

Audit Committee

29 September 2023

2022/23 Final Outturn for the General Fund and Collection fund

Ordinary Decision



Report of Paul Darby, Corporate Director of Resources

Electoral division(s) affected:

Countywide

Purpose of the Report

- 1 To provide Audit Committee with information on the General Fund and Collection Fund outturn position for 2022/23.

Executive Summary

- 2 The attached report was presented to Cabinet on 12 July 2023 and presents:
 - a) a summary of the Council's revenue and capital outturn position for the General Fund for 2022/23;
 - b) the final outturn for the Council's Council Tax and Business Rates Collection Fund for 2022/23;
 - c) use of and contributions to earmarked, cash limit and general reserves in year and at year end together with the closing position regarding balances held at 31 March 2023; and
 - d) achievement of Medium Term Financial Plan (MTFP) (12) savings targets in 2022/23.

Recommendation

- 3 It is recommended that Members note the contents of this report.

Contact: Jeff Garfoot Tel: 03000 261946

Cabinet

12 July 2023

**2022/23 Final Outturn for the General Fund
and Collection Fund**



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 information on the:
 - (a) final revenue and capital outturn for the General Fund for 2022/23;
 - (b) final outturn for the Council's Council Tax and Business Rates Collection Fund for 2022/23;
 - (c) use of and contributions to earmarked, cash limit and general reserves in year and at year end together with the closing position regarding balances held at 31 March 2023; and
 - (d) achievement of Medium Term Financial Plan (MTFP) (12) savings targets in 2022/23.

Executive summary

- 2 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.
- 3 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.

- 4 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 peaked at 11.1% during 2022/23 and this has driven significant upward pressure across a range of expenditure budgets. Some specific areas of council spending have exceeded the in year CPI level, especially in relation to energy, fuel, and external contracts where energy and fuel are a major factor, such as waste disposal and home to school transport budgets.
- 5 During 2022/23 the Government announced the Energy Bill Relief Scheme to cap energy costs for households and businesses across the winter period (October 2022 to March 2023). The North East Purchasing Organisation (NEPO) provided regular updates throughout the year on energy purchasing strategies, which sought to provide secure energy at the most cost effective price.
- 6 The impact of escalating inflation, which also impacted household incomes, was recognised during the 2021/22 final outturn. At that time a £10 million earmarked budget support reserve was created to contribute to the high inflationary costs expected during 2022/23, which had manifest after the 2022/23 budget had been set.
- 7 The price fluctuation in the energy and fuel markets has been significant and complex across the year. There have been a series of bank interest rate changes (increases) across the year as the Government has sought to curb inflation. It is not clear at this stage when the volatility being experienced will fully dissipate, though the Chancellor of the Exchequer has set out that he expects CPI to steadily fall during 2023/24.
- 8 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. The increase equated to a 6.6% increase in the council's 2022/23 pay budget, with those employees on the lowest grade receiving a 10.55% increase to keep parity with the National living Wage increase that was forecast for April 2023. After taking into consideration in year vacancies, this added circa £6.5 million to council costs in 2022/23 as the pay award was greater than the 3.25% budget provision.
- 9 The change in Government policy regarding the National Insurance and the Health and Social Care Levy announced during 2022/23 equated to an in year saving of circa £0.7 million.
- 10 Throughout the year it has been difficult to accurately forecast the outturn position for 2022/23 and a wide range of assumptions (as a

result of inflation uncertainty) were applied in formulating the in year quarterly forecast reports in relation to both expenditure and income.

- 11 In 2022/23 service grouping budgets overspent by £31.850 million. A sum of £7.294 million was specifically available in general contingencies to cover the forecast cost of the pay award resulting in a gross overspend across all service budgets of £24.556 million.
- 12 The inflationary pressures in relation in energy, waste disposal and transport, along with the shortfall on the pay award have been funded corporately and have been treated as outside of service cash limit budgets. The net inflationary costs covered corporately have totalled £9.530 million. In addition, other items funded as outside services cash limits or by earmarked reserves totalled a net £1.894 million, resulting in a net service year end cash limit overspend of £13.132 million for 2022/23
- 13 The recurrent inflationary pressures impacting upon the 2022/23 budget were taken into consideration within the 2023/24 Revenue Budget and MTFP (13) approved by Council on 22 February 2023, but the position will need to be kept under review as part of the 2023/24 in year monitoring process.
- 14 The MTFP (13) report to Council on 22 February 2023 highlighted further ongoing budget concerns for the council with a forecast savings shortfall of £23.177 million over the 2023/24 to 2026/27 period, and the delivery of further savings becoming ever more challenging to achieve. A separate report on the agenda today seeks to update those forecasts across the period 2023/24 to 2027/28.
- 15 The net service grouping cash limit overspend of £13.132 million includes an overspend within the Children and Young People's Services of £14.252 million. This service does not have a cash limit reserve to offset this overspend, so in line with previous practice, this overspend have been financed from the General Reserve at year end.
- 16 After taking into account movement within other corporate budgets and full utilisation of the £10 million budget support reserve, the council's budget has overspent by £5.366 million in 2022/23 representing 1.05% of the net expenditure budget of £510.986 million.
- 17 Total earmarked and cash limit reserves (excluding school reserves) reduced by a net £38.991 million in 2022/23, from £235,529 million at 31 March 2022 to £196.538 million at 31 March 2023.
- 18 At quarter three, members will recall approving transfers between earmarked and corporate reserves totalling £38.818 million to replenish a range of corporate reserves and support the council in setting balanced budgets and making savings in a timely manner.

- 19 The outturn has resulted in a general reserve balance at 31 March 2023 (prior to any transfers) of £20.532 million. In line with the Council's current reserves policy (which aims to maintain a general reserve balance of between 5% and 7.5% of the net budget requirement in the medium term), a transfer from the MTFP Support Reserve has been actioned at year end. £5.485 million has been transferred into the general reserve to replenish it to the policy minimum of £26 million as agreed by Council on 22 February 2023. This transfer has resulted in a reduction in the MTFP Support Reserve from £42.480 million to £36.995 million. £10.028 million of this reserve was utilised to set the 2023/24 budget, leaving £26.967 million available to support budget setting from 2024/25 onwards.
- 20 In terms of the capital programme, the final capital outturn position for 2022/23 is that expenditure was lower than that forecast at quarter 3, with capital expenditure totalling £143.05 million last year, £22.024 million (13%) lower than the revised capital budget of £165.074 million agreed by Cabinet in March 2023. Total capital expenditure in 2022/23 was broadly in line with the level of capital spending achieved in 2021/22 and capital spending over the last two financial years has been significantly higher than that in the years prior to 2021/22.
- 21 Performance against the various prudential indicators agreed by council in February 2022 are shown in paragraphs 144-150 of the report and show that the council has operated and continues to operate within the boundaries agreed.
- 22 The final outturn for the Council Tax Collection Fund is a deficit of £2.615 million after accounting for the deficit brought forward and the third and final instalment of the phasing of the 2020/21 deficit (£1.907 million). Durham County Council's share of this net deficit is £2.199 million. The outturn position is broadly in line with the quarter three forecast presented to Cabinet in March.
- 23 The final outturn for the Business Rates Collection Fund is an in year net deficit of £5.387 million. After taking into account the 2021/22 undeclared surplus, the cumulative deficit is £4.556 million of which Durham County Council's share (49%) is £2.238 million.
- 24 The council's share of the business rates deficit is offset in the General Fund by the receipt of additional Section 31 grants of £4.540 million.
- 25 In 2022/23 the council delivered 93.86% (£2.278 million) of the MTFP (12) savings factored into the 2022/23 budgets, which totalled £2.427 million. As at 31 March 2023, since 2011, the council has delivered over £250 million in savings / budget reductions to balance its budgets.

Recommendations

26 It is recommended that Cabinet note:

- (a) the final revenue outturn overspend of £5.366 million which represents 1.05% of the revised net expenditure budget of £510.986 million;
- (b) the net decrease in the cash limit reserves of £3.509 million during 2022/23 with closing cash limit reserves of £8.056 million. These sums will continue to be held as earmarked reserves and be available for Service Groupings to manage their budgets effectively;
- (c) the closing general reserve balance of £26.017 million (£20.532 million prior to transfer from MTFP Support Reserve), which is within the council's general reserves policy of retaining a balance of between 5% and 7.5% of the net budget requirement (£26 to £38 million);
- (d) the closing balance on earmarked reserves (excluding cash limit and schools' reserves) of £188.482 million – an in year reduction of £35.482 million;
- (e) the closing balance on DSG / schools related reserves of £28.463 million – an in year reduction of £2.756 million;
- (f) the outturn position for the Collection Funds in respect of Council Tax and Business Rates.
- (g) the amount of savings delivered during 2022/23 of the MTFP (12) period.
- (h) the inflationary pressures that have been managed within contingencies and via the Budget Support Reserve during 2022/23 and the requirement to manage via reserves and service cash limits going forward.

27 It is recommended that Cabinet approve:

- (a) that the capital budget underspend of £22.024 million be carried forward into 2023/24;
- (b) that service groupings continue to regularly review capital profiles throughout 2023/24, reporting any proposed revisions to Cabinet as necessary.

Background

- 28 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.
- 29 In County Durham, the funding received more than offset the costs incurred, net of Covid 19 related underspending, but no further funding is available to the council to offset any legacy impacts arising from the pandemic.
- 30 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 peaked at 11.1% during 2022/23 and this has driven significant upward pressure across a range of expenditure budgets.
- 31 Exceptionally high levels of inflation, especially for energy, waste, transport and for the pay award exceeded the budget provision. There have been a series of bank interest rate changes (increases) across the year as the Government has sought to curb inflation. It remains unclear 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.
- 32 Energy costs started to escalate in late 2021 and have fluctuated ever since. The gross additional budget requirement for energy inflation was £1.364 million during 2022/23. These costs have, however been offset by forward purchasing of energy and increased power generation income from the Joint Stocks Landfill site (totalling £1.527 million).
- 33 The energy costs reported within the outturn position have been supported by NEPO data and include the impact of the government's Energy Bill Relief Scheme to cap energy costs for households and businesses. The outturn position is an improved position when compared to the previous quarter's forecast (circa £0.500 million).
- 34 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 budget requirement for these contracts totalled £3.978 million during 2022/23.

