

Cabinet

15 November 2023



**Forecast of Revenue and Capital
Outturn 2023/24 – Period to 30
September 2023 and Update on
Progress towards achieving MTFP (13)
savings**

Ordinary Decision

Report of Corporate Management Team

Paul Darby, Corporate Director of Resources

Councillor Richard Bell, Portfolio Holder for Finance

Electoral division(s) affected:

Countywide

Purpose of the Report

- 1 To provide Cabinet with:
 - (a) the forecast revenue and capital outturn at 31 March 2024, based on the position to 30 September 2023;
 - (b) an update on the dedicated schools grants and forecast schools' outturn as at 31 March 2024, based upon the position to 30 September 2023;
 - (c) the forecast for the council tax and business rates collection fund outturn at 31 March 2024, based on the position to 30 September 2023; and
 - (d) details of the updated forecast use of and contributions to earmarked, cash limit and general reserves in 2023/24 and the estimated balances that will be held at 31 March 2024.
- 2 To seek approval of the revised 2023/24 capital programme, other budget adjustments and proposed sums treated as outside of the cash limit in year.

- 3 To provide Cabinet with an update on progress towards achieving MTFP (13) savings in 2023/24.

Executive summary

- 4 The council is continuing to operate in a period of significant financial uncertainty and volatility. This uncertainty is being driven by continuing short term local government finance settlements, our inherent low tax raising capacity due to our low tax base alongside ongoing significant inflationary pressures, enduring demographic / cost pressures in Children's Social Care, increased demand and complexity of demand for a range of services and the ongoing inflationary impact of the expected pay award. The financial outlook for the council is forecast to remain extremely challenging for the foreseeable future.
- 5 In 2022/23 the council encountered considerable financial challenges, mainly resulting from the impact of the Ukraine conflict. Consumer Price Index inflation (CPI) in the UK economy peaked at 11.1% in October 2022 and although this has reduced to 6.7% for the twelve months to September 2023, CPI is now forecast to stay higher for longer than the Chancellor originally set in his budget forecasts in March 2023. This continues to drive upward pressure across a range of expenditure budgets.
- 6 In late February 2023, the government announced that national fostering allowances for 2023/24 were to increase by 12.4%. The timing of the announcement was too late for the council to include in the 2023/24 budget, where a 5% price increase had been included. The additional 7.4% point increase applied from April has added a forecast circa £0.590 million increase to our costs in the current year. This additional spending requirement will need to be built into the base budget next year.
- 7 The Local Government Employers pay offer, which was made in mid / late February and is still to be agreed, set out an increase for 'Green Book' employees of £1,925. This represents the vast majority of council employees and equates to a circa 6.5% increase in the council's 2023/24 pay budget given the number of employees we have on the lower pay bands. The 2023/24 base budget included provision for up to a 5% pay award this year. The additional 1.5% point budget uplift required will add a forecast £2.576 million (net of expected vacancies) during 2023/24 and £3.711 million per annum to council costs if this is ultimately agreed.
- 8 Attendance at our leisure centres has not fully recovered after the pandemic, however budgeted levels of income remain at pre-pandemic levels. The under recovery of leisure income suffered over the past two

years continues into 2023/24 with a projected shortfall of circa £1.800 million forecast this year. This includes the impact of temporary closures whilst refurbishment works are undertaken as part of the Leisure Transformation Programme. The ongoing shortfall net of the impact of temporary closures of circa £1 million will need to be addressed in the 2024/25 budget. The 2023/24 underachievement of leisure income has been treated as outside the cash limit and picked up corporately for the last two years, with this treatment continuing in 2023/24. The 2023/24 reduced income as a result of the closure of leisure centre during refurbishment is circa £0.760 million (included above) has also been reported as outside services cash limit.

- 9 The Aycliffe Secure Service continues to struggle to realise budgeted income levels. This is particularly linked to problems in recruiting staff to ensure income targets can be achieved. In 2022/23 the shortfall was circa £1.448 million, however in 2023/24 the shortfall is expected to be circa £0.306 million, an improvement on the position forecast at quarter one. This has been treated as outside of the services cash limit in the current year, with this ongoing budget pressure being addressed in the 2024/25 base budget.
- 10 The pandemic accelerated growth in the use of temporary accommodation, which has continued into 2023/24. The Housing Benefit Subsidy Grant does not allow for full recovery of payments linked to temporary and supported accommodation, which has also increased in recent years and this in turn has led to a forecast shortfall in recoverable income of circa £3.200 million in 2023/24. This ongoing budget pressure will also be addressed in the 2024/25 budget.
- 11 These and other inflationary pressures are resulting in overspends in 2023/24 and driving additional unavoidable budget pressures across the MTFP(14) planning period. These issues were factored into the MTFP(14) forecasts reported to Cabinet on 11 October 2023.
- 12 Energy prices have continued to fall across the last quarter. The MTFP (13) forecasts anticipated that prices would fall based on the advice from industry experts, however but they are now estimated to fall further and more quickly than previously estimated. Energy costs are presently forecast to be lower than budget (net of Joint Stocks power generation income shortfall) by £2.805 million in the current year in part due to higher LPG stocks and in part due to a warmer weather across the last six months. At quarter one the estimated underspend was £1.394 million. The MTFP(14) forecasts have been adjusted accordingly.
- 13 Based on the position to 30 September 2023, service grouping cash limit budgets are forecasting a net overspend of £5.245 million this year,

which compares to a net forecast overspend of £5.658 million forecast at quarter one. The majority of the overspend continues to relate to Children and Young People's Services where there is a forecast cash limit overspend of £6.222 million now forecast (£5.078 million at quarter one). The service does not have a cash limit reserve to offset this overspend so, as in previous years, this overspend will need to be financed from the General Reserve. The services net cash limits show an underspend of £0.977 million once the CYPs position is excluded, which compares to a £0.580 million overspend forecast at quarter one.

