which highlighted ongoing budget concerns for the council and an updated forecast savings requirement of £41.438 million over the 2023/24 to 2026/27 period, with £22.411 million falling into 2023/24. Council agreed £12.383 million of savings in 2023/24 and a total of £18.261 million across the four years 2023/24 to 2026/27, leaving £23.177 million of savings still to be identified. The delivery of further savings to this magnitude is becoming ever more challenging to achieve.
- 35 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.
- 36 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.
- 37 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 Index inflation (CPI) in the UK economy is presently 10.5%.
- 38 The constitution requires that the Chief Finance Officer must report to Cabinet on the overall council budget monitoring position on a quarterly basis.
- 39 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 31 December 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.

- 40 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

- 41 The current exceptionally high levels of inflation, especially for energy, waste, transport and for the pay award exceeds the budget provision. Many of these cost increases can be linked to the Ukraine conflict and at this point it is not clear when this volatility will fully dissipate, though the Chancellor of the Exchequer has set out that he expects Consumer Price Inflation to fall steadily across the coming year.
- 42 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 £0.331 million (£1.841 million less power income generation of £1.510 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 £14 million on gas and electricity, compared to the £7.500 million in 2019/20 (pre-covid).
- 43 The forecasted energy costs have been supported by NEPO data and include assumptions regarding the impact of the government's Energy Bill Relief Scheme to cap energy costs for households and businesses. The quarter three outturn is an improved position when compared to the previous quarter's forecasts.
- 44 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 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 £5.119 million during 2022/23.
- 45 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.
- 46 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 offer was subsequently accepted on 1 November 2022 and results in a £14.808 million increased employee budget requirement (equating to an average 6.6% increase) during 2022/23. Vacancies during the year have reduced the 2022/23 in year requirement to £13.710 million. General contingencies provided for funding of £7.294 million, therefore there is a shortfall of £6.416 million in year.

- 47 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.
- 48 Overall, it is forecast that unavoidable and unbudgeted inflationary pressures that will need to be picked up corporately amount to £11.166 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 £1.166 million to be financed from the General Reserve.

Revenue Outturn Forecast – Based on Position to 31 December 2022

- 49 Adjustments have been made to the original budget agreed by Council on 23 February 2022 as follows:
- (a) agreed budget transfers between service groupings;
- 50 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).

51 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	137,994	137,989	146,663	8,674	-8,352	322	-1,930	-1,608
Children and Young People's Services	141,886	162,835	162,835	177,278	14,443	5,872	20,315	-6,483	13,832
Neighbourhoods and Climate Change	112,985	116,138	116,184	113,667	-2,517	5,762	3,245	-2,702	543
Regeneration, Economy and Growth Resources	54,934	57,800	57,778	71,321	13,543	-9,004	4,539	-3,953	586
	25,249	25,962	25,944	29,588	3,644	-346	3,298	-3,392	-94
Cash Limit Position	471,795	500,729	500,730	538,517	37,787	-6,068	31,719	-18,460	13,259
Contingencies	17,078	11,817	11,816	468	-11,348	1,936	-9,412	7,294	-2,118
Corporate Costs	3,816	4,188	4,188	4,732	544	-645	-101	0	-101
NET COST OF SERVICES	492,689	516,734	516,734	543,717	26,983	-4,777	22,206	-11,166	11,040
Capital charges	-61,873	-61,873	-61,873	-61,873	0	0	0	0	0
DSG deficit reserve adjustment	0	0	0	-798	-798	798	0	0	0
Interest and Investment income	-2,900	-2,900	-2,900	-9,134	-6,234	0	-6,234	0	-6,234
Interest payable and similar charges	48,780	48,350	42,840	37,740	-5,100	0	-5,100	0	-5,100
Levies	16,176	16,185	16,185	16,185	0	0	0	0	0
Net Expenditure	492,872	516,496	510,986	525,837	14,851	-3,979	10,872	-11,166	-294
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	-41,137	-51,550	-10,413	413	-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	-22,669	2,357	0	2,357	0	2,357
Social Care 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
Levy Account Surplus grant	0	0	0	-1,068	-1,068	0	-1,068	0	-1,068
Forecast contribution to/from (-) Cash Limit Reserve	-1,068	-3,117	-3,117	-3,580	-463	1,036	573	0	573
Forecast contribution to/from (-) General Reserves	0	0	0	-5,264	-5,264	2,530	-2,734	1,166	-1,568
Total Funding	-492,872	-516,496	-510,986	-525,837	-14,851	3,979	-10,872	11,166	294
TOTAL	0	0	0	0	0	0	0	0	0

52 The above table identifies a forecast net overspend of £5.264 million (following the application of the £10 million Budget Support Reserve established on 31 March 2022) representing 1.03% of the net expenditure budget of £510.986 million. This in year corporate overspend is forecast to be financed from the General Reserve.

53 Approval is being sought for the following sums to be funded from / transferred to general contingencies during quarter three. These sums are additional to adjustments agreed in quarter one and two. 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
Corporate Costs	Operation London Bridge	0.073
Corporate Costs	Energy Accelerator Agreement	0.023
Resources	Staffing	0.014
Resources	Amortisation of Software	-0.021
REG	Premises dual running costs	0.043
REG	Leisure Centre Income	-0.024
REG	Queen's Baton Relay	-0.003
REG	CLUK equipment	0.426
REG	Storm Arwen	0.014
REG	Restoring your Railways	0.040
REG	Head of Service balance	-0.106
REG	Milburngate Legal Fees	0.700
REG	Milburngate Professional Fees	0.075
CYPS	Surplus Schools Repairs and maintenance	0.211
TOTAL		1.464

54 The leisure centre income shortfall slightly reduces the overall forecast to £1.458 million and reflects a slower than hoped recovery in income levels after the pandemic. This position will continue to be closely monitored.

55 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	0.179	-5.839
Children and Young People's Services	0.000	0.000	0.000	0.000
Neighbourhoods and Climate Change	-1.457	0.705	0.618	-0.134
Regeneration, Economy and Growth	-2.868	0.000	1.361	-1.507
Resources	-1.090	0.232	0.289	-0.569
Total Cash Limit Reserve	-11.564	1.068	2.447	-8.049
General Reserve	-25.898	0.000	5.264	-20.634

- 56 The forecast cash limit and general reserves position is considered to be prudent given the significant ongoing financial uncertainties facing local government beyond 2022/23.
- 57 The council's current reserves policy aims to maintain general reserve balance of between 5% and 7.5% of net budget requirement in the medium term. The forecasted general reserves balance falls below the budgeted 2023/24 policy minimum of £26.009 million (5%) agreed by Council on 22 February 2023 by circa £5.4 million.