- 35 The price fluctuation in these markets has been significant and complex which has made forecasting the council's outturn position during 2022/23 extremely challenging.
- 36 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 resulted in a £14.808 million increased in employee budget requirement (equating to an average 6.6% increase) during 2022/23, with those employees on the lowest grade receiving a 10.55% increase to keep parity with the National living Wage increase that was forecast for April 2023. Vacancies during the year reduced the 2022/23 in year requirement to £13.710 million. General contingencies provided for funding of £7.294 million (in setting the budget the Council had anticipated a 3.25% pay award being applied in 2022/23), resulting in a shortfall of £6.416 million in year.
- 37 The government announcement regarding the withdrawal of the 1.25% increase in National Insurance & the Health and Social Care Levy from November 2022 equated to an in-year saving in 2022/23 of circa £0.7 million.
- 38 Overall, unavoidable, and unbudgeted inflationary pressures, together with post-Covid legacy impacts, totalling £9.530 million have required corporate funding support. These, along with other service pressures deemed to be outside of service cash limits (the most significant of which was the cash limit overspend within the Children and Young People's Services of £14.252 million) have been financed by the Budget Support Reserve approved for this purpose by Cabinet on 13 July 2022, general contingencies, and general reserves.
- 39 The longer-term inflationary impact on the Council's finances remains uncertain at this stage. The 2023/24 revenue budget and MTFP approved by Council on 22 February 2023 considered these inflationary implications however, this position will need to be kept under review. The 2023/24 pay award offer made in late February 2023 exceeds the budget provision and if agreed will result in a circa £3.711 million budget pressure in the current year that will impact on the budget setting for 2024/25 also. There may potentially be a range of further financing decisions needed by the council throughout the current MTFP (13) period.
- 40 A separate report on the agenda today seeks to update the financial forecasts across the period 2023/24 to 2027/28.
- 41 On 23 February 2022, County Council agreed a net revenue budget of £466.732 million for 2022/23. Factoring in any reductions in

government grant, inflation, and other budget pressures, £2.427 million of savings were required in 2022/23.

- 42 This report provides an update on the delivery of the £2.427 million MTFP (12) savings target included in the 2022/23 budgets, which brings the overall savings target for the period from 2011/12 to 2022/23 to circa £250 million. £2.278 million (93.68%) of the total savings requirement were achieved in 2022/23.
- 43 Quarterly forecast outturn reports have been considered by Cabinet throughout the 2022/23 financial year. Detailed reports on individual service groupings have also been considered by the various Overview and Scrutiny Committees on a quarterly basis.
- 44 This final outturn for 2022/23 has been prepared as part of the production of the Annual Statement of Accounts. During the process of finalising the Statement of Accounts, the Corporate Director of Resources is required to make a number of technical decisions in the best financial interests of the Council. Such decisions are fully disclosed in the Statement of Accounts.

General Fund Outturn

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

Cash Limit Outturn for Service Groupings

- 46 The overall outturn for the council is shown in Appendix 2 which details how the cash limit outturn for each service grouping is calculated. Two key elements have been excluded from the service grouping outturn when calculating the cash limit outturn, as detailed below:
- (a) **Sums Outside the Cash Limit**

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

 - (i) items not controlled by the service groupings e.g., technical accounting entries such as capital charges and central administration recharges processed at year end;

- (ii) exceptional items and expenditure pressures which were not accounted for in the service grouping base budget build and which are funded from contingencies or earmarked reserves held corporately e.g., redundancy and early access costs linked to restructuring activity to achieve MTFP savings proposals, the outcome of the 2022/23 pay agreement and other significant inflationary pressures e.g., fuel and energy.

(b) Use of or Contribution to Earmarked Reserves

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

- 47 After taking into account the above exclusions, service groupings generated a net cash limit underspend of £1.120 million in 2022/23. This excludes Children and Young People's Services (CYPS) which do not have a cash limit reserve balance to call on and which overspent in year by £14.252 million. To prevent a deficit cash limit reserve being carried forward, General Reserves have been utilised instead. Further details can be found within service grouping commentary.
- 48 Overall, in 2022/23 there was a net reduction to cash limit reserves of £3.059 million in year, with the balance carried forward at 31 March 2023 being £8.056 million. The cash limit position for each service grouping is detailed in the table below:

Type of Reserve	Opening Balance as at 1/4/22	Budgeted Use at 1/4/22	Movement during 22/23		Closing Balance as at 31/3/23
			Contribution to (-)/ Use of Approved Quarter 3	Year end Outturn as at 31/3/23	
	£million	£million	£million	£million	£million
Service Grouping Cash Limit					
Adult and Health Services	-6.149	0.131	2.539	-1.850	-5.329
Children and Young People's Services	-	-	-	14.252	14.252
Neighbourhoods & Climate Change	-1.457	0.705	0.063	0.599	-0.090
Regeneration, Economy & Growth	-2.868	-	0.797	0.698	-1.373
Resources	-1.090	0.232	0.162	-0.567	-1.264
Total Cash Limit Reserve	-11.564	1.068	3.561	13.132	6.196
CYPS Overspend funded by General Reserve					-14.252
Total Cash Limit Reserve					-8.056

49 During the year, a review of all reserves resulted in the realignment of £38.818 million of earmarked reserves to replenish a range of corporate reserves and support the Council in setting balanced budgets and making savings in a timely manner.

50 The net use of earmarked reserves (excluding schools) during 2022/23 was £35.482 million.

51 In 2022/23, the council received £4.540 million in Section 31 grants from central government to compensate for the lost business rate income which will impact the General Fund in future years. The grant has been transferred to the Collection Fund Deficit Reserve to be utilised to support the collection fund.

Revenue Outturn

52 Appendix 2 provides a more detailed outturn position for the council's General Fund by service grouping. In addition, Appendix 3 provides a detailed outturn position for the council by type of expenditure and

income. The following table provides a summary of the final outturn position.

	£ million	£ million
Gross expenditure		1,801.159
Gross income		-1,289.752
Net Expenditure		511.407
Financed by:		
Council tax	-252.139	
Use of earmarked reserves	-32.757	
Estimated net surplus (-) / deficit on Collection Fund	9.788	
Business Rates	-52.827	
Top up grant	-72.780	
Revenue Support Grant	-29.101	
New Homes Bonus	-4.082	
Section 31 Grant	-22.493	
Section 31 Grant - Covid Additional Relief Fund	-4.540	
Social Care Grant	-30.955	
Lower Tier Services Grant	-0.802	
Services Grant	-8.776	
Levy Account Surplus grant	-1.068	
Forecast contribution to/from (-) Cash Limit Reserve	-3.509	
Forecast contribution to/from (-) General Reserves	-5.366	
		-511.407

53 The final outturn position for 2022/23 was an overspend of £5.366 million. The table below details the transfers to reserves:

	£ million
2022/23 overspend transferred to General Reserve	6.486
2022/23 underspend transferred to Cash Limit Reserves	-1.120
Total 2022/23 Overspend	5.366

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

	£ million
Opening Balance as at 1 April 2022	-25.898
2022/23 Net Overspend to General Reserve	5.366
<u>Add:</u> Transfer from MTFP Support Reserve	-5.485
Closing General Reserve Balance at 31 March 2023	-26.017

55 The general reserve balance carried forward of £26.017 million is within the council's general reserves policy of retaining a balance of between 5% and 7.5% of the net budget requirement, which in cash terms is a balance of between £26 million and £38 million. The £26.017 million balance at 31 March 2023 equates to 5% of the 2023/24 net budget requirement.

56 The main reasons for the movement in the general reserve balance during 2022/23 are as follows:

- (a) a transfer of £14.252 million to the CYPS Cash Limit Reserve at year end to eradicate the negative cash limit reserve balance in year. This negative cash limit reserve has resulted from continued pressure upon the CYPS revenue budget which is detailed later in the report;
- (b) a net transfer from the MTFP Support Reserve totalling £5.485 million to replenish the General Reserve and bring back in line with the council's reserve strategy;
- (c) underspends of £6.300 million in interest payable and similar charges against the budget due to delays in undertaking borrowing in line with the Councils Capital Financing Requirement;
- (d) Additional interest and investment income of £7.372 million mainly generated from higher returns on loan investments, additional dividend income and higher levels of cash balances being held;
- (e) Underspends within corporate contingencies and other corporate budgets of £2.912 million; and

(f) S31 grant and net other income being £3.043 million more than budgeted.

57 The following table shows that in 2022/23 the total non-schools reserves decreased by 14.87%, from £261.426 million to £222.554 million.

Total Non-School Reserves

	General Reserve	Earmarked Reserves	Cash Limits	TOTAL
	£ million	£ million	£ million	£ million
Opening Balance at 1 April 2022	-25.898	-223.964	-11.564	-261.426
Net Contribution to (-) / Use of Reserves	-0.119	35.482	3.509	38.872
Closing Balance at 31 March 2023	-26.017	-188.482	-8.056	-222.554

58 The total schools' balances and DSG reserves decreased from £34.276 million at 1 April 2022 to £28.463 million at 31 March 2023.

59 The DSG High Needs Block (HNB) cumulative deficit balance, which is held in the DSG unusable reserve decreased during the year by £1.711 million from £8.843 million to £7.132 million.

60 Statutory override regulations require local authority to assess the deficit across the schools' budget. Under these regulations, it is not permissible to split up the schools' budget into its component parts, and report a surplus on the schools, central services or early years block against the deficit on the high needs block. As, collectively there was an overspend on DSG, reserve balances in their totality require transfer to the DSG unusable reserve.

61 The main reason for the in-year overspend on the DSG is the planned use of £1.420 million of the Schools' reserve in the schools funding formula.

62 Plans to recover the accumulated deficit over the medium term are currently being reviewed as the Council works closely with the Department for Education (DfE) and partners on the Delivering Better Value (DBV) programme.

Schools Balances and Centrally Held DSG Reserves

	Schools Balances	Centrally Held DSG	TOTAL
	£ million	£ million	£ million
Opening Balance at 1 April 2022	-31.219	-3.056	-34.275
Contribution to (-) / use of Reserves	2.756	3.056	5.812
Balance at 31 March 2023	-28.463	0.000	-28.463

63 Appendix 4 details the movement on all earmarked reserves during 2022/23.

Service Grouping Commentary

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

Adult and Health Services (AHS)

65 The 2022/23 outturn for Adult and Health Services (AHS) was a cash limit underspend of £1.850 million, representing circa 1.34% of the total revised budget for AHS. This compares to the quarter three forecasted cash limit underspend of £1.608 million, which represented circa 1.17% of the total revised budget for AHS.

66 The 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 of £19,000 and the 2022/23 pay award costs of £1.911 million have been excluded from the cash limit outturn position. Also excluded are costs associated with the increase in the AHS bad debt provision of £2.407 million. Other costs outside the cash limit including central support and accommodation costs of £0.436 million have also been excluded.

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

- (a) Careful management and control of vacant posts and supplies and services budgets across the service together with uncommitted budgets has created a net under budget position for the year of £2.690 million;

- (b) Net spend on adult care packages was £0.160 million over budget. This area of spend is being closely monitored to assess the continuing 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 £2.870 million and additional bad debt write off of £0.537 million, of which £1 million has been met by the AHS Cash limit;
- (d) Net expenditure on Public Health-related activity is in line with grant allocations, following the transfer of under or overspending to earmarked Public Health grant reserves.