- 14 The overspends being met corporately have been offset by budget available in general contingencies, a £4.425 million underspend in the capital financing budget and an over recovery in the investment income budget of £5.284 million. Overall, therefore, after also taking into account the forecasted outturn positions on corporate budgets, it is estimated that the General Reserve position to year end will increase by £3.258 million as at 31 March 2024. At quarter one there was a forecast £17,000 increase in the General Reserve forecast, the main reason for the improved position relating to improved investment income returns, which have increased by £1.819 million when compared to the position forecast at quarter one.
- 15 Total earmarked and cash limit reserves (excluding school reserves) are forecast to continue to reduce. Earmarked reserves in particular are being expended in line with their expected use, with a forecast reduction in overall reserves of £33.290 million in 2023/24, from £196.535 million to £163.425 million. £10 million of the reduction in reserves relates to the use of the MTFP Support Reserve in year to balance the 2023/24 budget. The updated forecasts are for a marginally lower reduction in earmarked and cash limit reserves in year than what was forecast at quarter one, when the in-year reduction was forecast to be £34.124 million. The improved position being largely due to the improved cash limit position for service groupings.
- 16 The forecast reserves position, including the General Reserve, is considered to be adequate and prudent given the financial commitments we have and the uncertainties facing the council and the whole of local government beyond 2023/24. The MTFP(14) report to Cabinet on 11 October 2023 highlighted a forecast budget shortfall of circa £67 million over the next four years and additional savings requirement of £52.272 million over this period (£8.308 million falling into 2024/25) should the additional savings identified in the October MTFP(14) update report and those previously reported be ultimately implemented.
- 17 The forecast future MTFP(14) savings shortfalls are likely to require the council to continue to support the MTFP via earmarked reserves, such as the MTFP Support Reserve and the ER/VR reserve. In this regard all

reserves are reviewed regularly to ensure sufficient reserves are available to support the MTFP. This will include consideration of transferring sums out of the General Reserve to reduce it to the minimum level required if necessary.

- 18 The council's current reserves policy aims to maintain a general reserve balance of between 5% and 7.5% of the net budget requirement in the medium term, which equates to a range of between £26 million and £39 million. The opening general reserves balance equated to the minimum 5% at £26.017 million.
- 19 The quarter two updated projected outturn position forecasts an increase in the general reserve, with the reserve now forecast to increase by £3.258 million in year to £29.275 million. This would equate to general reserve of circa 5.6% of the council's net budget requirement, therefore above the minimum threshold.
- 20 The updated forecast position for all current maintained schools shows a forecast use of reserves of £2.158 million (£4.753 million below budget) in year. This is an improvement on the position forecast at quarter one, when the maintained schools use of reserves was forecast to be £4.451 million in year.
- 21 The updated forecast position for Dedicated Schools Grant centrally retained block shows a net £1.667 million overspend, including a £2.118 million overspend in relation to High Needs Block, which will increase the accumulated deficit from £8.835 million to £10.753 million. At quarter one, the High Needs Block was forecast to be £0.245 million underspent to year end, so the updated forecast represents an adverse swing of £2.363 million. The main area of pressure is top up funding in mainstream schools and settings, where demand for both EHCP and SEN support top up funding has increased significantly at the start of the academic year.
- 22 The updated projected capital outturn this year is that capital expenditure will total £312.979 million in year, with the capital budget having been augmented with reprofiled budget from underspending against the 2022/23 capital programme, new spending commitments and funding in year since the budget was agreed, and reprofiling proposals set out in the report to defer capital expenditure to future years where necessary. Actual capital spending incurred to 30 September 2023 was £85.165 million.
- 23 Performance against the various prudential indicators agreed by County Council in February 2023, these are set out at paragraphs 135-142 and shows that the council continues to operate within the targets and boundaries agreed. The half year Treasury Management position and

performance against the full suite of Treasury Management Strategy and Prudential Indicators will be presented to County Council on 6 December 2023.

- 24 The forecast outturn for the Council Tax Collection Fund shows an in-year deficit of £2.376 million, and a cumulative deficit of £2.611 million to 31 March 2024. Durham County Council's share of this forecast net deficit is £2.194 million. At quarter one the in-year deficit was forecast to be £1.783 million, with a cumulative deficit of £2.018 million to 31 March 2024. Durham County Council's share of this forecast net deficit was previously forecast to be £1.695 million.
- 25 The forecast outturn for the Business Rates Collection Fund is an in-year surplus of £6.587 million, but a cumulative surplus of £5.879 million. Durham County Council's share (49%) of this forecast surplus is £2.880 million. At quarter one the in-year surplus was forecast to be £9.861 million, with a cumulative surplus of £9.153 million. Durham County Council's share (49%) of this forecast surplus was previously forecast to be £4.485 million.
- 26 As at 30 September 2023 the council has delivered savings totalling £10.359 million, which is 83.7% of the £12.383 million savings target for the year. This is an improvement on the position at 30 June 2023 when savings delivered totalled £5.435 million, 43.9% of the annual target.