Cash Limit Position

- 58 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)

- 59 The updated 2022/23 projected outturn for AHS, based upon the position to 31 December 2022 is a cash limit underspend of £1.608 million to the year end, representing circa 1.17% of the total revised budget for AHS. This compares to the quarter two forecast of a cash limit underspend of £0.735 million, representing circa 0.53% of the total revised budget for AHS.
- 60 The projected outturn takes into account adjustments for sums outside the cash limit including redundancy costs which are met from the corporate reserve, capital accounting entries and use of / contributions to earmarked reserves. Inflationary pressures on energy (£19,000) and the 2022/23 pay award costs of £1.911 million have also been excluded from the cash limit outturn position. Also excluded are costs associated with a forecast increase in the AHS bad debt provision of £2.358 million.
- 61 The outturn is a managed position, reflecting the proactive management of activity by Heads of Service across AHS to remain within the cash limit. The outturn position is accounted for as follows:
- (a) careful management and control of vacant posts and supplies and services budgets across the service together with uncommitted budgets, results in an estimated net under budget position for the year of £2.369 million;
 - (b) net spend on adult care packages is £0.239 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) an increase in the AHS bad debt provision of £3.358 million, of which £1.000 million has been met by the AHS cash limit;
- (d) net expenditure on Public Health-related activity is in line with grant allocations.

62 In addition, a net £5.994 million relating to contributions to and from reserves has been excluded from the cash limit outturn forecasts as follows:

- (a) £0.156 million drawdown from the AHS Social Care reserve to fund temporary staffing arrangements and short term support;
- (b) £0.501 million drawdown from the AHS Integrated Care Reserve to fund temporary staffing arrangements and short term projects;
- (c) £91,000 use of AHS cash limit reserve to fund temporary staffing arrangements;
- (d) £41,000 net contribution to Public Health reserves to fund future Public Health activity;
- (e) £5.287 million transfer of Public Health Regional Reserve to the balance sheet. This reserve comprises regional and not DCC funding and therefore needs to be transferred in line with standard accounting practice.

63 The following base budget transfers have also been actioned during the third quarter:

- (a) £5,000 budget transfer to Resources to fund additional hours in Business Support;

64 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 £5.839 million at 31 March 2023.

Children and Young People's Services (CYPS)

65 The updated 2022/23 projected outturn for CYPS, based upon the position to 31 December 2022 is a cash limit overspend of £13.832 million, representing a 9.53% overspend against the total revised budget for CYPS. This compares to a forecast cash limit overspend of £12.832 million or 7.88% at quarter two.

66 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 (£0.102 million) and transport contract prices (£4.000 million) have also been excluded from the cash limit outturn. The 2022/23 pay award costs of £2.381 million has also been excluded from the cash limit outturn position.

67 The updated forecasts include overspends within Head of Social Care of £12.293 million and in Education of £0.912 million, with underspends forecast within Early Help, Inclusion and Vulnerable Children of £0.715 million and £78,000 attributable to CYPS Central Charges. Further details are provided below:

- (a) Head of Childrens Social Care is forecasting a net £12.293 million overspend for the year. A major part of this is a forecast overspend of £13.786 million against budgets for the cost of placements for children looked after, where demand and placement costs continues to rise. This compares to a forecast overspend of £13.256 million at quarter two;
- (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. The budget for this area for 2022/23 has increased by £4.23 million, which is the sum of £2.29 million base budget growth, £1.16 million inflationary budget increase and £0.78 million internal budget transfers;
- (c) As at 31 December 2022 there were 1,034 Children Looked After (CLA), which continues a trend of growth in demand in this area as illustrated in the table below

Date	Number of CLA
June 2021	943
September 2021	912
December 2021	924
March 2022	982
June 2022	983
September 2022	1,028
December 2022	1,034

- (d) The Head of Education is reporting an overspend of £0.912 million after taking account of inflationary pressures and

estimated pay award adjustments of £4.158 million to be funded corporately;

- (e) An overspend of £4.971 million against the Home to School Transport budget is forecast (£4.758 million at Quarter 2). This has a CYPS cash limit impact of £0.971 million after taking account of £4.000 million as an agreed inflationary pressure to be covered corporately;
- (f) There is a forecast shortfall of £0.766 million against income budgets for Service Level Agreements with schools and a forecast shortfall of £0.481 million against income budgets relating to various income streams, such as Durham Leadership Centre lettings and course fee income;
- (g) An overspend of £0.133 million is forecast against general supplies and services and premises budgets;
- (h) These overspends are to some extent offset by a saving of £1.121 million against employee budgets, which is largely as a result of staffing restructures in Support and Development and School Places and Admissions, implemented from 1 September 2022. There are also vacancies across the Education service that are contributing to this underspend;
- (i) Further savings of £0.318 million have been forecast against the budget for historical pension liabilities (£0.210 million) and activity budgets with the Early Years team (£0.108) million;
- (j) Early Central Charges are forecasting an underspend of £78,000 after taking account of inflationary pressures and estimated pay award adjustment of £7,000 to be funded corporately. This underspend largely relates to a forecasted underspend on staff recharges to other services;
- (k) The Head of Early Help, Inclusion and Vulnerable Children is reporting an underspend of £0.715 million;
- (l) The major factor is in relation to Aycliffe Secure Centre where a cash limit overspend of £1.577 million is forecast. The cash limit overspend reported is after assuming the full use of Aycliffe Secure Centre's reserve of £0.403 million to partially fund the overspend;
- (m) The overspend is largely attributable to a shortfall of £1.397 million against income budgets where it has not been possible to achieve the previously forecast level of occupancy due to difficulties with recruitment and retention of staff;

- (n) There is also an overspend of £0.216 million against premises budgets as a result of a combination of high energy costs and repair work to buildings;
- (o) The remaining service areas in EHVC are reporting an underspend of £0.862 million mainly attributable to underspends against employee budgets of £1.066 million, due to the management of vacant posts, and £0.133 million as a result of low usage of remand beds. These underspends are partially offset by a shortfall against of SLA income budgets;
- (p) It is forecast that expenditure will be in line with budget for the Operational Support area of the service.

68 The forecast cash limit outturn shows the position after a net £3.541 million movement to and from reserves and contingencies. The major items being:

- (a) £1.665 million drawdown from the Corporate ER/VR Reserve to fund agreed redundancies across the service;
- (b) £0.403 million drawdown from the Aycliffe Secure Centre Reserve;
- (c) £0.327 million drawdown from the Progression and Learning Reserve;
- (d) £0.177 million use of the Integrated Rapid Response Reserve;
- (e) £0.162 million Music Service reserve to fund inflationary pressures and equipment repairs;
- (f) £0.153 million drawdown from the PAUSE Reserve;
- (g) £0.135 million drawdown from the Mental Health Support reserve to fund the employee and support costs of the Mental Health Support project.