68 In arriving at the outturn position and further to the quarter three forecast of outturn report, a net £66,000 relating to contributions to and from reserves has been excluded from the cash limit outturn as follows:

- (a) Contribution of £66,000 to the Adult Social Care Reserve to fund future activity in adult social care;
- (b) Contribution of £3.245 million to the AHS Integrated Care Reserve to fund future activity;
- (c) Contribution of £0.350 million to the Community Discharge Reserve for future projects;
- (d) Contribution of £1.369 million to Regional Public Health reserves for future public health activity;
- (e) Contribution of £0.255 million to the AHS Cash Limit Reserve to fund future activity;
- (f) Contribution of £72,000 to the Corporate Recovery Reserve;
- (g) Use of £4,000 from the Corporate Insurance Reserve;

69 The Public Health Regional Reserve of £5.287 million comprises regional funding rather than funding specific to the council. In line with standard accounting practice, this reserve balance has therefore been transferred to the council's balance sheet

70 Taking the outturn position into account, including the transfers to/from reserves in year, the cash limit reserve carried forward for AHS is £5.329 million as at 31 March 2023.

Children and Young People's Services (CYPS)

- 71 The 2022/23 outturn for CYPS was a cash limit overspend of £14.252 million for the year, representing circa 9.8% of the total net revenue budget for CYPS. This compares to a forecast cash limit overspend at quarter three of £13.832 million (9.5%).
- 72 The outturn takes into account sums outside the cash limit 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 (£0.102 million) and transport contract prices (£3.000 million) have been excluded from the cash limit outturn. In addition, the 2022/23 pay award costs of £2.380 million have also been excluded from the cash limit outturn. Other costs outside the cash limit including central support, accommodation costs, capital entries and additional items funded via corporate contingencies totaling £18.751 million have also been excluded.
- 73 The outturn position includes overspends within the Head of Social Care (£13.930 million), Early Help, Inclusion and Vulnerable Children (£0.358 million) and Central Charges (£24,000) budgets and underspends within Education and Skills of £38,000 and Operational Support of £23,000. Further details are shown below:
- (a) The final outturn against the Head of Social Care budget is an overspend of £13.930 million. The main factor being an overspend of £15.247 million against the budget for placements for children looked after, which compares to a forecast overspend of £13.786 million in this area at quarter three.
- (b) As at 31 March 2023 there were 1,067 Children Looked After, which continues a trend of growth in demand in this area as illustrated in the table below:

Date	Number of CLA
March 2022	982
June 2022	983
September 2022	1,028
December 2022	1,034
March 2023	1,067

- (c) 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.

- (d) Underspend of circa £1.300 million across other Social Care budgets partially offset the overspend position on the placement budget and these relate mainly to employee budgets as a result of vacant posts within the service.
- (e) Early Help, Inclusion and Vulnerable Children (EHIVC) had an overspend of £0.358 million against budget.
- (f) The major factor relates to Aycliffe Secure Centre where there was a cash limit overspend of £1.448 million. This overspend is after full use of Aycliffe Secure Centre's earmarked reserve of £0.403 million.
- (g) The overspend is largely attributable to a shortfall of £1.526 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. An additional £1.013 million shortfall against income budget is attributable to Maple House, which could not be opened as scheduled due to delays in construction works and Ofsted registration.
- (h) The shortfall against budgeted income is partially offset by reduced staffing costs, which were £0.434 million under budget for the main centre and £0.553 million under budget for Maple House.
- (i) There is also an overspend of £0.291 million against premises budgets as a result of a combination of high energy costs and repair work to buildings.
- (j) The remaining service areas in EHIVC had an underspend of £1.040 million, mainly attributable to underspends against employee budgets of £1.240 million, due to the management of vacant posts, and £0.144 million as a result of low usage of remand beds. These underspends are partially offset by a shortfall against of SLA income budgets.
- (k) Education had an underspend of £38,000 after taking account of inflationary pressures and the pay award adjustment of £3.118 million which was funded corporately.
- (l) The Home to School Transport budget overspend was £3.846 million, which is an improvement on the £4.971 million overspend anticipated at quarter three, which has a CYPs cash limit impact of £0.846 million after taking account of £3.000 million as an agreed inflationary pressure to be funded corporately.
- (m) There was a shortfall of £0.797 million against income budgets for Service Level Agreements with schools and a shortfall of £0.549

million against income budgets relating to various income streams, such as Durham Leadership Centre lettings and course fee income.

- (n) These overspends were however offset by a saving of £1.104 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 were also vacancies across the wider Education service that contributed to this underspend.
- (o) Further savings against budget of £1.126 million have been achieved against various areas across the service, including in Early Years Service where there is an underspend of £0.504 million against activity and sustainability budgets, in Education Durham as a result of additional one-off income streams of £0.413 million and an underspend of £0.187 million against pension liability budgets across the service.
- (p) Operational Support is reporting an underspend of £23,000 against employee budgets due to vacancies within the service.
- (q) Central Charges is reporting an overspend of £24,000 relating to an increase in the provision for bad debt.

74 In arriving at the outturn position and further to the quarter three forecast of outturn report, a net £2.800 million relating to contributions to and from reserves has been excluded from the cash limit outturn as follows:

- (a) £1.609 million use of Corporate ER/VR reserve to fund redundancies in relation to MTFP savings (relating to the Education Service);
- (b) £0.875 million contribution to the Family Hubs grant reserve;
- (c) £0.681 million contribution to the Progression and Learning 2015-18 reserve relating to the balance of unspent ESF grant funds;
- (d) £0.627 million contribution to the Multiply Funding reserve relating to unspent grant funds;
- (e) £0.656 million contribution to the Work Place Project reserve relating to unspent grant funds;
- (f) £0.634 million contribution to the PFI Lifecycle reserve;
- (g) £0.613 million contribution to the Homes for Ukraine reserve for use in 2023/24;

- (h) £0.344 contribution to the Emotional Wellbeing reserve to fund future service developments;
- (i) £0.318 million contribution to the Social Inclusion reserve for the Holidays Activities and Food programme;
- (j) £0.299 million contribution to the Youth Futures Foundation reserve relating to unspent grant funds;
- (k) £0.285 million contribution to the UASC reserve for future service improvements and delivery;
- (l) £0.240 million contribution to the National Supporting Families Programme reserve;
- (m) £0.196 million use of the Rapid Response reserve to fund the service;
- (n) £0.172 million contribution to the EHIVC reserve to fund future service developments;
- (o) £0.171 million contribution to the Recovery Premium Grant reserve relating to unspent grant funds;
- (p) £0.154 million use of the PAUSE reserve to fund the service;
- (q) £0.149 million contribution to the anxious about school/workforce development to fund the project in 2023/24;
- (r) £0.135 million use of the Mental Health Support reserve to support the delivery of the Mental Health Support programme within the Progression and Learning service;
- (s) £0.125 million use of the Progression and Learning 2018-21 reserve to support ESF employment projects; and
- (t) £0.107 million use of the CPD reserve to cover expenditure linked to programmes such as Evidence Based Education, Educate and Celebrate and TDT Programme expenditure.

75 Taking the outturn position into account, including the transfers to/from reserves in year, the cash limit reserve balance for CYPS is a £14.252 million deficit as at 31 March 2023

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

Dedicated Schools Grant and Schools

- 77 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.
- 78 As with the council, during 2022/23 schools faced a range of unfunded inflationary pressures, for pay awards and energy costs which have outstripped the initial budget planning assumptions.
- 79 The final position for all maintained schools for 2022/23 is shown in the following table:

Subjective Budget Heading	Original Budget	Final Outturn Position	Variance
	£ million	£ million	£ million
Employees	203.927	215.355	11.428
Premises	13.485	16.822	3.337
Transport	2.001	2.732	0.731
Supplies	35.948	38.624	2.676
Central Support & Other Recharges	0.000	0.325	0.325
DRF	0.000	0.512	0.512
Gross expenditure	255.361	274.370	19.009
Income	-62.014	-82.121	-20.107
Net expenditure	193.347	192.249	-1.098
Budget share	186.026	191.826	5.800
Use of reserves	7.321	0.423	-6.898
Balance at 31 March 2022	28.652	28.652	-
Balance at 31 March 2023	21.331	28.229	-6.898

- 80 The final position has improved since the quarter three forecasts, when schools were forecasting, they would need to use £7.746 million of their reserves. The final position has resulted in the use £0.423 million of reserves, which is an improvement on the original budget figure of £6.898 million.
- 81 The original budget included five schools which have academised during the financial year. One of these schools was The Durham Academy (formerly Durham Community Business College) which had a deficit of £0.662 million upon conversion. The other four schools converted with combined reserves totalling £0.790 million.
- 82 The use of £0.423 million reserves within the year relates to the 161 schools maintained as at 31 March 2023.

83 The positive change in the financial position between the quarter three forecast and final outturn reflects:

- (a) Significant work carried out by council teams working closely with schools to provide advice and guidance on the management of budgets and to support action that schools have taken to balance their financial position in year;
- (b) Energy cost being below previously forecasted amounts;
- (c) Additional levels of income received by schools from fees and charges;
- (d) Interest income of circa £0.700 million across all schools with a surplus balance. This income was higher than the level received in previous years due to higher interest rates;
- (e) Additional grant income received by schools

84 The position at individual school level shows that 11 of the 161 maintained schools are in a deficit position at the end of the financial year. The cumulative deficit for these 11 schools is £3.371 million, of which £2.777 million relates to Wellfield School which is due to convert to academy status in June 2023 and was the subject of a Cabinet report in March 2023. The deficit at the point of transfer will be written off by utilising the earmarked Schools Reserve, which has a balance of £5.244 million at 31 March 2023.

85 Whilst the overall use of reserves for the 161 maintained schools was £0.423 million, the majority of schools needed to use some reserves to balance their financial position in 2022/23. This is illustrated in the tables below:

Number Schools	Nursery	Primary	Secondary	Special	Total
Use of reserves	8	81	2	3	94
Contribution to reserves	3	55	3	6	67
Total	11	136	5	9	161
Use of reserves	-0.174	-2.930	-0.368	-0.838	-4.309
Contribution to reserves	0.130	1.899	0.891	0.970	3.886
Net (Use) of or Contribution to Reserves	-0.044	-1.031	0.523	0.132	-0.423

- 86 Given that 94 schools (circa 60%) needed to cumulatively use £4.309 million of reserves during the 2022/23 financial year to balance their financial position, it is not surprising that the budget setting process for 2023/24 was challenging for many schools.
- 87 Schools can set a budget with an in-year deficit, providing that they have enough surplus retained balances (reserves) carried forward to do so without this resulting in the school having a net deficit balance at the end of the financial year.
- 88 Where a school cannot do this and therefore wishes to set a licensed deficit, it must have permission from the council's Corporate Director of Resources – the statutory Responsible Financial Officer (s.151 officer) to do so.
- 89 There are six schools that have set a licensed deficit budget for 2023/24 and a separate report on the agenda today provides further details.