Recommendations

- 27 It is recommended that Cabinet:
- (a) note the council's overall forecast financial position for 2023/24 and the continuing uncertainty associated with the outturn forecast resulting from the significant inflationary and demand led cost pressures;
 - (b) agree the proposed 'sums outside the cash limit' and transfers to and from general contingencies as set out in the report;
 - (c) agree the revenue and capital budget adjustments outlined in the report;
 - (d) note performance against the various prudential indicators agreed by Council in February 2023;
 - (e) note the forecast use of earmarked reserves in year;
 - (f) note the forecast 2023/24 cash limit underspend of £0.977 million (net of CYPS) alongside the forecast contribution of

£3.258 million to General Reserves resulting in a forecast overall net council underspend in 2023/24 of £4.235 million;

- (g) note the net unavoidable inflationary pressures which are forecast to be managed from the General Reserve;
- (h) note that all reserves will be reviewed to ensure sufficient sums are available in the ERVR and MTFP Support Reserve to support the MTFP going forward;
- (i) note the Dedicated Schools Grant and Schools forecast outturn position;
- (j) note the position on the capital programme and the Collection Funds in respect of Council Tax and Business Rates; and
- (k) note the amount of savings delivered to 30 September 2023 against the 2023/24 targets and the total savings that will have been delivered since 2011.

Background

- 28 Council agreed Medium Term Financial Plan 13 (MTFP(13)), which incorporates the revenue and capital budgets for 2023/24, on 22 February 2023. MTFP(13) covers the period 2023/24 to 2026/27.
- 29 The MTFP(13) report highlighted ongoing budget concerns for the council with a forecast savings shortfall of £23.177 million over the 2024/25 to 2026/27 period, after factoring in assumed increases in council tax over the period and the delivery of £18.261 million of agreed savings proposals.
- 30 On 11 October 2023, Cabinet considered an updated Medium Term Financial Plan 14 (MTFP (14)) report, which highlighted ongoing budget concerns for the council with a total forecast budget shortfall of circa £67m over the next four years and an updated forecast net savings requirement of £52.272 million over this period. Assuming all the savings proposals set out in that report are delivered, there was a £8.308 million funding deficit forecast in 2024/25, despite the forecasts assuming annual increases in council tax in line with the referendum limits and government expectations over the period. The delivery of further savings to this magnitude (£52.272 million over the next four years) is becoming ever more challenging to achieve.
- 31 In 2022/23 the council encountered considerable financial challenges, mainly resulting from the impact of the Ukraine conflict, post pandemic recovery and the cost of living crisis. Consumer Price Index inflation (CPI) in the UK economy peaked at 11.1% in October 2022 and although this has reduced to 6.7% for the twelve months to September 2023, CPI is now forecast to stay higher for longer than the Chancellor originally set out in his budget forecasts in March 2023. This continues to drive upward pressure across a range of expenditure budgets in 2023/24 and beyond.
- 32 The constitution requires that the Chief Finance Officer must report to Cabinet on the overall council budget monitoring position on a quarterly basis.
- 33 This report satisfies that requirement and provides a forecast of the revenue and capital outturn for 2023/24, based upon expenditure and income up to 30 September 2023. It includes details relating to the General Fund revenue and capital budgets 2023/24, the Collection Fund for Council Tax and Business Rates and contains details relating to the Dedicated Schools Grant funding blocks, including the financial performance of our maintained schools.

- 34 The report also provides an update on the delivery of MTFP(13) savings for 2023/24. The 2023/24 savings plans were agreed by Council in February 2023 with a savings target of £12.383 million included in the budgets for the current year. This brings the overall savings target for the period from 2011/12 to 2023/24 to circa £262 million. Significant progress has been made towards achieving these savings in year and an update on performance against the £12.383 million target is set out later in the report.

Costs outside the Cash limit - Inflationary Pressures

- 35 High levels of inflation continue to impact on the council's budget. Many of these cost increases can be linked to the Ukraine conflict and at this point it is not clear when this volatility will fully dissipate. The Chancellor of the Exchequer has however, set out that he expects Consumer Price Inflation to fall further across the coming year.
- 36 Energy costs escalated significantly throughout 2022/23. Provision was made for an additional £6 million of budget growth in the gas and electricity budgets in 2023/24, with the MTFP(13) forecasts anticipating that the budget pressure would reduce over time in line with the advice received from industry experts, but not the extent that prices would return to pre-Ukraine crisis levels. Energy prices have however fallen further and more quickly than originally forecast based on the advice received. They are presently forecast to be lower than the increased budget in 2023/24 (net of shortfall on Joint Stocks power generation income) by £2.805 million in part due to higher LPG stocks and in part due to warm weather across the last six months. At quarter one the estimated underspend was £1.394 million.
- 37 The forecasted energy costs have been supported by NEPO data and consider their forward purchasing strategy and the MTFP(14) forecasts have been adjusted accordingly.
- 38 In late February 2023, the government announced that national fostering allowances for 2023/24 were to increase by 12.4%. The timing of the announcement was too late for the council to include this in the 2023/24 budget, where a 5% price increase had been included. The additional 7.4% point increase applied from April has added a forecast circa £0.590 million increase per annum in the current year. This additional spending requirement will need to be built into the base budget next year.
- 39 The Local Government Employers 2023/24 pay offer sets out an increase for 'Green Book' employees of a £1,925 flat rate. This pay offer covers the vast majority of council employees and equates to an average 6.5% increase in the council's 2023/24 pay budget. The

2023/24 original budget included provision for up to 5%, held within general contingencies until agreed (£12.200 million), the additional 1.5% point increase has added a forecast circa £2.576 million (net of vacancies £1.134 million) per annum to council costs in the current year, meaning that pay inflation is expected to cost the Council £14.776 million this year (net of vacancies).