69 No budget transfers have been actioned in the third quarter:

70 Taking the forecast outturn position into account, there is a forecast £13.832 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)

- 71 The updated forecast revenue outturn for 2022/23, based on the position to 31 December 2022, for NCC is a cash limit overspend of £0.543 million. The quarter two forecast showed a cash limit overspend of £0.493 million for the year.
- 72 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 £0.725 million), transport prices (£0.803 million) and waste contract costs (net underspend £0.284 million). The 2022/23 pay award of £2.908 million has also been excluded from the cash limit outturn position.
- 73 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 in a breakeven position. There is £0.514 million additional agency cover required in Refuse and Recycling due to high sickness levels and additional annual leave carried forward from last year, along with a £0.166 million overspend on bin purchases due to costs increasing by 22%. There is also £0.255 million underachievement of income on Clean & Green school SLAs and ad-hoc work. These overspends have been offset by £0.300 million increased income relating to trade and commercial waste collections, £0.236 million overachieved income for garden waste income, and £0.396 million underspend on staffing due to vacancies and pending restructures;
 - (b) Highways is forecast to be overspent by £1.130 million. The main reasons for this are an overspend on the trading areas of £0.715 million due to lower than anticipated levels of subcontractor activity, along with an overspend £1.286 million on Highways Revenue maintenance work, including cyclic works, drainage, bridges, and emergency action works. This is offset by additional income within Strategic Highways relating to enforcement and inspections, Section 38 supervision income, road closures, and fixed penalty notices;
 - (c) Community Protection is forecast to underspend by £0.218 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;

- (d) Partnerships & Community Engagement is forecast to underspend by £0.172 million, mainly due savings from vacancies across the AAP teams and the Civil Contingencies Unit, along with some overachievement of income across the service;
- (e) The central contingencies budget within NCC is underspent by £0.198 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.

74 A net £5.771 million relating to movement to and from reserves has also been excluded from the outturn. The major items being:

- (a) £0.779 million contribution to a new Highways Permit Scheme reserve;
- (b) £3.718 million contribution to PACE reserves mainly in relation to Humanitarian Support Grant;
- (c) £0.800 million contribution to the Members Priority Reserve in relation to Highways;
- (d) £0.629 million contribution to the Community Protection Workforce Development reserve.

75 The following base budget transfers have also been actioned during the third quarter:

- (a) £46,000 transfer from REG in relation to research and consultancy post .

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 £0.134 million at 31 March 2023.

Regeneration, Economy and Growth (REG)

77 The updated forecast revenue outturn for 2022/23, based on the position to 31 December 2022, is a cash limit overspend of £0.586 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 two was forecast to be £0.619 million.

- 78 Inflationary pressures on energy (£0.920 million) and Transport prices (£0.600 million) have been excluded from the cash limit position. The 2022/23 pay award of £2.433 million has also been excluded from the cash limit forecast outturn position.
- 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. Work continues to ensure that 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 £8,000 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. A one off benefit arising from the agreement to take full control of the gym facilities at 7 of our leisure centres is offset by a projected overspend at the Gala Theatre and Consett Leisure Centre;
 - (b) Transport is forecast to overspend by £0.472 million against budget. In Strategic Traffic there is an overspend on Parking Services (£0.181million), traffic control measures for events (£0.139 million), and bus shelters (£0.150 million) due to repairs and maintenance and reduced advertising income;
 - (c) Planning and Housing is forecast to overspend by £0.988 million against budget. This is largely due to anticipated additional expenditure of £0.797 million in Housing Solutions with regard to temporary accommodation. This 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).
 - (d) Care Connect is also forecast to overspend by £0.552 million. This is due to a significant overspend on staffing as well as under-achieved income in relation to the subsidised client income stream. The position is partially offset by additional net income of £94,000 within Planning Development (planning & building control fees less anticipated additional appeals costs) and forecast underspends relating to Spatial Policy (£0.216 million) and Service Management (£65,000) – both largely staffing-related;

- (e) Economic Development is forecast to underspend by £60,000. 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 within Funding & Programmes, International Relations and Durham Employment and Skills;
- (f) Any over or underspend 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;
- (g) Corporate Property and Land is forecast to underspend by £0.169 million against budget. Within Buildings & Facilities Management, there is a forecast overspend of £0.105 million, largely due to overspend within Compliance relating to staffing. Health & Safety is forecast to overspend by £49,000 due to expenditure relating to the PPE cell arrangements in place until the end of 2022/23. Strategy and Property Management is forecast to underspend by £0.168 million due primarily to additional unbudgeted commercial properties income and underspend on staffing. There is also an anticipated underspend £0.112 million on supplies and services within Service Management;
- (h) Communications Management is forecast to underspend by £0.193 million against budget. This is due to significant underspend on employee-related costs;
- (i) Central costs are forecast to underspend by £0.459 million against budget pending a re-allocation of budget to services.

80 In arriving at the forecast outturn position, a net £7.442 million relating to movement on reserves and contingencies has been excluded from the outturn. The major items being:

- (a) £0.735 million from the Building Trading Account Reserve in respect of the forecast deficit on the trading account;
- (b) £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;
- (c) £0.344 million to the Business Durham Trading Reserve in respect of the anticipated surplus in 2022/23;

- (d) £0.400 million from the Planning Reserve from the overachievement of income to support the work of the planning function.
- (e) £6.000 million from the Leisure Transformation Reserve in respect of the withdrawal of Competition Line from a number of Leisure Centres.

81 No budget transfers have been actioned in the third quarter.

82 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 £1.507 million at 31 March 2023.

Resources

83 The updated 2022/23 forecast revenue outturn for Resources is a cash limit underspend of £94,000. At quarter two Resources was forecasting a cash limit underspend of £0.324 million.

84 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 (£15,000). The 2022/23 pay award inflation of £3.377 million has also been excluded from the cash limit outturn position.

85 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 £89,000, with managed underspending on employee costs of £0.163 million. There is an overspend on supplies and services of £51,000 and underachieved income of £32,000 in Financial Management;
- (b) Transactional and Customer Services is forecast to be over budget by £33,000, primarily due to underspends on employee costs of £0.104 million, a forecast underspend on supplies and services costs of £85,000, a forecast underspend on transport costs of £35,000, offset by underachieved income of £0.532 million in Revenues and Benefits. Customer Services is forecasting to be under budget on employee costs of £0.256 million, £23,000 under budget on supplies and services costs and £7,000 under budget on transport costs;

- (c) Digital Services is forecast to be over budget by £0.258 million. Within this area, underachievement of income is forecast to be £1.076 million. This has been partially offset by forecast underspends on supplies and services of £49,000, premises costs of £34,000 and transport costs of £53,000. There is a managed underspend of £0.192 million on employee costs and £0.136 million on central costs;
- (d) Internal Audit, Risk and Corporate Fraud is forecast to be under budget by £45,000, comprising of a managed underspend of £23,000 on employee related expenditure and overachieved income of £22,000;
- (e) Legal and Democratic Services is forecast to be under budget by £0.228 million. This includes a £0.337 million managed underspend on employee related expenditure, transport costs of £17,000 and premises costs of £16,000. These underspends have been offset by a forecast overspend of £0.275 million on supplies and services costs (which includes a forecast overspend on barrister costs of £80,000) and an overachievement of income of £0.133 million;
- (f) HR and Employee Services is forecast to be over budget by £0.101 million, which includes a £31,000 managed underspend on employee related expenditure and £16,000 on transport related costs, offset by an overspend of £3,000 on supplies and services costs and £0.145 million due to unachievable income;
- (g) Corporate Policy Planning and Performance is forecast to be under budget by £15,000, primarily due to a managed underspend on employee related costs;
- (h) Procurement, Sales and Business Services is forecast to be under budget by £0.109 million, due to a forecast of overachieved income.
- (i) There are no material variances in Service Management.