Dedicated Schools Grant Centrally Retained block

- 90 The 2022/23 outturn for centrally retained DSG budgets was a net overspend of £1.346 million as shown in the table below:

DSG Block	Budget £ million	Outturn £ million	Over / (Under) Spend £ million
High Needs	76.418	76.210	-0.208
Early Years	31.847	31.781	-0.066
Central Schools Services	2.910	2.824	-0.086
De-delegated	0.283	0.569	0.286
Schools	-	1.420	1.420
TOTAL	111.458	111.411	1.346

- 91 The underspend on the High Needs Block is in contrast to the quarter three forecast, where a £0.798 million overspend was anticipated and relates to the following main areas:
- (a) An overspend of £1.509 million against the budget for Special School provision, which reflects the provision of additional places across schools in Durham in excess of those provided for in the budget;
 - (b) An underspend of £0.898 million against central service budgets of £4.266 million, including an underspend of £0.709 million against the Investment Support Fund budget of £1.077 million;

- (c) An underspend of £0.473 million against the budget of £10.723 million for provision in independent and non-maintained special schools and further education colleges; and
 - (d) An underspend of £0.364 million against the budget of £17.728 million for provision in mainstream settings.
- 92 This is the first year that there has been an underspend against the High Needs Block allocation in Durham since 2015/16. The underspend will be used to reduce the cumulative deficit position.
- 93 A five-year plan for high needs block funding and expenditure, including reducing the accumulated deficit by the end of the five-year period, was approved by Cabinet in April 2022.
- 94 This plan is now being updated to reflect the final outturn position and changes to future year forecasts, which are being developed as part of the DfE's Delivering Better Value Programme (DBV).
- 95 A review of the current programme of work is also taking place in the autumn and this follows a workshop with Schools Forum in the autumn.
- 96 The underspend of £66,000 on the Early Years Block relates to a combination of the following three elements:
- (a) Additional funding received in 2022/23, relating to 2021/22 of £0.594 million;
 - (b) The planned distribution of £0.846 million of accumulated Early Years Block Reserve to Early Years providers, which was distributed in the Autumn term, to Early Years settings on the basis of children accessing Early Years Pupil Premium and eligible two-year-olds; and
 - (c) An in-year underspend of £0.291 million largely relating to two-year-old entitlements where the DSG allocation has exceeded current funded hours.
- 97 Local authorities DSG Early Years National Funding Formula is calculated on the basis of the number of hours children are taking up during census week in the January prior to the beginning of the financial year (in this instance January 2022), creating an assumption of uptake. Therefore, the grant received is based on indicative hours.
- 98 This is followed by an adjustment in the following July (in this case July 2023) should there be any movement in the number of places reported in the next annual census (January 2023 census). This is to cover any additional expenditure where the number of eligible children increase beyond the original census allocation (for example new settings or an

increase in numbers at an original setting) or conversely a reduction due to the closure of settings or changes to the demographics.

- 99 Any variations are picked up by DfE in the proceeding census and may result in an adjustment in the form of clawback of unused funding or additional payments for new childcare places.
- 100 The underspend of £86,000 on the Central Schools Service Block relates to an underspend against the Copyright Licences budget.
- 101 The overspend of £0.285 million on de-delegated funding relates to a planned use of reserves of £0.217 million in relation to behavioural support services, £34,000 of carried forward school contingencies expenditure and £34,000 under recovery of Trade Union duties expenditure.
- 102 The overspend of £1.393 million on the schools' block relates to a planned use of reserves in relation to school funding formula from previous years.
- 103 The impact of the outturn 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 2022	-8.843	0.656	2.401	-5.786
2021/22 Early Years Block Adjustment	-	0.594	-	0.594
Use (-) / Contribution in 2022/23	0.208	-0.528	-1.620	-1.940
Transfer to DSG Adjustment Account	8.635	-0.722	-0.781	7.132
Balance as at 31 March 2023	0.000	0.000	0.000	0.000

- 104 The overall DSG reserve was in deficit of £5.786 million at the start of the financial year, largely as a result of the accumulated deficit position in relation to the High Needs Block. The overall deficit position has increased to £7.132 million at the end of the financial year.
- 105 The movement is the net effect of planned reserves usage in relation to the school funding formula and de-delegated sums of £1.593 million, offset by underspends against the high needs and early years blocks.
- 106 Statutory override regulations now require the local authority to assess the deficit across the schools' budget. Under these regulations, it is not permissible to split up the schools' budget into its component parts, and report a surplus on the schools, central services or early years block against the deficit on the high needs block. As, collectively there was an

overspend on DSG, reserve balances in their totality require transfer to the DSG unusable reserve.

- 107 The sums shown in the table above under Early Years Block and Schools Block, which previously would have been available for use have now been aligned to unusable reserves to reduce the HNB deficit position. This has the effect of artificially increasing the schools' reserves position at year end.

Neighbourhoods and Climate Change (NCC)

- 108 The 2022/23 outturn for Neighbourhoods and Climate Change (NCC) was a cash limit overspend of £0.599 million. The quarter three forecast showed a cash limit overspend of £0.543 million for the year, so the outturn is broadly in line with that forecast at quarter three.

- 109 The outturn excludes the 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 £1.356 million), transport prices (£0.757 million) and waste contract costs (net underspend £0.379 million). The 2022/23 pay award of £2.908 million has also been excluded from the cash limit outturn position. Other costs outside the cash limit including central support, accommodation costs, capital entries and additional items funded via corporate contingencies totaling £16.822 million have also been excluded.

- 110 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 has an overspend of £22,000. There was £0.510 million of 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 £0.144 million underachieved income on soil imports which have ceased due to capping of the Joint Stocks site. There was also a £0.187 million underachievement of income on Clean & Green school SLAs and ad-hoc work. These overspends were largely offset by £0.367 million increased income relating to trade and commercial waste collections, £0.236 million overachieved income for garden waste income, and £0.209 million underspending on staffing due to vacancies and pending restructures;
- (b) Highways has overspent by £1.2 million. The main reasons for this are an overspend on the trading areas of £1.2 million due to lower

than anticipated levels of subcontractor activity, along with an overspend £2.0 million on Highways Revenue maintenance work, including cyclic works, drainage, bridges, and emergency action works. This was offset by additional income of £1.7 million within Strategic Highways relating to enforcement and inspections, Section 38 supervision income, road closures, and fixed penalty notices, plus underspends on employees and agency costs of £0.3 million;

- (c) Community Protection has underspent by £0.396 million. The main reason for this is the net effect of having a number of vacant posts in some other areas of the service, while having to be over establishment in other areas to facilitate succession planning;
- (d) Partnerships & Community Engagement has underspent by £0.190 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 has underspent by £53,000. This budget was created to fund any cross-cutting service pressures within NCC that may arise during the financial year.

111 In arriving at the outturn position and further to the quarter three forecast of outturn report, a net £5.420 million relating to movement to and from reserves has also been excluded from the outturn. The major items being:

- (a) £0.636 million contribution to a new Highways Permit Scheme Reserve;
- (b) £4.570 million contribution to PACE reserves mainly in relation to Humanitarian Support Grant;
- (c) £1 million drawdown from AAP Towns & Villages Reserve;
- (d) £0.800 million contribution to the Members Priority Reserve in relation to Highways; and
- (e) £0.450 million contribution to the Community Protection Workforce Development Reserve.

112 Taking the outturn position into account, including the transfers to/ from and between reserves in year, the cash limit reserve carried forward for NCC is £90,000 as at 31 March 2023.

Regeneration, Economy and Growth (REG)

- 113 The 2022/23 outturn for Regeneration, Economy and Growth (REG) was a cash limit overspend of £0.698 million. This takes into account adjustments for sums outside the cash limit such as redundancy costs which are met from corporate reserves, year-end capital accounting entries and use of / contributions to earmarked reserves. The forecast at quarter three was that REG would have a cash limit overspend of £0.586 million.
- 114 Inflationary pressures on energy (£1.088 million) and Transport prices (£0.600 million) have been excluded from the cash limit position, as has the 2022/23 pay award of £2.433 million. Other net underspends outside the cash limit including central support, accommodation costs, capital entries and additional items funded via corporate contingencies of £44.585 million have also been excluded.
- 115 The cash limit outturn position compares to the previously forecast position at quarter three of a cash limit overspend of £0.586 million.
- 116 The outturn is a managed position, reflecting the proactive management of activity across REG to try and remain within the cash limit. The main reasons accounting for the outturn position are as follows:
- (a) Culture, Sport and Tourism has an overspend of £56,000 against budget. There was a reduction in fine and reservation income in libraries (£90,000) and an unrealised MTFP saving of £0.136 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 seven of the Councils leisure centres was offset by a projected overspend at Consett Leisure Centre.
 - (b) Transport was overspent by £0.722 million against budget. In Strategic Traffic there was an overspend on Parking Services (£0.220 million), traffic control measures for events (£42,000), bus shelter advertising income loss was (£0.130 million) higher than anticipated, NNDR costs for a multi storey car park (£90,000) and a charge for apprentices of £60,000. In addition, there were one off costs for Wheels to Work and a Service Database totalling £91,000 in addition to minor over/underspends across the service.
 - (c) Planning and Housing had an overspend against budget of £0.867 million. This is the net impact of overspends in Housing Solutions, primarily relating to temporary accommodation (£0.737 million), and Care Connect on staffing and under-achieved income in relation to the subsidised client income stream (£0.456

million); and underspends in Planning Development (£0.119 million) resulting from higher than budgeted levels of income from planning/building control fees and staffing vacancies, and Spatial Policy (£0.136 million) also relating to staffing vacancies.

- (d) Economic Development was on budget with only minor over and underspends across the service.
- (e) Any over or underspends in relation to the activity of Business Durham is managed through an earmarked reserve and therefore there is no impact on the cash limit position. A contribution of £0.211 million to reserves was made, largely as a result of higher than anticipated occupancy rates across a range of Business Space sites.
- (f) Corporate Property and Land had an underspend of £98,000 against budget. Within this area there was an overall underspend in Strategy & Property Management of £0.118 million, largely attributable to lower costs associated with vacant buildings & land and the Energy Centre at Freeman's Reach. The position is partially offset by minor overspends elsewhere within the service.
- (g) Communications Management had an underspend of £0.316 million against budget due to the volume of staff turnover and subsequent vacant posts experienced during 2022/23. This service will not form part of the REG cash limit in 2023/24 following restructuring that was implemented from January 2023.
- (h) Central costs is an underspend of £0.532 million against budget pending a re-allocation of budget to services which will be actioned in quarter one 2023/24.

117 In arriving at the outturn position, and further to the quarter three forecast of outturn report, a net £3.508 million relating to contributions to / use of reserves has been excluded from the outturn. The major items being:

- (a) £6 million use of the Leisure Transformation reserve;
- (b) £0.746 million use of the Cultural Programme reserve;
- (c) £0.512 million use of the Strategic reserve;
- (d) £0.473 million use of the Building Trading reserve;
- (e) £1.943 million contribution to the Selective Licencing reserve; and
- (f) £0.516 million contribution to the Bus Services reserve.