- 40 Attendance and use of our leisure centres has not fully recovered after the pandemic, resulting in an under recovery against income budgets, which remain at pre-pandemic levels of usage. The impact on leisure income suffered over the past two years continues into 2023/24 with a projected shortfall in the underlying budget position of circa £1 million reported, which is being addressed in the 2024/25 base budget. In addition, reduced income of circa £0.760 million as a result of leisure centres being closed for periods of time whilst refurbishment works are undertaken as part of the Leisure Transformation Programme, has been forecast for 2023/24.
- 41 The Aycliffe Secure Service has also struggled to realise previous / budgeted income levels. In 2022/23 the shortfall in net income was circa £1.448 million and is linked to problems in recruiting sufficient staff to ensure income targets can be achieved and staffing ratios linked to some challenging behaviours from some of the residents. This position has continued into the current year, with the updated forecasts showing a circa £0.308 million projected shortfall in net income in 2023/24. This ongoing budget pressure is being addressed in the 2024/25 base budget.
- 42 The pandemic accelerated growth in temporary accommodation which has continued into 2023/24. The Housing Benefit Subsidy Grant does not allow for full recovery of payments linked to temporary and supported accommodation which has also increased in recent years and this in turn has led to a forecast shortfall in recoverable income of circa £3.2 million in 2023/24. This ongoing budget pressure will also be addressed in the 2024/25 base budget. The quarter two forecast position is in line the quarter one forecasts.

Revenue Outturn Forecast – Based on Position to 30 September 2023

- 43 Adjustments have been made to the original budget agreed by Council on 22 February 2023 as follows:
- (a) agreed budget transfers between service groupings.

44 In addition, the forecasted outturn position takes into consideration:

- (a) items outside the cash limit to be funded by General Reserves (for Cabinet consideration and recommended approval);
- (b) planned use /contribution to earmarked reserves (Appendix 4);
- (c) planned use of general contingencies (for Cabinet consideration and recommended approval).

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

Forecast of Revenue Outturn 2023/24

	Original Budget 2023/24	Budget - incorporating adjustments	Service Groupings Forecast of Outturn	Forecasted Variance	Total Contribution to / (Use of) Contingencies, sums outside the cash limit, DSGAA and Reserves	Adjusted Variance	Total Adjustment for inflationary sums outside the cash limit	Cash Limit Position
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adult and Health Services	156,296	156,014	154,782	-1,232	936	-296	-20	-316
Chief Executive's Office	4,492	4,130	3,872	-258	-274	-532	-16	-548
Children and Young People's Services	168,451	168,607	190,094	21,487	-14,800	6,687	-465	6,222
Neighbourhoods and Climate Change	120,845	120,612	121,610	998	-1,653	-655	744	89
Regeneration, Economy and Growth	54,744	54,781	56,084	1,303	-2,163	-860	1,585	725
Resources	22,525	23,251	27,088	3,837	-4,578	-741	-186	-927
Cash Limit Position	527,353	527,395	553,530	26,135	-22,532	3,603	1,642	5,245
Contingencies	16,119	16,029	14,362	-1,667	1,670	3	-2,003	-2,000
Corporate Costs	4,278	4,278	4,314	36	-159	-123	0	-123
NET COST OF SERVICES	547,750	547,702	572,206	24,504	-21,021	3,483	-361	3,122
Capital charges	-55,916	-55,916	-55,916	0	0	0	0	0
DSG deficit reserve adjustment	0	0	-1,668	-1,668	1,668	0	0	0
Interest and Investment income	-9,900	-9,900	-15,184	-5,284	0	-5,284	0	-5,284
Interest payable and similar charges	39,812	39,860	35,435	-4,425	0	-4,425	0	-4,425
Levies	17,506	17,506	17,491	-15	0	-15	0	-15
Net Expenditure	539,252	539,252	552,364	13,112	-19,353	-6,241	-361	-6,602
Funded By:								
Council tax	-268,372	-268,372	-268,372	0	0	0	0	0
Use of earmarked reserves	-18,378	-18,378	-34,073	-15,695	15,708	13	0	13
Estimated net surplus (-) / deficit on Collection Fund	3,895	3,895	3,895	0	0	0	0	0
Business Rates	-55,712	-55,712	-55,712	0	0	0	0	0
Top up grant	-75,956	-75,956	-75,956	0	0	0	0	0
Revenue Support Grant	-32,991	-32,991	-32,991	0	0	0	0	0
New Homes Bonus	-1,860	-1,860	-1,860	0	0	0	0	0
Section 31 Grant for business rates	-34,468	-34,468	-34,468	0	0	0	0	0
Social Care Grant	-49,564	-49,564	-49,564	0	0	0	0	0
Services Grant	-5,148	-5,148	-5,148	0	0	0	0	0
Forecast contribution to/from (-) Cash Limit Reserves	-698	-698	-1,373	-675	1,652	977	0	977
Forecast contribution to/from (-) General Reserves	0	0	3,258	3,258	1,993	5,251	361	5,612
Total Funding	-539,252	-539,252	-552,364	-13,112	19,353	6,241	361	6,602
TOTAL	0	0	0	-0	0	0	0	0