86 A net £0.217 million relating to movement to and from reserves has also been excluded from the outturn. The major item being:

- (a) £0.244 million from the ER/VR Reserve to reflect the cost of early retirements/ voluntary redundancies in 2022/23;

87 The following budget transfers have been actioned in the third quarter:

- (a) £5,000 budget transfer from AHS and £23,000 from REG to fund additional hours/ post in Business Support;

- (b) £46,000 budget transfer to NCC in relation to research and consultancy post;
- 88 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 £0.569 million.

Corporate Costs

- 89 The forecast revenue outturn for 2022/23 for Corporate Costs is a cash limit underspend of £0.101 million, which is in line with the previous quarterly forecasts and takes into account adjustments for sums outside the cash limit such as the use of / contribution to earmarked reserves.
- 90 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) and corporate subscriptions (£30,500).

Central Budgets

Interest Payable and Similar Charges - Capital Financing

- 91 The forecast outturn position of £37.740 million is £5.100 million lower than the revised £42.840 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. The underspend also reflects interest savings on loans repaid early.

Interest and Investment Income

- 92 The forecast income of £9.134 million is £6.234 million more than the £2.900 million budget. The forecast surplus reflects increased investment returns on higher than forecast levels of cash balances (a combination of slippage in the capital programme and the receipt of significant capital receipts in year from the sale of the Sands building), 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 4%. Market indications predict further rises following the February Monetary Policy Committee meeting with a further 0.25% expected increase in May and rates peaking in August.
- 93 The table below highlights the change in borrowing and investments at the end of quarter three:

	Actual 31.03.22 £ Million	Average Interest Rate	Actual 30.12.22 £ Million	Average Interest Rate
Borrowing	418	3.25%	440	3.11%
Investments	342	0.48%	422	3.10%
Net Debt	76		18	

Council Earmarked Reserves Forecast

94 Earmarked reserves are funds set aside for specific, known or predicted future expenditure. Appendix 4 details the council and school earmarked reserves showing the opening balance at 1 April 2022, the forecast movement on reserves during the year and the forecast closing balance as at 31 March 2023.

95 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 £47.883 million in 2022/23, from £235.529 million to £187.646 million. This compares to the position forecast at quarter two when reserves were forecast to reduce by £44.915 million in 2022/23, from £235.529 million to £190.614 million. Within the £187.646 million of earmarked reserves are £30.913 million of reserves held on behalf of other organisations whilst £10.028 million of the MTFP Support Reserve has been utilised in the setting of the 2023/24 revenue budget. This notionally reduces the value of usable earmarked reserves to £146.705 million. This sum, allied with the forecast £20.634 million of the General Reserve, can be compared with the 2023/24 gross expenditure budget of the council of £1.7 billion, meaning that notional usable reserves represent circa 10% of total council annual revenue expenditure.

96 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	44.302	3.581	47.883
Transfers Between Earmarked and Cash Limit Reserves	0.066	-0.066	0.000
Earmarked Reserve Balances as at 31 March 2023	-179.596	-8.050	-187.646

97 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	-81.001	-7.304
Earmarked – Partner/External Grant	-42.183	-30.913	11.270
Earmarked - Other	-108.084	-67.682	40.402
Sub-Total	-223.964	-179.596	44.368
Earmarked - Cash Limit	-11.565	-8.050	3.515
Total Earmarked Reserves	-235.529	-187.646	47.883

- 98 Based on the quarter three position, cash limit reserve balances of £8.050 million are forecast at the year end.
- 99 The forecast cash limit and general reserves position is considered to be prudent given the financial uncertainties facing local government beyond 2022/23. The MTFP(13) report to Council on 22 February January 2023 highlighted the ongoing budget concerns for the council with a forecast savings requirement of £41.438 million over the 2023/24 to 2026/27 period with £22.411 million falling into 2023/24 necessitating a forecast £10.028 million use of reserves to balance the budget next year.
- 100 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 was undertaken (and reported to Cabinet at its meeting on 18 January 2023), to ensure that corporate reserves are in place to ensure that the council can set a balanced budget for 2023/24.
- 101 Earmarked reserves totalling £38.119 million were identified and approved for transfer to corporate reserves to replenish and support the council in setting balanced budgets and making savings in a timely manner. These transfers have been factored into Appendix 4 to this report.
- 102 The council's current reserves policy aims to maintain general reserve balance of between 5% and 7.5% of the net budget requirement in the medium term. The forecasted general reserves balance falls below the

budgeted 2023/24 policy minimum of £26.009 million (5%) by circa £5.4 million.

- 103 At final outturn consideration will need to be given to replenishing the general reserve via a transfer from the MTFP Support Reserve to ensure the minimum general reserve level agreed by Council on 22 February 2023 is met.

Dedicated Schools Grant and Schools

- 104 The council currently maintains 161 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.
- 105 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.
- 106 The forecast position for all maintained schools for quarter three is shown in the following table, together with the forecast position reported at quarter two:

Subjective Budget Heading	Original Budget	Quarter 3 Forecast	Forecast to Budget Variance at Quarter 3	Forecast Variance at Quarter 2
	£ million	£ million	£ million	£ million
Employees	203.927	215.822	11.895	17.614
Premises	13.485	19.833	6.348	4.576
Transport	2.001	2.457	0.456	0.339
Supplies	35.948	39.547	3.599	3.637
Gross expenditure	255.361	277.659	22.298	26.166
Income	-62.014	-77.988	-15.974	-15.050
Net expenditure	193.347	199.671	6.324	11.116
Budget share	186.026	191.826	5.800	5.800
Use of reserves	7.321	7.845	0.524	5.316
Balance at 31 March 2022	28.652	28.652	0.000	0
Balance at 31 March 2023	21.331	20.807	-0.524	-5.316

- 107 In overall terms, this reflects an improved position from quarter two where schools were forecasting to require £12.637 million of reserves to balance the in-year financial position
- 108 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) electricity costs are 63% higher than the 2021/22 outturn figures - around 10% higher than the 2022/23 budgeted amounts;
- (d) gas costs are 96% higher than the 2021/22 outturn figures - around 40% higher than the 2022/23 budgeted amounts;
- (e) impact of inflation on supplies and provisions (particularly food products) has been considered with individual schools;
- (f) income forecasts have been reviewed and updated to include the latest available information, particularly for SEND funding;
- (g) no additional grant income is received to cover costs associated with the pay awards.