- 118 Taking the outturn position into account, including items outside the cash limit and transfers to and from earmarked reserves, the cash limit reserve carried forward for Regeneration, Economy and Growth is £1.373 million at 31 March 2023.

Resources

- 119 The 2022/23 outturn for Resources was a cash limit underspend of £0.567 million. This takes into account adjustments for sums outside the cash limit such as redundancy costs which are met from corporate reserves, year-end capital accounting entries and use of/ contributions to earmarked reserves. At quarter three Resources was forecasting a cash limit underspend of £94,000.
- 120 Inflationary pressures on energy (£16,000) have been excluded from the cash limit position, as has the 2022/23 pay award of £3.377 million. Other net underspends outside the cash limit including central support, accommodation costs, capital entries and additional items funded via corporate contingencies totaling £3.173 million have also been excluded.
- 121 The underspend reflects the proactive management of activity by Heads of Service across Resources throughout the year to remain within the cash limit and to prepare for MTFP12 savings requirements. The outturn position is accounted for as follows:
- (a) Corporate Finance and Commercial Services had an underspend of £0.161 million, with managed underspends in Strategic Finance of £0.111 million, Financial Management of £0.110 million and an overspend of £84,000 in Financial Systems.
 - (b) Transactional and Customer Services had an underspend of £0.267 million, primarily due to managed underspends on employee costs of £0.190 million and additional income of £0.186 million;
 - (c) Digital and Customer Services had an underspend of £0.480 million, consisting of managed overspends in relation to under achieved income of £1.113 million, which was partially offset by an underspend of £0.546 million on employee related costs and £53,000 on supplies and services;
 - (d) Internal Audit and insurance had an underspend of £52,000 due largely to overachieved income of £40,000;
 - (e) Legal and Democratic Services had an underspend of £0.123 million. This includes a managed underspend on employee related expenditure of £0.384 million, transport costs of £64,000 and £0.245 million additional income. Offsetting this was an

overspend of £0.580 million on supplies and services – including the use of external legal advisors;

- (f) HR & Employee Services had an underspend of £52,000 due largely to a managed underspend on employee related costs;
- (g) Corporate Policy Planning and Performance had an underspend of £0.155 million due to managed underspends on employee related costs of £23,000, supplies and services of £19,000 and overachieved income of £0.106 million;
- (h) Procurement Sales and Business Support had an underspend of £0.164 million due largely to additional income; and
- (i) Service Management and Central Charges is an underspend of £72,000 due to a decrease in the bad debt provision and an underspend in employee related costs.

122 In arriving at the outturn position and further to the quarter three forecast of outturn report, a net £1.460 million relating to contributions to / use of reserves has been excluded from the outturn. The major items being:

- (a) £0.930 million use of the MTFP ER/VR Reserve to reflect an increased cost of early retirements/ voluntary redundancies in 2022/23;
- (b) £0.388 million contribution to the Business Support Reserve in respect of the actual underspend on the unitised Business Support Function in lieu of future MTFP savings;
- (c) £0.175 million use of the Adults Cash Limit Reserve to provide assistance with outstanding workloads within the Financial Assessment, Payments, Billing and Debtors teams
- (d) £0.168 million use of the ICT Reserve to fund the cost of replacing firewalls in schools, to contribute to the cost of Data breach software and contribution to the Community Book project;
- (e) £0.130 million contribution to the Modern Way of Working reserve. The contribution reflects the underspend in 2022/23 associated with the Transformation Team;
- (f) £0.119 million contribution to Internal Audit and Corporate Fraud Reserve to fund future temporary appointments;
- (g) £1.962 million use of the Housing Benefits Subsidy Reserve to finance the cost of Housing Benefit claims which are not fully funded by Government Subsidy;

- (h) £0.117 million contribution to the Elections Reserve to finance the cost of elections;
- (i) £0.261 million contribution to the Procurement Development Reserve which will be used to finance various procurement initiatives;
- (j) £0.140 million contribution to the Corporate Procurement Reserve to fund temporary posts;
- (k) £0.220 million use of the COVID19 Test and Trace Support Scheme Admin Reserve to fund service packages; and
- (l) £0.853 million contribution to the Transformation Programme Reserve to extend temporary posts within the Transformation team;

123 Taking the outturn position into account, including items outside the cash limit and transfers to and from earmarked reserves, the cash limit reserve carried forward for Resources is £1.265 million.

Resources - Centrally Administered Costs (Corporate Costs)

124 The 2022/23 outturn for Resources - Centrally Administered Costs is an underspend of £0.327 million. This takes into account adjustments for sums outside the cash limit such as the use of / contribution to earmarked reserves. The quarter three forecast indicated a cash limit underspend of £0.101 million in 2022/23.

125 Other outside the cash limit items, including central support, accommodation costs, capital entries and additional items funded via corporate contingencies totaling £0.235 million have also been excluded.

126 The 2022/23 outturn position is accounted for as follows:

- (a) £45,000 reduced expenditure on corporate subscriptions;
- (b) £20,000 reduced expenditure re legal expenses;
- (c) £90,000 receipt of government grant in respect of the Redmond Review (used to offset a managed overspend of £67,000 relating to external audit fees);
- (d) £62,000 overachievement of income from de-minimis capital receipts arising from the sale of assets; and
- (e) £0.156 million net income relating to the Council Tax Rebate Government Grant which was used to administer the Energy Rebate Scheme in 2022/23.

127 In arriving at the outturn position and further to the quarter three forecast of outturn report, a net £3.705 million relating to contributions to / use of reserves has been excluded from the outturn. The major items being:

- (a) £1.618 million use of Welfare Assistance Funding reserve – to fund additional support and projects aligned to the Poverty Action Strategy and Plan;
- (b) £2.069 million use of the Council Tax Hardship reserve – to fund awards made in year; and
- (c) £37,000 use of the Corporate Insurance reserve.

Central Budgets

Interest and Investment Income

128 The 2022/23 outturn position was an overachievement of income of £7.372 million. This position reflects increased investment returns on higher than budgeted cash balances (a combination of slippage within the capital programme and the receipt of significant capital receipts in year, along with improved interest rates on the back of increases in bank rates. At quarter three the overachievement of income was forecast to be £6.234 million more than the budget.

Interest Payable and Similar Charges

129 The actual interest payable and similar charges during 2022/23 was £6.300 million underspent against the revised budget. This position reflects loans taken out at lower interest rates and delayed borrowing requirements due to holding increased cash balances. The underspend also reflects interest savings from loans repaid early.

130 The following table highlights the change in borrowing and investments during 2022/23:

	Actual 31.03.22 £ million	Average Interest Rate	Actual 31.03.23 £ million	Average Interest Rate
Borrowing	418	3.25%	440	3.11%
Investments	342	0.48%	351	4.01%
Net Debt	78		89	

2022/23 Capital Outturn

General Fund Capital Programme

- 131 The original capital budget for 2022/23, taking into account the budget approved by Council on 23 February 2022 and adjustments for re-profiling of underspends at 2021/22 year end, was £267.920 million. This was agreed by Cabinet on 13 July 2022.
- 132 Throughout the year, the Capital Member Officer Working Group (MOWG) has continually reviewed progress in delivering the capital programme to take into account changes in planning and delivery timescales and analysis of changes in demands on resources. This has been particularly important throughout 2022/23 as the council has monitored the impact of the pandemic and global price rises upon the ability to deliver the capital programme effectively. Regular updates to the capital programme were reported to and approved by Cabinet as part of the quarterly budgetary control reports in year. Requests for re-profiling capital programme underspends at 31 March 2023 included in this report have also been considered by MOWG.
- 133 Since the quarter three forecast of outturn report was finalised for Cabinet consideration earlier in the year, a number of significant increases to the capital budget have been necessary. These increases have in the main related to receipt of additional grant funding. Significant amounts include the following:
- (a) 2023/24 High Needs Capital Provision Fund grant of £6.445 million;
 - (b) Green Homes – Home Upgrade Grant (HUG) Phase 2 schemes of £4.4 million;
 - (c) Local Electric Vehicle Infrastructure Fund Bridge Pilot of £3.125 million;
 - (d) Temporary Accommodation schemes (to be funded on a self-financing basis) of £2.8 million
 - (e) LEP loan of £2.6 million for Jade Business Park Phase 2.
- 134 The capital budget also requires increasing to reflect higher than forecast capital grant allocations to the Council as follows:
- (a) £2.865 million for Highways DfT Pothole Fund
 - (b) £2.478 million for Schools Capital works.

135 Budget increases funded from capital contingencies of £1.1 million to cover an increase on the final contract price for Belmont School New Build and £4.4 million for a Council commitment to contribute to a major school building project at Framwellgate School are also required. It is expected over the coming years the £4.4 million commitment to Framwellgate School will be reimbursed by housing developers via S106 contribution for the Sniperley housing site.

136 The following table summarises the revised capital budget for 2022/23, taking into account the revisions proposed / required since the quarter three position was finalised and adjustment agreed by Cabinet throughout the year, together with the outturn position for each service area. The table also details the action that has been taken with regard to re-profiling and budget additions/deletions at year end.

Service Area	2022/23 Original Budget	2022/23 Revised Budget	2022/23 Outturn	2022/23 Variance	2022/23 (Additions) / Deletions from Budget	2022/23 Re-profiling into future years
	£million	£million	£million	£million	£million	£million
Adults and Health Services	1.170	0.100	0.024	-0.076	-	0.076
CYPS	46.281	18.048	16.210	-1.839	-2.931	4.769
Neighbourhoods and Climate Change	79.173	57.915	46.799	-11.116	-1.379	12.495
Regeneration, Economy and Growth	129.318	84.736	76.158	-8.578	-1.286	9.863
Resources	11.977	4.275	3.860	-0.415	-	0.415
TOTAL CAPITAL PROGRAMME	267.920	165.074	143.050	-22.024	-5.596	27.619

137 The variances in the table above include requests to carry forward unspent budgets to fund the completion of capital schemes from 2023/24 onwards. Also included are 2022/23 overspends on some projects as a result of an acceleration in project delivery timescales, and for these projects future years' budgets have been reduced. All of the resultant re-profiling is reflected in the capital budgets for 2023/24 to 2026/27.