46 The above table identifies a net £5.245 million overspend in cash limit budgets. CYPS however do not hold a cash limit reserve and as such £6.222 million of the overspend will need to be met corporately. The CYPS forecasts position at quarter one was a net forecast overspend of £5.658 million. Once the CYPS overspend is accounted for, there is a net £0.977 million underspend in the cash limit budgets forecast this year, which compares to a £0.580 million overspend forecast at quarter one.

- 47 It is forecast that the corporate position will be a net underspend of £3.258 million which will be transferred to the General Reserve. . At quarter one there was a forecast £17,000 increase in the General Reserve forecast, the main reason for the improved position relating to improved investment income returns, which have increased by £1.819 million when compared to the position forecast at quarter one. Including the cash limit and corporate position the forecast is for a £4.235 million underspend (0.78%) in 2023/24 against a £539.252 million budget.
- 48 The following sums are deemed to be outside of service grouping cash limits and it is proposed that these are funded from general contingencies.

Service Grouping	Use	Proposal	Cumulative Amount Q2 £ Million	Approved Q1 £ Million
REG	Temp	Premises dual running costs	0.173	0.095
REG	Temp	Radon Monitoring	0.095	0.095
RES/REG	Temp	Milburngate – Legal and Professional fees	0.280	0.047
CYPS	Temp	Surplus Property - R&M Educational	0.150	0.150
CYPS	Temp	Psychologists Locum support	0.717	0.000
Resources	Temp	Occupational Health Succession Planning	0.048	0.048
NCC	Temp	Coronation costs	0.032	0.029
NCC	Temp	Waste Procurement fees	0.089	0.000
Resources	Temp	CIPFA Finance Peer Review (OFLOG)	0.035	0.000
Resources	Temp	Legal Assistant support	0.050	0.000
Resources	Perm	Schools SLA Income and Business Manager Post	0.181	0.000
REG	Perm	Senior Management Restructure	-0.101	0.000
CEO	Perm	Initiatives	0.010	0.000
TOTAL			1.759	0.464

- 49 As part of this report, Cabinet approval is sought for the above sums to be funded from general contingencies during quarter two.
- 50 After adjusting the budgets and reserves as detailed above, the forecast

outturn for cash limit reserves and the general reserve are summarised in the following table.

Type of Reserve	Opening Balance as at 1 April 2023	Budgeted use at 1 April 2023	Movement during 2023/24	2023/24 Forecast of Outturn
	£ million	£ million	£ million	£ million
Service Grouping Cash Limit				
Adult and Health Services	-5.329	0.698	1.088	-3.543
Chief Executive's Office	0.000		-0.608	-0.608
Children and Young People's Services	0.000		0.000	0.000
Neighbourhoods and Climate Change	-0.090		0.060	-0.030
Regeneration, Economy and Growth	-1.372		0.803	-0.569
Resources	-1.264		-0.692	-1.956
Total Cash Limit Reserve	-8.055	0.698	0.651	-6.706
General Reserve	-26.017	0.000	-3.258	-29.275

51 The forecast cash limit and general reserves position is considered to be prudent given the significant ongoing financial uncertainties facing the council and local government beyond 2023/24. This updated forecast General Reserve position is circa 5.6% of the council's net budget requirement.

Cash Limit Position

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

Adult and Health Services (AHS)

53 The 2023/24 projected outturn for AHS, based upon the position to 30 September 2023 is a cash limit underspend of £0.316 million to the year end, representing circa 0.2% of the total revised budget for AHS. This compares to the forecast quarter one cash limit underspend of £85,000 (0.05% of the AHS budget).

54 In 2023/24 AHS has faced unavoidable base budget inflationary pressures totaling £25.750 million, from a combination of pay awards to staff working in AHS and the impact of NLW and CPI on social care contracts that needed to be accommodated within the budget, which was partially but not fully offset by the Adult Social Care precept that was applied in 2023/24. The additional Adult Social Care precept equated to a Band A Council tax charge of £23.39 per annum

(£0.45 per week) and generated £5.1 million of additional council tax revenues. Without the Adult Social Care precept, the budget deficit the council faced in 2023/24 would have been £36.150 million higher.