- 109 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 and a more significant number of schools may not have sufficient reserves available to set a balanced budget in 2023/24. The former Durham Community Business College converted on 1 January 2023 and once the final deficit sum required to be written off is finalised this will be charged to the Schools Reserve in line with the Cabinet decision to support the conversion of this school.
- 110 The council will work closely with schools over the spring term to support the financial planning process to set balanced budgets for 2023/24.

Dedicated Schools Grant Centrally Retained blocks

- 111 The forecast outturn position for the centrally retained DSG budgets shows a projected overspend of £0.798 million, relating to the high needs block, which compares to a £0.250 million overspend forecast at quarter two, as detailed below:

DSG Block	Budget £ million	Outturn £ million	Over / (Under) Spend £ million
High Needs	76.452	77.250	0.798
Early Years	32.918	32.918	0.000
Central Schools Services	2.910	2.910	0.000
TOTAL	112.280	113.078	0.798

- 112 The forecast overspend position shown against the high needs block relates to the following main areas:
- (a) forecast overspend of £1.129 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 £0.211 million on Alternative Provision;
 - (c) forecast underspend of £0.331 million against the budget allocation for Investment Support Fund;
 - (d) forecast underspend of £0.224 million against the budget for Targeted Support Funding in mainstream schools.
- 113 An updated five-year plan for high needs block funding and expenditure, including recovery of the accumulated deficit by the end of the five-year period, was approved by Cabinet in April 2022. The updated outturn position at quarter three shows that the recovery plan has not delivered the financial outcomes expected in 2022/23.
- 114 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.
- 115 A review of the current programme of work is also taking place in and this will also include a workshop with Schools Forum. Durham has been identified as one of the 55 local authorities with HNB deficits to work with the DfE on its Delivering Better Value programme.
- 116 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
2021/22 Early Years Block Adjustment	0.000	0.594	0.000	0.594
Forecasted Use / Contribution in 2020/21	-0.798	0.000	0.000	-0.798
Forecasted Balance as at 1 April 2023	-9.641	1.250	2.401	-5.990

117 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 £5.990 million to the year end.

Capital

118 The 2022/23 original budget of £267.920 million was revised to £228.452 million at Cabinet on 16 November 2022 as part of the quarter two Forecast of Revenue and Capital Outturn 2022/23. Details of the original and revised budget are shown in the table overleaf.

119 The council's Capital Member Officer Working Group (MOWG) closely monitors the capital programme. This report sets out 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.

120 The following table summarises the latest capital budget for approval alongside the original budget. The table also shows the actual capital spend as at 31 December 2022.

Service Grouping	Original Budget 2022/23	Revised Budget 2022/23 Quarter 2	Amendments recommended by MOWG	Revised Budget 2022/23 Quarter 3	Actual Spend to 31 December 2022
	£ million	£ million	£ million	£ million	£ million
Adult and Health Services	1.170	0.100	0.000	0.100	0.019
Children and Young People's Services	46.281	29.589	-11.541	18.048	10.523
Neighbourhoods and Climate Change	79.173	77.537	-19.622	57.915	32.926
Regeneration, Economy and Growth	129.318	114.498	-29.762	84.736	56.958
Resources	11.977	6.728	-2.453	4.275	2.481
TOTAL	267.920	228.452	-63.378	165.074	102.907

121 Since the original 2022/23 budget was agreed, 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, need to be taken into account. Variations of note are as follows:

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

- (i) **School Related** – the budget for Bowburn New Build Primary School was reduced by a projected underspend of £0.388 million which was returned to capital contingencies;
- (ii) **Special Educational Needs (SEN) Capital** – a budget increase of £2.447 million funded from an additional grant allocation from DfE. This was delegated to individual schools to fund energy efficiency works.

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

- (i) **Environmental Services** - a budget increase of £0.112 million for Bessemer Park Levelling Up Project, funded by a £66,500 Levelling Up Parks Fund grant and £45,000 S106 contribution. A new budget was created for the Local Electric Vehicle Infrastructure Fund Bridge Pilot funded by a grant of £1.25 million from OZEV (Office for Zero Emission Vehicles). The 2023/24 budget for Morrison Busty Phase 9 – HWRC Development was reduced by £0.228 million which was returned to contingencies;

- (ii) **Technical Services** – budget increases of £0.945 million for the Newton Cap Viaduct Public Health Works scheme funded from reserves and £0.100 million for the NIDP – Sedgfield (The Leas) drainage scheme funded by grant from the Environment Agency. The budget for New Elvet Bridge was reduced by £0.5 million due to an underspend on the scheme which was returned to contingencies. The budget for Durham City Conservation Works North and South Bailey was reduced by £0.850 million and the budget for Rural Link Footways was reduced by £0.2 million following a review of Members Priority budgets;
 - (iii) **Partnerships and Community Engagement** – the Members Towns & Villages Capital budget was increased by £0.253 million funded from direct revenue funding. The Community Buildings Energy Efficiency Loans budget was reduced by £0.2 million in 2023/24 and £0.3 million in 2024/25 as a result of the review of the Members Priority budgets.
- (c) **REG** – the service has the following additions and reductions:
- (i) **Corporate Property & Land** - new budgets of £5.525 million for Stanley CAP Redevelopment (profiled across 2022/23 to 2024/25) and £30.175 million for Aykley Heads Plot D (profiled across 2022/23 to 2025/26) and a budget increase of £5.883 million for fit out costs of Aykley Heads Plot C, all funded from the capital receipt from the Sands Development. Budget reductions of £0.5 million for the Office Accommodation Unprogrammed budget and £0.7 million for the Purchase of Land from Woodham Academy budget following the review of the capital programme and re-prioritisation of budgets. The budget for Milburngate Fit Out was increased by £1.350 million in 2022/23 funded by a capital contribution from the development funder;
 - (ii) **Development & Housing** – budget increases of £0.427 million for Green Homes – Phase 2 budget funded from a capital contribution, £0.132 million for the Social Housing Decarbonisation Fund – Wave 1 funded by a capital contribution from Bernicia RP, £0.1 million for the Rough Sleeper Accommodation scheme funded by grant from Homes England (HCA) and £0.15 million for Forrest Park Development funded from loan repayments which are treated as capital receipts. The budget for the original Stanley CAP scheme was reduced by £0.6 million following the review of the capital programme. This scheme has now been

replaced by the new scheme mentioned in the previous paragraph;

- (iii) **Strategy/ Programmes and Performance** – a new Unprogrammed Contingency budget of £15.568 million in 2024/25 funded from the capital receipt from the Sands Development, which will be used to fund MTFP(13) bids. The existing Contingency – Unprogrammed Works budget was reduced by £0.3 million following the review of the capital programme and resulting reprioritisation of budgets;
- (iv) **Transport and Contracted Services** - a budget increase of £0.722 million to the 2023/24 budget for Bishop Auckland Future High Streets Fund – Road Junction Capacity Improvements budget, funded by S106 contributions. The 2024/25 budget for the A693 Stanley Pinch Point scheme was reduced by £0.9 million following the review of the capital programme.