138 The Capital Programme is financed via various funding sources including grants, capital receipts, revenue contributions, contributions

from reserves and borrowing. The financing of the 2022/23 outturn is detailed in the following table:

Financing – General Fund Capital Programme 2022/23

Funding Source	2022/23 Outturn
	£million
Grants and Contributions	78.494
Revenue & Reserves	14.226
Capital Receipts	50.330
Borrowing	-
Total Financing	143.050

Service Grouping Commentary

139 The primary reasons for the net capital underspend of £22.024 million (circa 13%) against the revised capital programme budget are set out below:

Children and Young People’s Services (CYPS)

140 The underspend of £1.839 million for CYPS is mainly due to:

(a) **Children’s Services – Planning and Services Strategy**

Underspend of £0.254 million. This relates to re-profiling into 2023/24 of budgets for the project to review the Social Services Information Database (SSID) system in CYPS and AHS and the project to replace the SEND IT System;

(b) **Devolved Formula Capital**

Overspend of £0.900 million. This is due to unpredicted changes in individual school spending decisions after December when final budget updates were made. The 2022/23 overspend will be met from budgets in 2023/24.

(c) **School Related**

Underspend of £2.247 million. The most significant underspend in this area is £0.628 million on the rebuild of Greenfield Community College as the scheme has been delayed enabling a review of the scheme costs

Other significant underspends include £0.617 million on Spennymoor New Build Primary School as commencement on

site was delayed due to the need for value engineering to keep the project within budget, £0.512 million on Escomb Primary Replacement of Demountable Classrooms due to delays to the programme and £0.254 million on Copeland Road Primary Window Replacement scheme as works are on hold until a decision is taken about combining this with a scheme to also replace the roof. Underspends of £0.196 million for Laurel Avenue Primary Damp Investigations, £0.152 million for Witton Gilbert Primary Boilers, £0.129 million for Cassop Primary Lighting Replacement and £0.117 million for Westlea Primary Rewire were due to the re-phasing of works between financial years.

An underspend of £0.609 million on the Schools Capital Grant Unprogrammed budget will be re-profiled to 2023/24 to allocate to future schemes. The underspends above were partly offset by an overspend of £1.353 million on Durham Sixth Form Post 16 Capacity Fund scheme as this grant and revenue funded scheme was added to the budget after final budget updates were made.

There were also overspends of £0.469 million on Belmont School New Build following signing of the pre-construction service agreement and £0.251 million on Greenfield School Condition Works, linked to the overall strategy for the school replacement.

(d) **Secure Services**

Underspend of £0.165 million. The majority of this relates to the Transition Home at Aycliffe Secure Centre as some areas of work were not required.

Neighbourhoods and Climate Change

141 The underspend of £11.116 million is mainly due to:

(a) **Environmental Services**

Underspend of £4.201 million. The most significant underspends in this area related to Decarbonisation works at Peterlee Leisure Centre (£1.308 million) and Wolsingham Leisure Centre (£0.802 million) due to the Wolsingham scheme no longer going ahead.

At Morrison Busty there were underspends of £0.216 million on the Vehicle Workshop Refurbishment due to issues with filling mineworkings, £0.129 million on the Depot Phase 3A scheme due to additional works being required and £0.174 million on the Battery Storage Phase 4 scheme where the final payments will be made in 2023/24.

An underspend of £0.225 million on Net Zero Heat Decarbonisation Works resulted from projects being paused in quarter three of the year while a review of the capital programme was undertaken.

(b) Highways

Underspend of £6.750 million. The most significant underspend in this area was £4.355 million on Highways Capitalised Maintenance carriageway schemes along with £0.417 million on schemes to Invest in the Unclassified Network, where the budget is allocated to approved schemes, but schemes are not totally finalised.

There was an underspend of £0.549 million on street lighting schemes and £0.719 million on Street Lighting Energy Replacement Programme (SLERP) schemes due to installations not being complete on numerous schemes and design and works costs being lower than estimated.

Other significant underspends include £0.392 million on Burnigill Bank where the timing of some remedial works following construction needs to be co-ordinated with Network Rail who are also currently working in the area.

On the Renewal of Lighting on Durham Cathedral and Castle scheme there was an underspend of £0.111 million relating to the Castle element of the scheme where legal discussions have delayed works.

There were overspends on drainage schemes at South Moor and Stanley (£0.167 million), South Stanley – Park Road (£0.115 million) and South Stanley – Avon Road (£0.113 million) as additional funding was received after the final budget adjustments for the year were made. An overspend on County Wide Minor Highway Drainage schemes of £0.123 million was due to additional works being carried out.

(c) Partnerships and Community Engagement

Underspend of £0.204 million. There was an underspend of £0.295 million on Members Neighbourhood budgets as the revised budget was based on applications received up to mid-November and not as many applications as expected had proceeded to payment stage by the end of the financial year. The underspend will be carried forward to 2023/24 and the payments made in due course.

On the Members Towns & Villages Capital there was an overspend of £0.279 million as the transfer from the revenue budget to the capital budget to cover capital spend in the last few months of the year was higher than anticipated.

Regeneration, Economy and Growth

142 The underspend of £8.578 million is mainly due to:

(a) **Economic Development**

Underspend of £0.529 million. There were underspends across various schemes in this area, with the largest being £0.684 million on the Finance Durham Investment Fund. This was due to one of the planned investments completing in 2023/24 rather than in 2022/23 as was anticipated. The largest overspend in this area was £1.1 million on Beamish Museum Redevelopment due to issues with the timing of quarterly claims from Beamish. The latest claim was received in March so existing budget was accelerated to cover the payment.

(b) **Corporate Property and Land**

Underspend of £0.355 million. The most significant underspend in this area was £0.429 million on the Milburngate Specification Improvement budget resulting mainly from the contractor going into administration.

There was an underspend of £0.424 million on the Structural Capitalised Maintenance programme due to a number of schemes which were meant to take place in 2022/23 being delayed until 2023/24.

The Aykley Heads Plot C development scheme had an overspend of £0.762 million against the profiled budget as spend towards the end of the financial year progressed faster than expected and a higher level of labour and materials were charged during this period, accelerating spending that was previously expected to come through in 2023/24. This will be met by re-profiling budget from 2023/24 into 2022/23.

(c) **Planning and Housing**

Underspend of £0.179 million. There were various offsetting underspends and overspends across the service, with the most significant being an underspend of £2.090 million on Social Housing Decarbonisation Fund Wave 1 schemes. This programme was delayed due to access issues and adverse weather and a project extension to September 2023 was agreed with the grant funding body. The most significant overspend in this area was £1.230 million on Disabled Facilities Grant schemes, resulting from increased demand for DFGs and

increased costs due to inflationary costs on raw materials. This will be met by re-profiling budget from 2023/24 into 2022/23.

(d) **Culture and Sport**

Underspend of £3.620 million. Underspends in this area include £0.914 million on Locomotion New Exhibition Building, £0.431 million on Durham Miners Association Redhills Building Refurbishment and £0.290 million on Shildon Coal Drops.

On Leisure Centre Transformation schemes there was an underspend of £0.305 million on Teesdale Leisure Centre due to slippage in the programme. There was an overspend of £0.281 million on Peterlee Leisure Centre as aspects of work were accelerated to maximise Salix grant funding for the Decarbonisation element of the refurbishment works.

(e) **Transport**

Underspend of £3.839 million. There were various offsetting underspends and overspends across the service, with the most significant being an underspend of £1.881 million on Durham Bus Station and North Road Development as a failed concrete pour and adverse weather conditions led to delays in the programme of works.

On the Jade Business Park Infrastructure scheme there was an underspend of £0.759 million resulting from ongoing dialogue relating to the approval of structural assessments with National Highways. An underspend of £0.445 million for the Locomotion Walking & Cycling (LUF) scheme was due to a delayed start on site as a result of ongoing discussions with landowners to agree leases.

Resources

143 The underspend of £0.415 million is mainly due:

(a) **Policy, Planning and Performance**

Underspend of £0.705 million, of which £0.616 million relates to the Corporate Business Intelligence System scheme where a revised cash flow for the project was not received until after the final budget updates for the quarter three forecast outturn report were prepared.

(b) **Digital and Customer Services**

Overspend of £0.303 million. Overspends on Datacentre Switching (£0.165 million), Networking (£0.156 million) and

Accommodation ICT (£0.131 million) schemes where spending was accelerated, and budgets are to be re-profiled from 2023/24 to fund this.

An overspend of £0.149 million on the Corporate Anti-Virus Solution resulted from an alternative supplier having to be found due to restrictions on trading with Russian affiliated suppliers.

The Digital Durham Top Up Scheme had an overspend of £0.124 million. The timing of payments is difficult to predict as it varies depending on supplier build rates. An underspend of £0.223 million on the Digital Mailroom scheme resulted from delays in the project pushing spend into 2023/24.

Prudential Indicators

- 144 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.
- 145 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)

- 146 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.
- 147 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 2021/22 Treasury Management Outturn Report. The 2022/23 outturn position as at 31 March 2023 is as follows:

	2022/23 Original £million	2022/23 Actual £million	2022/23 Variance £million	2023/24 Estimate £million	2024/25 Estimate £million
Opening CFR	545.723	534.012	-11.711	525.618	636.655
Add net borrowing requirement for the year	188.570	0.000	-188.570	120.000	184.566
Add leasing & PFI requirement for the year	11.922	8.801	-3.121	10.296	6.040
Deduct MRP/VRP and other financing movements	-18.275	-17.195	1.080	-19.259	-20.790
Closing CFR	727.940	525.618	-202.322	636.655	806.471

Gross Debt and the Capital Financing Requirement (CFR)

148 To ensure that debt held will only be for capital purposes, the council needs to 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 complied with and plans to comply with this requirement, which shows gross borrowing continues to be less than the CFR:

	2021/22 Actual £million	2022/23 Actual £million	2023/24 Estimate £million	2024/25 Estimate £million
Borrowing	417.985	439.652	416.632	381.064
Finance leases	47.069	48.769	50.039	46.787
PFI liabilities	35.670	34.779	33.887	32.995
Total Gross Debt	500.724	523.200	500.558	460.846
Capital Financing Requirement	534.012	525.618	636.655	806.471
Headroom (Internal Borrowing)	33.288	2.418	136.097	345.625

Operational Boundary

149 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 Actual £million	2023/24 Estimate £million	2024/25 Estimate £million
Borrowing	442.000	553.000	727.000
Other long term liabilities	84.000	84.000	80.000
Total	526.000	637.000	807.000

Authorised Limit

- 150 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 Actual £million	2023/24 Estimate £million	2024/25 Estimate £million
Borrowing	492.000	603.000	777.000
Other long term liabilities	89.000	89.000	84.000
Total	581.000	692.000	861.000

Council Tax and Business Rates Collection Funds

Council Tax

- 151 Council Tax is charged for all residential dwellings in bandings agreed by the Valuation Office Agency, which is part of Her Majesty's Revenues and Customs (HMRC). Exemptions, reliefs, and discounts are awarded dependent upon the state of the property, its use, and occupiers' personal circumstances.
- 152 The in-year collection rate at 31 March 2023 was 95.91%, which is 0.45% points better than the position in 2021/22, but still below the pre-Covid performance levels at this time, with performance continuing to be impacted Covid legacy issues, when recovery action was suspended for 18 months, and by the consequential cost of living crisis and squeeze on household incomes.
- 153 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 with residual elements to pay; a total of £2.084 million was awarded to 31 March 2023.