- 55 The projected outturn takes into account adjustments for sums outside the cash limit including MTFP saving linked redundancy costs which are met from the corporate reserve, capital accounting entries and use of / contributions to earmarked reserves. Reductions in forecast energy costs of £35,000 and the 2023/24 pay award costs for Chief Officers and Apprentices of £55,000 have also been excluded from the cash limit outturn position. Also excluded is a forecast underspend in the AHS budget of £3.500 million, set aside for future MTFP support.
- 56 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, results in an estimated under budget position for the year of £0.947 million;
 - (b) net spend on adult care packages is £0.631 million under budget. This area of the budget continues to be closely monitored to assess the ongoing impact of Covid-19 as well as demographic and procedural/operational changes, and is an area where significant MTFP savings have been taken over recent years;
 - (c) net expenditure on Public Health related activity is in line with grant allocations.
- 57 In addition, a net £2.564 million relating to contributions to and from reserves has been excluded from the cash limit outturn forecasts as follows:
- (a) £42,000 net drawdown from the AHS Social Care Reserve to fund temporary staffing arrangements and short term support;
 - (b) £2.760 million drawdown from the AHS Integrated Care Reserve to fund temporary staffing arrangements and short term projects;
 - (c) £1.224 million drawdown from the AHS cash limit reserve to fund temporary staffing arrangements; and
 - (d) £1.462 million net contribution to Public Health reserves to fund future Public Health related activity;
- 58 The following base budget transfers have also been actioned during the second quarter:

- (a) £99,000 transfer to CEO in relation to the transfer of two business analyst posts into the Policy, Planning and Performance team;
- (b) £26,000 transfer to Resources in relation to Business Support posts; and
- (c) £0.156 million transfer to CYPS in respect of former commissioning posts.

59 Taking the projected outturn position into account, including the transfers to/from and between reserves in year, the estimated cash limit reserve balance for AHS is forecast to be £3.543 million at 31 March 2024.

Chief Executive's Office (CEO)

60 The 2023/24 projected outturn for the Chief Executive's Office is a cash limit underspend of £0.548 million. This takes into account adjustments for sums outside the cash limit such as redundancy costs which are met from corporate reserves and use of / contributions to earmarked reserves. At quarter one a cash limit underspend of £76,000 was forecast.

61 Inflationary increases of £16,000 re the 2023/24 pay award for Chief Officers and Apprenticeships have been excluded from the cash limit position.

62 The outturn is a managed position, reflecting the proactive management of activity by service managers to remain within the cash limit. The outturn position is accounted for as follows:

- (a) CEO management is forecast to underspend by £8,000, relating to employee costs;
- (b) Corporate Policy, Planning and Performance is forecast to underspend by £0.304 million. The main reasons relate to an underspend on employee costs due to vacant posts being held in advance of planned MTFP savings and a service restructure, two secondments and additional income received in year also total £23,000;
- (c) Communications and Marketing is forecast to underspend by £0.236 million. This is mainly due to vacant posts held in advance of planned MTFP savings and a service restructure of £0.300 million, along with unbudgeted additional advertising income of £30,000. These underspends are offset by an overspend of

£94,000 relating to the under achievement of internal design work income.

- 63 In arriving at the forecast outturn position, a net £0.274 million relating to the use of reserves has also been excluded from the outturn. The major item being:
- (a) £0.147 million from the Transformation Reserves to fund employee costs in 2023/24 associated with the transformation team;
 - (b) £50,000 drawdown from the AHS County Durham Integrated Care Reserve to fund employee costs in the Communications and Marketing team; and
 - (c) £77,000 drawdown from the AHS Cash Limit Reserve to fund employee costs in the Communications and Marketing team.
- 64 The following budget transfers have been actioned in the second quarter:
- (a) £16,000 transfer from Resources in relation in relation to the Policy Planning and Performance team transfer into the Corporate Affairs areas of the Chief Executive's Office service area;
 - (b) £99,000 transfer from AHS in relation to the transfer of two business analyst posts into the Policy, Planning and Performance team; and
 - (c) £10,000 transfer from contingencies re CEO initiatives.
- 65 Taking the projected outturn position into account, including items outside the cash limit and transfers to and from reserves, the estimated cash limit reserve balance for CEO is forecast to be £0.608 million at 31 March 2024.

Children and Young People's Service (CYPS)

- 66 The 2023/24 projected outturn for CYPS, based upon the position to 30 September (end of August) 2023 is a cash limit overspend of £6.222 million, representing a 3.6% overspend against the total revised budget for CYPS. At quarter one the cash limit overspend was forecast to be £5.078 million, a 3% overspend.
- 67 The cash limit outturn projection excludes the forecast use of / contributions to earmarked reserves and items outside the cash limit such as redundancy costs which are met from corporate reserves.

Forecast reductions in energy costs of £0.185 million, inflationary increases re Fostering Allowances of £0.590 million and the 2023/24 Chief Officer and Apprentice pay award totalling £60,000 have been excluded from the cash limit outturn position. Also excluded is £0.150 million forecasted expenditure on surplus schools, £0.717 million in relation to Educational Psychologists locum support costs (required to meet statutory assessment timeframes) which are to be funded from general contingencies along with £0.306 million relating to Aycliffe Secure Service.