(d) **Resources** – the service has the following additions:

- (i) **Digital & Customer Services – Digital Organisation and Digital Customer** - reductions to the 2023/24 budgets for the Website & CRM Replacement (£1.737 million) and Middleware Software – Enterprise Application Integration (£0.219 million) as a result of the exercise that was carried out to review and re-prioritise capital budgets;
- (ii) **Policy, Planning and Performance** – an increase of £0.13 million to the Corporate Business intelligence System, funded from reserves.

122 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) **CYPS** – £11.748 million has been re-profiled from 2022/23 to 2023/24 and 2024/25. This includes £1.613 million for the Special Provision Capital Fund and High Needs Capital Provision Fund budgets and £1.349 million for school devolved capital budgets across a large number of schools, which was re-profiled from 2022/23 to 2023/24 as budgets are not expected to be fully spent in year. Other significant amounts re-profiled from 2022/23 to 2023/24 include £1.365 million for the re-build of Greenfield Community College on the Aycliffe site, £1.280 million for works at Escomb Primary, £0.901 million for Spennymoor New Build

Primary and £1.2 million in Children's Care for Children's Homes replacement schemes.

- (b) **NCC** – a sum of £20.036 million has been re-profiled from 2022/23 into 2023/24 and 2024/25. This includes £2.505 million for Members Neighbourhoods budgets and £0.134 million for AAP Capital budgets, £1.992 million for Decarbonisation schemes at various leisure centres, £3.018 million for Street Lighting and SLERP2 Street Lighting schemes and £1.313 million of the Joint Stocks Landfill Site Capping Works budget. Other significant amounts re-profiled from 2022/23 to 2023/24 include £2.8 million for the Levelling Up Fund scheme at Whorlton Suspension Bridge where design development is ongoing.
- (c) **REG** – a sum of £32.088 million (net) has been re-profiled from 2022/23 across the period 2023/24 to 2025/26. This includes £4.89 million for Leisure Centre Transformation schemes, due to an ongoing review of the programme, £3.332 million for Aykley Heads Plot C Fit Out, £3.145 million for Netpark Phase 3, £2.654 million for the Jade Business Park Infrastructure scheme, £1.41 million for Newton Aycliffe Housing Infrastructure Fund and £1.875 million for Bishop Auckland Future High Streets Fund schemes. £3.991 million of the budget for the A19/A1018 Seaton Lane Junction scheme was re-profiled from 2022/23 into 2023/24 and 2024/25 due to delays in completion of the land deal and so that it can be co-ordinated with works at Jade as one A19 construction contract. £1.632 million for the Sands Development was re-profiled from 2023/24 and 2024/25 to 2022/23 as the two year retention amount for the scheme was paid on completion of the sale of the building. £1.389 million of the budget for Beamish Museum Redevelopment was re-profiled from 2023/24 and 2024/25 into 2022/23 to cover the cost of a forthcoming invoice from Beamish. £1.993 million of the Structural Capitalised Maintenance budget was re-profiled from 2022/23 to 2024/25 as some projects have been put on hold and others are delayed.
- (d) **Resources** – a sum of £2.603 million has been re-profiled from 2022/23 into 2023/24 and 2024/25. This includes £0.703 million for Digital Durham schemes, £0.385 million for Networking, £0.27 million for Security & Firewalling and £0.237 million for Unified Communication, which was re-profiled from 2022/23 to 2023/24 in line with expected spend. Budget of £0.858 million was re-profiled from 2022/23 and 2023/24 to 2024/25 for various schemes where existing budgets are being given up to fund new capital schemes, rather than requesting funding via the MTFP13 capital bids.

123 The following table summarises the recommended financing of the revised capital programme based on the quarter three review:

Financed By:	Original Budget 2022/23 £ million	Revised Budget 2022/23 Quarter 2 £ million	Amendments recommended for Cabinet Approval £ million	Revised Budget 2022/23 Quarter 3 £ million
Grants and Contributions	98.623	97.093	-14.575	82.518
Revenue and Reserves	9.741	9.992	-2.000	7.992
Capital Receipts	9.058	9.758	64.805	74.563
Borrowing	150.498	111.610	-111.610	0.000
TOTAL	267.920	228.452	-63.378	165.074

124 The capital receipt of £70 million for the sale of the Sands Development has been brought into the capital financing arrangements during quarter three and is being utilised to fund the schemes mentioned earlier in this report. Following a report to Cabinet in October on the Review of Reserves in support of MTFP(13), the capital financing has also been updated to reflect a change in funding for Towns & Villages schemes and the remaining Members Priority schemes from reserves funding to funding from capital contingencies and borrowing.

Prudential Indicators

125 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.

126 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)

127 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.

128 In the table below, the original CFR estimate for 2022/23 is the position 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. Updated estimates based on the forecasts as at 31 December 2022 are as follows:

	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	529.344	704.465
Add net borrowing requirement for the year	188.570	0.000	-188.570	184.084	131.439
Add leasing & PFI requirement for the year	11.922	13.432	1.510	10.296	6.040
Deduct MRP/VRP and other financing movements	-18.275	-18.100	0.175	-19.259	-21.606
Closing CFR	727.940	529.344	-198.596	704.465	820.338

Gross Debt and the Capital Financing Requirement (CFR)

129 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	439.652	416.632	381.064
Finance leases	47.069	52.495	53.765	50.514
PFI liabilities	35.670	34.779	33.887	32.995
Total Gross Debt	500.724	526.344	504.284	464.573
Capital Financing Requirement	534.012	529.344	704.465	820.338
Headroom (Internal Borrowing)	33.288	2.418	200.181	355.766

Operational Boundary

- 130 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	442.000	617.000	737.000
Other long term liabilities	88.000	88.000	84.000
Total	530.000	705.000	821.000

Authorised Limit

- 131 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	492.000	667.000	787.000
Other long term liabilities	93.000	93.000	89.000
Total	585.000	760.000	876.000

Council Tax and Business Rates Collection Funds

Council Tax

- 132 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.
- 133 The in year collection rate at 31 December 2022 was 82.35%, an improvement on the position as at 31 December 2020 and 31 December 2021 when in-year recovery for 2020/21 was 80.52% and 2021/22 stood at 82.18%.