- 154 The in-year collection rates at 31 March for 2022/23 and the previous two financial years, are shown below.

Billing Year	Position at 31 March
2022/23	95.91%
2021/22	95.46%
2020/21	97.94%

- 155 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 collectable is estimated each year by reference to the actual council tax base for all domestic properties in the county (schedule of all properties, discounts, and reliefs) with an allowance for non-collection.
- 156 Actual cash collected in year as at 31 March 2023 was £320.992 million compared with £303.395 million as at 31 March 2022, however when the Council Tax increases for 2022/23 are factored in, this represents a year-on-year real terms increase of £3.627 million in terms of Council Tax income received.
- 157 Due to changes in the number of properties (including new build and demolitions), and eligibility of discounts and reliefs during the year, the actual amount of council tax collectable, increases or decreases from the estimate on a dynamic day to day basis. In addition, adjustments for previous billing years take place during each accounting year. All of these adjustments mean that the actual amounts collected will always differ from the original estimate.
- 158 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.
- 159 In July 2020 the government announced that repayments to meet any collection fund deficits accrued in 2020/21 will be phased over a three-year period (2021/22 to 2023/24) to ease the immediate pressures on budgets.

- 160 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).
- 161 The 2022/23 forecast Collection Fund position included the final third of this spread deficit. The council's share will be reflected within the 2023/24 budget.
- 162 At 31 March 2023 the final outturn for the council tax collection fund is an in year deficit of £0.025 million, with the council's share of the in year deficit being £0.021 million. At quarter three an in-year deficit of £0.251 million was forecast, with the council's share being £0.211 million.
- 163 After taking into account the undeclared 2021/22 deficit of £2.589 million and the forecast in year deficit of £0.026 million, the overall forecast for the council tax element of the Collection Fund is a £2.615 million deficit. The council's share of this deficit is £2.206 million.
- 164 The following table summarises the Council Tax activity during 2022/23:

	£ million
Net Bills issued during Accounting Year 2022/23	380.414
LCTRS and previous years CTB adjustments	-60.246
Calculated change in provision for bad debts required and write offs	-3.572
Net income receivable (a)	316.596
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)	-0.026
Undeclared Surplus / (-) Deficit brought forward from 2021/22	-2.589
Estimated year end deficit	-2.615

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

	£ million
2021/22 Undeclared Deficit	-2.589
Remaining Deficit Spread	-1.907
Deficit for the year	-0.026
Collection Fund gross deficit	-4.522
2023/24 General Fund impact – deficit spread	1.907
Year end Deficit	-2.615

- 166 The council was required to determine and declare the forecast surplus or deficit on the council tax collection fund for 2021/22 by 15 January 2022. This needed to be considered during the budget setting process for 2022/23. Any difference between this and the actual surplus at 31 March 2022 was carried forward to the next financial year to be taken into account in estimating the surplus/ deficit position for 2022/23 and taken into account during 2023/24 budget setting.
- 167 At 15 January 2023 the estimated outturn for the Council Tax Collection Fund was a deficit of £2.378 million to 31 March 2023, including the final instalment of the spreading adjustment from 2020/21 of £1.907 million. The actual outturn is therefore broadly in line with the estimates used in the 2023/24 budget setting process.

Business Rates

- 168 2013/14 was the first year of the new business rates retention scheme whereby the council has a vested budget interest and stake in the level of business rate yield, as income generated from business rates has since been shared between Central Government (50%), Durham County Council (49%) and County Durham and Darlington Fire and Rescue Authority (1%). Therefore, it is not only the accuracy and timeliness of bills levied and collected that is monitored and audited, but the level of income anticipated for the year is also important.
- 169 In 2017/18, following consultation, the Government implemented the first revaluation of business rates since April 2010.
- 170 The revaluation of the rateable values of all business properties was undertaken by the Valuation Office Agency and, along with national changes to multipliers, relief thresholds and transitional arrangements, came into effect from April 2017.

- 171 The next revaluation of non-domestic properties takes effect from 1 April 2023. The 2017 list has now closed and the last day on which ratepayers were able to initiate the appeal process on the 2017 rating list was 31 March 2023.
- 172 Bills raised, exemptions and reliefs awarded are examined, together with local knowledge of anticipated changes in reliefs such as discretionary rate relief, on a monthly basis to enable a comparison with the January 2022 estimate of 2022/23 business rates income that was used for budget setting purposes.
- 173 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 totals £8.406 million and is compensated in full by Section 31 grant.
- 174 The in-year collection rate at 31 March 2023 was 96.38%, which is 2% points below the previous year. In year performance in 2022/23 was impacted by the current economic climate, with inflationary pressures affecting businesses across the county leading to a reduction in payments received. Two major accounts were however settled in April 2023. Reductions in in-year collection rates have been experienced by other local authorities and a working group has been established to support businesses via an early intervention approach going forward.
- 175 The in-year collection rates at the end of the year for the current and last two financial years, are as follows:

Billing year	Position at 31 March
2022/23	96.38%
2021/22	98.38%
2020/21	98.63%

- 176 In line with the position for council tax the repayments to meet any collection fund deficits accrued in 2020/21 have been phased over a three-year period (2021/22 to 2023/24) to ease immediate pressure on budgets.
- 177 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)

- 178 At 31 March 2023 the final outturn for the business rates collection fund is a deficit of £5.387 million of which the council's 49% share is £2.640 million.
- 179 After taking into account, the undeclared improvement in the 2021/22 position of £0.831 million and the in year deficit of £5.387 million the overall outturn for the business rate element of the Collection Fund is a £4.556 million deficit, of which the council's share is £2.233 million. At quarter three the forecast in year deficit was £4.499 million and the overall forecast for the business rate element of the Collection Fund was a £3.668 million deficit, of which the council's share was £1.797 million.
- 180 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	107.716
Estimate of changes due to appeals lodged and future appeals	-3.616
Estimated losses in Collection – Provision for Bad Debts and Write-offs	1.293
Net income receivable (a)	102.907
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)	0.778
Total fixed payments (b)	108.294
Net deficit for year (a) – (b)	-5.387
Undeclared Surplus / (-) Deficit brought forward from 2021/22	0.831
Estimated year end deficit	-4.556

- 181 Taking into account the outturn positions at the end of the financial year for both 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 is as set

out below, which is an overall £0.103 million surplus (which compares with the quarter three forecast of an overall £0.355 net surplus).

	£ million
Council Tax Deficit	-2.199
Business Rates Deficit	-2.238
S31 Grants (CARF)	4.540
Net Deficit	0.103

Section 31 Grant - Small Business Rate Relief

- 182 Small business ratepayers with properties with rateable values under £15,000 benefit from relief on their rates payable. The Government has awarded local authorities a Section 31 grant to cover their share of the shortfall in business rates that these small business ratepayers would have paid had the relief scheme not been in place.
- 183 Small business ratepayers with properties with rateable values up to £12,000 are granted full relief, and properties with rateable values between £12,000 and £15,000 have a tapered relief applied to them ranging from 100% down to 0%.
- 184 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.
- 185 At 31 March 2023, the gross small business relief awarded against 2022/23 business rates bills and adjustments for the period 2013/14 to 2021/22 was £18.394 million, and the council will receive £6.357 million in Section 31 grant, including the capping adjustment and threshold change adjustments, in this regard.

Other Section 31 Grants

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

Relief and Retail Relief Schemes. Funding for these schemes is provided through Section 31 grants.

- 187 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

- 188 The delivery of the MTFP (12) 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; and
 - (e) sound risk management.
- 189 MTFP (12) savings proposals for 2022/23, agreed by County Council on 23February 2022 totalled £2.427 million.
- 190 At 31 March 2023, 93.68% (£2.278 million) of the £2.427 million total savings target had been delivered. The £0.149 million unrealised savings related to unachieved Bus Shelter Income (£0.120 million) and the agreed delay (until 2023/24) in the Partnership Community Engagement and CCU restructure (£29,000).

Consultation

- 191 There has not been any public consultation on MTFP (12) proposals during the year.

HR implications

- 192 Equality data relating to the seven employees leaving through voluntary redundancy, early retirement, and ER/VR during 2022/23 showed that 33.33% were male and 66.67% were female. In terms of race, 33.33.67% of leavers had not disclosed their ethnicity and the remaining 66.67% stated that they were white British or white English. Regarding disability status no employees said they had a disability, 0% had no disability and 100% did not disclose their disability status.
- 193 Equality data relating to the data relating to the three staff leaving through compulsory redundancy during quarter four of MTFP12 showed that 33.33% were female and 66.67% were male. In terms of race,

66.67% of leavers had not disclosed their ethnicity and the remaining 33.33% stated that they were white British or white English. Regarding disability status no employees said they had a disability, 33.33% had no disability and 66.67% did not disclose their disability status.

- 194 Since austerity began in 2011, equality data relating to employees leaving through voluntary redundancy, shows that 65.65% were female and 34.35% 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). These figures also align to the overall gender split of the council's employee.
- 195 In terms of race, since 2011, 45.43% of leavers had not disclosed their ethnicity, with 54.14% stating that they were white British or white English. Regarding disability status 2.91% said they had a disability, 13.81% had no disability and 83.28% did not disclose their disability status.

Equality Impact Assessments (EIA)

- 196 Services have completed EIA screenings and assessments where necessary as part of the decision-making process for 2022/23 MTFP (12) proposals.
- 197 Projects to deliver growth proposals going forward will be supported to ensure robust planning and that EIA screening are also completed.

Other Useful Documents

- County Council – 23 February 2022 – Medium Term Financial Plan 2022/23 to 2025/26 and Revenue and Capital Budget 2022/23.
- Cabinet – 14 September 2022 – Forecast of Revenue and Capital Outturn 2022/23 – Period to 30 June 2022 and Update on Progress towards achieving MTFP (11) savings.
- Cabinet – 16 November 2022 – Forecast of Revenue and Capital Outturn 2022/23 – Period to 30 September 2022 and Update on Progress towards achieving MTFP (12) savings.
- Cabinet – 16 November 2022 - Council Tax Base 2023/24 and Forecast Deficit on the Council Tax Collection Fund as at 31 March 2023.

- County Council – 22 February 2023 – Medium Term Financial Plan 2023/24 to 2026/27 and Revenue and Capital Budget 2023/24
- 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.

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Appendix 1: Implications

Legal Implications

This report shows the actual outturn compared to original and revised budgets as agreed by Council in relation to the 2022/23 financial year and is a key component of the council's Corporate and Financial Governance arrangements. The information contained within this report has been prepared in accordance with standard accounting policies and procedures.

Finance

The report details the financial outturn for the council for 2022/23 for revenue and capital. The report covers general fund for revenue and capital and the outturn position for general and earmarked reserves at 31 March 2023, plus the Collection Fund outturn, covering council tax and business rates.

Consultation

None.