68 The forecast outturn position includes overspends within Head of Social Care of £6.875 million and underspends in Education and Skills of £0.407 million, within CYPS Central of £0.0.547 million and Early Help, Inclusion and Vulnerable Children of £0.2.85 million. Further details are provided below:

- (a) Childrens Social Care is forecast to be a net £6.875 million over budget for the year. The service is forecasting a net overspend of £7.143 million relating to the cost of placements for children looked (net of costs relating to higher rates for fostering allowances that will be met corporately). This compares to the previous forecast of a net overspend of £5.795 million on placement costs in year;
- (b) The pressure on the budget in children's social care has been evident for a number of years now, as the number of children in the care system has increased significantly and their needs have continued to become more complex and more expensive to accommodate. The budget for this area for 2023/24 is £62.288 million, an increase of £15.232 million on the previous year;
- (c) The total number of CLA increased by 45 between June 2023 and August 2023, from 1,090 to 1,135. Approximately one third of the increase (15) across this period relates to the number of Unaccompanied Asylum Seeking Children (UASC) (63 in June to 78 in August);
- (d) The costs of UASC CLA are fully funded via grant from central government and therefore there is no net increase to the forecast position;
- (e) The number of CLA in external high cost placements (those costing more than £100,000 per annum) has increased by 11 in the period from June 2023 to August 2023, however the average cost of these placements has reduced to such an extent that the overall forecast cost remains broadly the same as quarter one;

- (f) The quarter two forecast assumes the number of high-cost external placements remains at the current level (both number and average cost), or that any increase in numbers is offset by a reduction in average cost as was the case between quarter one and quarter two;
- (g) Costs for placements requiring intensive support and / or crisis intervention (including unregistered placements) has been estimated using an average of 8 placements at an average cost of £0.686 million per placement per annum;
- (h) The Education Service is reporting an overspend of £0.179 million to the year end. The main reasons for the overspend position are highlighted below:
- (i) A forecast shortfall of £0.460 million against income budgets due to a drop in levels of SLA income as schools convert to academy status;
 - (ii) A forecast overspend of £0.141 million relating to council run Nursery provision;
 - (iii) A forecast overspend of £0.211 million relating to the write off of aged pupil transfer debts relating to financial years 2018/19 and 2019/20. These debts were not pursued during the COVID pandemic when all debt collection management was paused and, following various discussions with the schools and/or Multi Academy Trusts concerned, it has been agreed to write-off the charge. This overspend is offset by a reduction in the bad debt provision, which is reported under the Central CYPS budget heading;
 - (iv) A forecast overspend of £64,000 relating to the Virtual School Head, largely due to a reduction in de-delegated funding for this year;
 - (v) A forecast overspend of £0.126 million relating to the operation of Durham Leadership Centre due to a shortfall in lettings income;
 - (vi) These overspend are offset to some extent by the following underspends:
 - £0.220 million due to the recharge of the Early Years Sustainability budget to the Early Years Block;
 - £0.179 million Pension Liabilities savings;

- £0.160 million saving on DCC contribution towards the Maintained Nursery Schools;
 - £0.119 million against staffing budgets, largely as a result of a restructure in Education Durham effective from September 2023.
- (vii) There is no anticipated cash limit impact for the Progression and Learning service after the net use of £3.416 million of reserves;
- (viii) A significant part of the service is funded by EU (ESF) grants that will end on 31 December 2023. There will be ongoing costs beyond this point and whilst it is uncertain at this stage how significant this will be, a prudent forecast of those staff continuing in post beyond 31 December 2023 has been made and an assumption included that P&L reserves will meet this cost. An estimate of £200,000 has also been forecast for associated redundancies, however these costs will be funded by the corporate ER/VR reserve.
- (i) A forecast underspend of £0.547 million against Central CYPS budgets is largely as the result of a forecast reduction in the bad debt provision for the year;
- (j) Early Help, Inclusion is forecasting an underspend of £0.285 million;
- (k) The remaining service areas in EHIVC are forecasting an underspend of £0.285 million mainly attributable to underspends against employee and activity budgets;
- (l) It is forecast that expenditure will be in line with budget for the Operational Support area of the service.
- 69 The forecast cash limit outturn shows the position after a net £9.801 million movement to and from reserves, the major items being:
- (a) £3.410 million drawdown from Schools Reserves to write off School deficits as part of the academy transfer process;
- (b) £3.219 million drawdown from Progression and Learning Reserves to fund the impact of ESF grant funding reductions from quarter four, with new UK Shared Prosperity Fund (UKSPF) grant allocations not being receivable until April 2024;

- (c) £0.790 million drawdown from the Corporate ERVR reserve to fund Progression and Learning and Schools forecasted redundancies as the service is restructured to meet UKSPF grant funding levels;
- (d) £1.182 million drawdown from Childrens Social Care Reserves to fund the Holiday Activities and Food Programme, Homes for Ukraine, to fund service developments.in relation to Emotional Wellbeing and to support service delivery;
- (e) £0.318 million drawdown from the Children’s Social Inclusion reserve to fund the Holiday Activities and Food Programme;
- (f) £0.285 million drawdown from the Unaccompanied Asylum Seeking Children reserve to fund service delivery;
- (g) £0.254 million drawdown from the Homes for Ukraine reserve to be utilised by 31 March 2024;
- (h) £0.229 million drawdown from the Rapid Response reserve to fund the service; and
- (i) £0.136 million drawdown from the Emotional Wellbeing reserve to fund service developments.

70 The following budget transfer has been actioned in the second quarter:

- (a) £0.156 million from AHS in relation to the Homefinder Team

71 Taking the forecast outturn position into account, there is a £6.222 million deficit cash limit reserve balance at 31 March 2024. This will, as in previous years, need to be funded corporately from the General Reserve.

Neighbourhoods and Climate Change (NCC)

72 The forecast revenue outturn for 2023/24, based on the position to 30 September 2023, for NCC is a cash limit overspend of £89,000. The position forecasts at quarter one was a cash limit underspend of £0.131 million.