- 134 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 £1.954 million having been awarded to 31 December 2022.
- 135 The in-year collection rates at the end of quarter three for the current and last two financial years, are detailed below:

Billing Year	Position at 31 December each year %
2022/23	82.35
2021/22	82.18
2020/21	80.52

- 136 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.
- 137 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 31 December 2022 was £270.015 million compared with £255.738 million as at 31 December 2021. When the council tax increases for 2022/23 are factored in this represents a year on year real terms increase of £2.525 million in terms of council tax income received.
- 138 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.
- 139 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.

- 140 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.
- 141 Two thirds of the estimated total council tax element of the Collection Fund deficit (total £5.720 million) has 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)
- 142 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.
- 143 In terms of the in year position for the council tax element of the Collection Fund at 31 December 2022, the estimated outturn is a deficit of £0.251 million, with the council's share of the deficit being £0.210 million. At quarter two an in-year surplus of £0.211 million was forecast, with the council's share being £0.177 million. The movement between quarters relates to a debt write off exercise undertaken during December 2022. There is no impact of this shift in calculating the 2023/24 budget.
- 144 After taking into account the undeclared 2021/22 deficit of £2.589 million and the forecast in year deficit of £0.251 million, the overall forecast for the council tax element of the Collection Fund is a £2.840 million deficit. The council's share of this deficit is £2.396 million.

	£ million
Net Bills issued during Accounting Year 2022/23	380.888
LCTRS and previous years CTB adjustments	-60.210
Calculated change in provision for bad debts required and write offs	-4.307
Net income receivable (a)	316.371
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)	-0.251
Undeclared Surplus / (-) Deficit brought forward from 2021/22	-2.589
Estimated year end deficit	-2.840

Business Rates

- 145 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.
- 146 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.
- 147 The in-year collection rate at 31 December 2022 was 80.93%, which is 0.02% points above the same position last year. The in-year collection rates at the end of quarter three for the current and last two financial years, are as follows:

Billing year	Position at 31 December each year %
2022/23	80.93
2021/22	80.91
2020/21	79.12

- 148 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.
- 149 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)
- 150 In terms of the in year position for the business rate element of the Collection Fund as at 31 December 2022, the estimated outturn for the year is an in year deficit of £4.499 million of which the council's 49% share is £2.204 million.
- 151 After taking into account, the undeclared improvement in the 2021/22 position of £0.831 million and the forecast in year deficit of £4.499 million the overall forecast for the business rate element of the Collection Fund is a £3.668 million deficit, of which the council's share is £1.797 million. At quarter two the forecast in year deficit was £4.679 million and the overall forecast for the business rate element of the Collection Fund was a £2.293 million deficit, of which the council's share was £1.886 million.
- 152 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	105.982
Estimate of changes due to appeals lodged and future appeals	-0.988
Estimated losses in Collection – Provision for Bad Debts and Write-offs	-1.190
Net income receivable (a)	103.814
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)	-4.499
Undeclared Surplus / (-) Deficit brought forward from 2021/22	0.831
Estimated year end deficit	-3.668

- 153 Taking into account the forecast positions at the end of quarter three for council tax and business rates, alongside the receipt of Section 31 grant 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 £0.355 million surplus (which compares with the quarter two forecast of an overall £0.666 net surplus).

	£ million
Council Tax Deficit	-2.396
Business Rates Deficit	-1.797
Section 31 Grant (CARF)	<u>4.548</u>
NET SURPLUS	<u>0.355</u>

Section 31 Grant - Small Business Rate Relief

- 154 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.

- 155 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%.
- 156 The government has agreed to pay Section 31 grant for any additional small business rate relief in respect of business rates bills and adjustments thereof relating to the period commencing 1 April 2013. Any adjustments that relate to bills for years prior to this will be dealt with as part of the normal rate retention shares.
- 157 At 31 December 2022, the gross small business relief awarded against the 2022/23 business rates bills and adjustments to 2013/14 to 2021/22 bills is £18.691million, and the council will receive £6.522 million in Section 31 grant, including the capping adjustment and threshold change adjustments, in this regard.

Other Section 31 Grants

- 158 In the Autumn Statement 2016, Spring Budget 2017 and Autumn Statement 2018 additional business rate relief schemes were announced on which Section 31 grants would be payable. These relief schemes include Rural Rate Relief and Local Newspaper Reliefs, Supporting Small Business, Local Discretionary Relief Scheme, Pub Relief and Retail Relief Schemes. 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.
- 159 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

- 160 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.

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

162 At 31 December 2022, savings totalling £1.960 million, representing 81% of the £2.427 million total savings target have been delivered.

Consultation

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

HR implications

164 Equality data relating to the 14 staff leaving through voluntary redundancy, early retirement, and ER/VR during quarter three of MTFP12 showed that 64.29% were female and 35.71% were male. In terms of race, 50.00% of leavers had not disclosed their ethnicity and the remaining 85.00% stated that they were white British or white English.

165 Regarding disability status no employees said they had a disability, 35.71% had no disability and 64.29% did not disclose their disability status.

166 There have been no employees leaving through compulsory redundancy.

167 Since 2011, equality data relating to staff leaving through voluntary redundancy, showed that 65.68% were female and 34.32% 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.

168 In terms of race, since 2011, 45.40% of leavers had not disclosed their ethnicity, with 54.16% stating that they were white British or white English. Regarding disability status 2.92% said they had a disability, 13.81% had no disability and 83.27% did not disclose their disability status.

Equality Impact Assessments (EIA)

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

170 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 20254/26 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 – Quarter 1 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
- Cabinet – 16 November 2022 – Quarter 2 Forecast of Revenue and Capital Outturn 2022/23