Equality and Diversity / Public Sector Equality Duty

None specific to this report. There is an overview of the protected characterisers of staffing leaving the Council as a result early retirement, voluntary redundancy and compulsory redundancies as a result of MTFP (12) savings proposals implemented in year contained within the report.

Climate Change

None.

Human Rights

None.

Crime and Disorder

None.

Staffing

The report includes details of under and overspending against employee budgets, with underspends mainly due to vacancies and overspends due to delays in implementing restructures or managed positions due to workload.

The report includes details of the staffing implications arising from MTFP12 savings proposals that were factored into the 2022/23 budget.

Accommodation

None.

Risk

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

Procurement

None.

Appendix 3: General Fund Revenue Summary by Expenditure/ Income for 2022/23

	Original Budget 2022/23	Revised Budget	Service Groupings Final Outturn	Corporate Costs Forecast of Outturn	Final Outturn (including Corporate Costs)	Variance (including Corporate Costs)	Variance - Corporate Costs	Contribution to / (Use of) Contingencies, outside the cash limit	Contribution to / (Use of) Cash Limit Reserve	Contribution to / (Use of) Earmarked Reserves	Adjusted Variance	Adjustment for inflationary-related sums outside the cash limit included in Forecast of Outturn					Cash Limit Position
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	Energy	Waste	Transport Fuel	Home to School Transport	Pay Inflation and NI adjustment 22/23	£'000
Employees	538,082	539,999	552,218	437	552,655	12,495	109	7	0	0	12,502	0	0	0	0	-13,009	-507
Premises	50,177	52,238	61,969	5	61,974	9,728	40	-2,616	0	0	7,112	-1,364	0	0	0	0	5,748
Transport	51,360	52,174	62,003	0	62,003	9,824	0	-482	0	0	9,342	0	0	-757	-3,000	0	5,585
Supplies & Services	115,120	121,095	143,406	2,251	145,657	24,842	1,011	-1,694	0	0	23,148	0	0	0	0	0	23,148
Agency & Contracted	497,612	501,792	547,017	2,822	549,839	37,172	765	3,155	0	0	40,327	0	379	-600	0	0	40,106
Transfer Payments	149,152	150,095	164,836	2,338	167,174	17,030	2,166	-3,254	0	0	13,776	0	0	0	0	0	13,776
Central Costs	132,392	136,148	141,894	1,412	143,306	6,546	886	5,582	-2,598	17,115	26,645	0	0	0	0	0	26,645
DRF	734	2,225	7,548	0	7,548	5,310	0	600	0	0	5,910	0	0	0	0	0	5,910
Other	4	4	212	0	212	208	0	0	2,228	-2,228	208	0	0	0	0	0	208
Capital Charges	61,873	61,873	129,493	0	129,493	67,620	0	-67,547	0	0	73	0	0	0	0	0	73
GROSS EXPENDITURE	1,596,506	1,617,643	1,810,596	9,265	1,819,861	190,774	4,977	-66,249	-370	14,887	139,042	-1,364	379	-1,357	-3,000	-13,009	120,691
Income																	
Government Grants	599,030	578,990	644,997	684	645,681	63,310	-684	874	0	0	64,184	0	0	0	0	0	64,184
Other Grants and Contributions	85,822	88,695	131,915	647	132,562	38,588	-647	-22,393	0	0	16,195	0	0	0	0	0	16,195
Sales	6,788	6,444	6,217	162	6,379	-63	-62	-1	0	0	-64	0	0	0	0	0	-64
Fees and Charges	108,377	110,044	130,734	-31	130,703	20,311	31	-20	0	0	20,291	-1,527	0	0	0	0	18,764
Rents	10,433	10,470	17,344	0	17,344	6,883	0	-132	0	0	6,751	0	0	0	0	0	6,751
Recharges To Other Services	302,674	308,157	296,565	2	296,567	-14,451	-2	10,906	0	0	-3,545	0	0	0	0	0	-3,545
Other	7,771	9,925	50,244	0	50,244	40,733	0	-35,132	0	0	5,601	0	0	0	0	0	5,601
Total Income	1,120,895	1,112,725	1,278,016	1,464	1,279,480	155,311	-1,364	-45,898	0	0	109,413	-1,527	0	0	0	0	107,886
NET EXPENDITURE	475,611	504,918	532,580	7,801	540,381	35,463	3,613	-20,351	-370	14,887	29,629	163	379	-1,357	-3,000	-13,009	12,805

Appendix 4: General Fund Earmarked Reserves as at 31 March 2023

	SERVICE GROUPING	OPENING BALANCE	USE OF RESERVES	CONTRIBUTION TO RESERVES	TRANSFERS BETWEEN RESERVES	TOTAL MOVEMENT ON RESERVES	CLOSING BALANCE AT 31/03/23
		£'000	£'000	£'000	£'000	£'000	£'000
EARMARKED RESERVES AND CASH LIMIT RESERVES							
Corporate Reserves							
Budget Support Reserve	Corporate	-10,000	10,000			10,000	0
Business Support Reserve	Corporate	-1,623	148	-474	700	374	-1,249
Cabinet Priorities Reserve	Corporate	-10,000	4,783	-3,464	7,926	9,245	-755
Commercialisation Support Reserve	Corporate	-5,634	27		-3,500	-3,473	-9,107
Equal Pay Reserve	Corporate	-9,479			5,000	5,000	-4,479
ER/VR Reserve	Corporate	-6,044	3,190		-7,500	-4,310	-10,354
Capital Expenditure reserve	Corporate	0			-642	-642	-642
Feasibility Study Reserve	Corporate	-500					-500
Inspire Programme Reserve	Corporate	-121			121	121	0
Insurance Reserve	Corporate	-5,000	205	-1,170		-965	-5,965
Levelling Up Feasibility Reserve	Corporate	-850	1,010		-253	757	-93
MTFP Reserve	Corporate	-15,162	5,484		-27,318	-21,834	-36,996
Recovery Support Reserve	Corporate	-1,654	2,147	-72	-421	1,654	0
Resources DWP Grant Reserve	Corporate	-4,577	2,027	-35	290	2,282	-2,295
Resources Elections Reserve	Corporate	-1,091		-117		-117	-1,208
Resources Housing Benefit Subsidy Reserve	Corporate	-1,962	1,962			1,962	0
Total Corporate Reserves		-73,697	30,983	-5,332	-25,597	54	-73,643
Sums held for other organisations/grants							
Collection Fund Deficit Reserve	Corporate	-9,166	8,984	-4,540		4,444	-4,722
Local Taxation Income Guarantee Reserve	Corporate	-710	355			355	-355
North Pennines AONB Partnership Reserve	NCC	-1,623		-529		-529	-2,152
Public Health Reserves	AHS	-6,538	1,719	-1,755	353	317	-6,221
Resources Council Tax Hardship Reserve	Resources	-3,411	2,069			2,069	-1,342
Resources COVID-19 Support Grants	Resources	-828	227	-20		207	-621
Social Care Reserve - Community Discharge Grant	AHS	-428	63	-373		-310	-738
Social Care Reserve - CCG	AHS	-19,479	900	-3,798	640	-2,258	-21,737
Total Sums held for other organisations/grants		-42,183	14,317	-11,015	993	4,295	-37,888
Other Specific Reserves							
Business Growth Fund Reserve	REG	-454		-150		-150	-604
Children's Services Reserve	CYPS	-3,961	1,940	-3,426	-105	-1,591	-5,552
Community Protection Reserve	NCC	-3,562	468	-724	450	194	-3,368
Corporate Property & Land Reserve	REG	-2,763	915	-1,291	350	-26	-2,789
Culture and Sport Reserve	REG	-19,494	6,818	-283	4,698	11,233	-8,261
Economic Development Reserve	REG	-3,431	1,287	-2,965	749	-929	-4,360
Education Reserve	CYPS	-16,697	2,606	-4,301	3	-1,692	-18,389
Employability and Training Reserve	REG	-323	78	-64		14	-309
Environmental Services Reserve	NCC	-4,886	2,526	-982	250	1,794	-3,092
Funding and Programmes Management Reserve	REG	-628	236	-27		209	-419
Grant Reserve	REG	-86					-86
Housing Regeneration Reserve	REG	-255			19	19	-236
Housing Solutions Reserve	REG	-4,699	955	-539	402	818	-3,881
Operational Reserve	REG	-282	74			74	-208
Partnerships and Community Engagement Reserve	NCC	-10,812	2,818	-4,864	-299	-2,345	-13,157
Planning Reserve	REG	-451	13			13	-438
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	255	-481	222	-4	-562
Resources Customer Services Reserve	Resources	-250	11			11	-239
Resources Financial Services Reserve	Resources	-244			244	244	0
Resources Grant Reserve	Resources	-154		-130		-130	-284
Resources Human Resources Reserves	Resources	-397	193	-93		100	-297
Resources ICT Reserves	Resources	-1,256	286			286	-970
Resources Internal Audit & Corporate Fraud Reserve	Resources	-197	73	-125		-52	-249
Resources Legal Reserves	Resources	-443	155	-100		55	-388
Resources Operational Reserve	Resources	-97			97	97	0
Resources Operations and Data Reserve	Resources	-40	30	-40		-10	-50
Resources Revenue and Benefits Reserve	Resources	-857	417		-89	328	-529
Resources System Development Reserve	Resources	-197					-197
Resources Transformation Reserve	Resources	-586	183	-853	402	-268	-854
Social Care Reserve - Specific Purpose	AHS	-2,732	2,131	-222	-497	1,412	-1,320
Technical Services Reserve	NCC	-1,410		-636	184	-452	-1,862
Town and Villages Regeneration Reserve	REG	-18,447	286		17,475	17,761	-686
Transport Reserve	REG	-1,494	-171	-993	-52	-1,216	-2,710
Total Other Specific Reserves		-108,084	29,919	-23,289	24,503	31,133	-76,951
TOTAL EARMARKED RESERVES		-223,964	75,219	-39,636	-101	35,482	-188,482

	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	2,235	-1,850	435	820	-5,329
Children and Young People's Services		0	-14,252	14,252			0
Neighbourhoods and Climate Change		-1,457	1,102	599	-334	1,367	-90
Regeneration, Economy and Growth		-2,868	482	698	316	1,496	-1,372
Resources		-1,091	709	-567	-316	-174	-1,265
Total Cash Limit Reserves		-11,565	-9,724	13,132	101	3,509	-8,056
Total Council Reserves		-235,529	65,495	-26,504	0	38,991	-196,538
Schools' Balances							
Schools' Revenue Balance	CYPS	-31,219	2,756			2,756	-28,463
DSG Reserve	CYPS	-3,056			3,056	3,056	0
Total Schools and DSG Reserves		-34,275	2,756	0	3,056	5,812	-28,463
Total Earmarked Reserves		-269,804	68,251	-26,504	3,056	44,803	-225,001

The DSG Reserve transfer is to the unusable DSG adjustment account, in accordance with regulations.