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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)	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
											Energy	Waste	Transport Fuel	Home to School Transport	Pay Inflation and NI adjustment 22/23	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Employees	538,082	545,117	-5,118	539,999	547,969	548,290	-75	0	0	8,216	0	0	0	0	-13,010	-4,794
Premises	50,177	52,580	-342	52,238	60,041	60,006	-211	0	0	7,557	-1,841	0	0	0	0	5,716
Transport	51,360	52,206	-32	52,174	63,007	63,007	0	0	0	10,833	0	0	-803	-4,000	0	6,030
Supplies & Services	115,120	121,602	-507	121,095	135,959	137,515	-74	0	0	16,346	0	0	0	0	0	16,346
Agency & Contracted	497,612	501,806	-14	501,792	534,010	536,368	-170	0	0	34,406	0	284	-600	0	0	34,090
Transfer Payments	149,152	150,314	-219	150,095	149,963	150,421	712	0	0	1,038	0	0	0	0	0	1,038
Central Costs	132,392	135,937	211	136,148	144,905	146,062	-5,230	-1,036	-413	3,235	0	0	0	0	0	3,235
DRF	734	2,254	-29	2,225	1,855	1,855	0	0	0	-370	0	0	0	0	0	-370
Other	4	4	0	4	4	4	0	0	0	0	0	0	0	0	0	0
Capital Charges	61,873	61,873	0	61,873	61,873	61,873	0	0	0	0	0	0	0	0	0	0
GROSS EXPENDITURE	1,596,506	1,623,693	-6,050	1,617,643	1,699,586	1,705,401	-5,048	-1,036	-413	81,261	-1,841	284	-1,403	-4,000	-13,010	61,291
Income																
Government Grants	599,030	584,945	-5,955	578,990	612,452	612,921	0	0	0	33,931	0	0	0	0	0	33,931
Other Grants and Contributions	85,822	88,672	23	88,695	97,365	97,915	0	0	0	9,220	0	0	0	0	0	9,220
Sales	6,788	6,552	-108	6,444	5,847	5,947	0	0	0	-497	0	0	0	0	0	-497
Fees and Charges	108,377	110,003	41	110,044	114,124	114,088	0	0	0	4,044	-1,510	0	0	0	0	2,534
Rents	10,433	10,615	-145	10,470	13,021	13,021	0	0	0	2,551	0	0	0	0	0	2,551
Recharges To Other Services	302,674	308,125	32	308,157	307,802	307,802	216	0	0	-139	0	0	0	0	0	-139
Other	7,771	9,864	61	9,925	10,458	10,458	0	0	0	533	0	0	0	0	0	533
Total Income	1,120,895	1,118,776	-6,051	1,112,725	1,161,069	1,162,152	216	0	0	49,643	-1,510	0	0	0	0	48,133
NET EXPENDITURE	475,611	504,917	1	504,918	538,517	543,249	-5,264	-1,036	-413	31,618	-331	284	-1,403	-4,000	-13,010	13,158

Appendix 4: Earmarked Reserves Position as at 31 December 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
<u>EARMARKED RESERVES AND CASH LIMIT RESERVES</u>							
Corporate Reserves							
Budget Support Reserve	Corporate	-10,000	10,000			10,000	0
Business Support Reserve	Corporate	-1,623	-302		700	398	-1,225
Cabinet Priorities Reserve	Corporate	-10,000	7,097	-4,914	7,601	9,784	-216
Capital Reserve	Corporate	0					0
Commercialisation Support Reserve	Corporate	-5,634	664	-637	-3,500	-3,473	-9,107
Equal Pay Reserve	Corporate	-9,479			5,000	5,000	-4,479
ER/VR Reserve	Corporate	-6,044	2,142		-7,500	-5,358	-11,402
Feasibility Study Reserve	Corporate	-500					-500
Inspire Programme Reserve	Corporate	-121			121	121	0
Insurance Reserve	Corporate	-5,000					-5,000
Levelling Up Feasibility Reserve	Corporate	-850	1,010		-253	757	-93
MTFP Reserve	Corporate	-15,162			-26,818	-26,818	-41,980
Office Accommodation Capital Reserve	Corporate	0					0
Recovery Support Reserve	Corporate	-1,654	1,559		-421	1,138	-516
Resources DWP Grant Reserve	Corporate	-4,577	857		290	1,147	-3,430
Resources Elections Reserve	Corporate	-1,091					-1,091
Resources Housing Benefit Subsidy Reserve	Corporate	-1,962					-1,962
Total Corporate Reserves		-73,697	23,027	-5,551	-24,780	-7,304	-81,001
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	1,275	-87	353	1,541	-4,997
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	562			562	-18,917
Total Sums held for other organisations/grants		-42,183	11,004	-87	353	11,270	-30,913
Other Specific Reserves							
Business Growth Fund Reserve	REG	-454					-454
Children's Services Reserve	CYPS	-3,961	2,081	-522	-55	1,504	-2,457
Community Protection Reserve	NCC	-3,562	326	-753	500	73	-3,489
Corporate Property & Land Reserve	REG	-2,763	1,669	-888	350	1,131	-1,632
Culture and Sport Reserve	REG	-19,494	6,319	-100	4,523	10,742	-8,752
Economic Development Reserve	REG	-3,431	787	-1,590	749	-54	-3,485
Education Reserve	CYPS	-16,697	1,175		3	1,178	-15,519
Employability and Training Reserve	REG	-323	121			121	-202
Environmental Services Reserve	NCC	-4,886	1,866	-673	100	1,293	-3,593
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	276	-302	402	376	-4,323
Operational Reserve	REG	-282	70			70	-212
Partnerships and Community Engagement Reserve	NCC	-10,812	2,124	-4,992		-2,868	-13,680
Planning Reserve	REG	-451	26			26	-425
Regional Public Health Reserve	AHS	-5,336	5,336			5,336	0
REG Match Fund Programme Reserve	REG	-605					-605
Resources Corporate Reserve	Resources	-558	185	-50	222	357	-201
Resources Customer Services Reserve	Resources	-250	11			11	-239
Resources Financial Services Reserve	Resources	-244			244	244	0
Resources Grant Reserve	Resources	-154		-50		-50	-204
Resources Human Resources Reserves	Resources	-397	193			193	-204
Resources ICT Reserves	Resources	-1,256	172			172	-1,084
Resources Internal Audit & Corporate Fraud Reserve	Resources	-197	73	-100		-27	-224
Resources Legal Reserves	Resources	-443	99			99	-344
Resources Operational Reserve	Resources	-97			97	97	0
Resources Operations and Data Reserve	Resources	-40	30	-40		-10	-50
Resources Registrars Trading Reserve	Resources	0					0
Resources Revenue and Benefits Reserve	Resources	-857	417			417	-440
Resources System Development Reserve	Resources	-197					-197
Resources Transformation Reserve	Resources	-586	183		402	585	-1
Social Care Reserve - Specific Purpose	AHS	-2,732	2,121		-28	2,093	-639
Technical Services Reserve	NCC	-1,410	18		184	-577	-1,987
Town and Villages Regeneration Reserve	REG	-18,447	3,375	-2,558	16,833	17,650	-797
Transport Reserve	REG	-1,494	253		-52	201	-1,293
Total Other Specific Reserves		-108,084	29,306	-13,397	24,493	40,402	-67,682
TOTAL EARMARKED RESERVES		-223,964	63,337	-19,035	66	44,368	-179,596

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
Cash Limit Reserves							
Adult and Health Services		-6,149	1,800	-1,608	118	310	-5,839
Children and Young People's Services		0	-13,832	13,832			0
Neighbourhoods and Climate Change		-1,457	964	543	-184	1,323	-134
Regeneration, Economy and Growth		-2,868	775	586		1,361	-1,507
Resources		-1,091	615	-94		521	-570
Total Cash Limit Reserves		-11,565	-9,678	13,259	-66	3,515	-8,050
Total Council Reserves		-235,529	53,659	-5,776	0	47,883	-187,646
Schools' Balances							
Schools' Revenue Balance	CYPS	-31,219	7,845			7,845	-23,374
DSG Reserve	CYPS	-3,056		-594		-594	-3,650
Total Schools and DSG Reserves		-34,275	7,845	-594	0	7,251	-27,024

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