73 The cash limit outturn projections exclude the forecast use of / contributions to earmarked reserves and items treated as outside the cash limit, such as redundancy costs which are met from corporate reserves. Net inflationary pressures on energy (net underspend of £0.873 million) and the 2023/24 pay award for Chief Officers and Apprentices of £0.129 million have been excluded from the cash limit outturn position. Also excluded is £32,000 relating to Coronation costs

and £89,000 relating to Waste Contract Legal fees which have been funded from contingencies along with £102,000 Leasing extension costs funded corporately.

74 The outturn is a managed position, reflecting the proactive management of activity by Heads of Service across NCC to try and remain within the cash limit. The main reasons accounting for the cash limit outturn position are as follows:

- (a) Environmental Services is forecast to be £0.293 million overspent. This is mainly due to increased costs of £0.250 million at depots on fuel tank repairs, general maintenance, and security costs, along with £0.144 million of underachieved income in Strategic Waste regarding soil imports that have ceased due to capping of the Joint Stocks site. These overspends are partly offset by underspends across the service relating to vacancies and turnover and exceeding budget targets for income from fees and charges. The underachievement of income relating to joint stocks is being addressed in 2024/25 as part of MTFP(14);
- (b) Highways is forecast to be overspent by £0.400 million. The main reason for this is a forecast overspend within Highways Trading of £0.269 million due a reduction in anticipated sales relating to major projects. Highways Revenue is also forecast to be overspent by £0.263 million on highways maintenance work, including cyclic works, drainage, bridges and priority action works. This is largely offset by anticipated underspends on Strategic Highways of £0.431 million mainly as a result of overachievement of income on enforcement and inspections, road closures, roundabout sponsorship, and fixed penalty notices;
- (c) Community Protection is forecast to underspend by £0.295 million, mainly due to unspent growth funding as a result of vacancies and new posts in a restructure that will be filled mid-year. There is also funding within the base budget to accommodate future spinal column point increments causing an underspend currently;
- (d) Partnerships and Community Engagement is forecast to underspend by £0.127 million, mainly due to savings from a strategic manager post vacancy, and also a vacancy in the Civil Contingencies Unit along with overachievement of SLA income across the service;
- (e) The central contingencies budget within NCC is forecast to underspend by £0.182 million. This budget has been created to fund any cross cutting service pressures within NCC that may

arise during the financial year. This budget will be kept under review as the year progresses and transfers made to Heads of Service areas where necessary.

- 75 A net £1.430 million relating to movement to and from reserves has also been excluded from the outturn. The major items being:
- (a) £0.400 million drawdown relating to clean and green, Find and Fix, and environmental issues;
 - (b) £0.166 million net contribution to Community Protection Reserves relating to Trading Standards and the Horden Together Initiative;
 - (c) £1.6 million drawdown from PACE Reserves mainly in relation to Refugee Resettlement and AAP Towns and Village scheme funding;
 - (d) £0.256 million contribution to Highways Reserves for Section 38 Income; and
 - (e) £0.150 million drawdown from the NCC Cash Limit Reserve to fund Towns and Village schemes.
- 76 The following budget transfers have been actioned during the second quarter:
- (a) £0.262 million transfer to REG in relation to the Design and Conservation team into the Planning service area;
 - (b) £17,000 income budget transfer to REG in relation to the Local Transport Plan; and
 - (c) £11,000 transfer from REG in relation to electric vehicle charging infrastructure.
- 77 Taking the projected outturn position into account, including the transfers to/ from and between reserves in year, the forecasted cash limit reserve balance for NCC will be £30,000 at 31 March 2024.

Regeneration, Economy and Growth (REG)

- 78 The forecast revenue outturn for 2023/24, based on the position to 30 September 2023, is a cash limit overspend of £0.725 million, after taking account of the forecast use of reserves and items outside the cash limit, including redundancy costs which are met from the corporate reserve, capital accounting entries and use of / contributions to earmarked reserves. The quarter one forecast estimated a cash limit overspend of £0.868 million in year.

- 79 Reductions in energy prices of £1.675 million, along with the 2023/24 pay award for Chief Officers and Apprentices of £90,000 have been excluded from the cash limit forecast outturn position. Also excluded is £1.793 million in respect of Leisure Centre income shortfalls covered corporately and £0.548 million which has been covered from central contingencies (£95,000 Radon Monitoring, £0.280 million Milburngate legal and professional fees and £0.173 million premises double running costs at the Story and Plot C)
- 80 The outturn is a managed position, reflecting the proactive management of activity by Heads of Service across REG to try and remain within the cash limit. As the service is forecasting an overspend of £0.725 million, work continues to be undertaken to ensure that appropriate plans can be put in place to rectify or reduce the overspend position as the year progresses. The main reasons accounting for the quarter two outturn position are as follows:
- (a) Culture, Sport and Tourism is forecast to overspend by £0.104 million against budget. The main reasons are an unrealised MTFP saving of £75,000, a capital contribution of £86,000 for leisure transformation and an anticipated loss of income of £0.121 million at Killhope Museum. These overspends were partially offset by a one-off benefit arising from the agreement to take full control of the gym facilities at seven of our leisure centres;
 - (b) Transport and Contract Services is forecast to overspend by £0.505 million against budget. The main reasons are an under-recovery of departure charge income at Durham bus station of £0.104 million, on-going costs for a new database system of £71,000, an anticipated under-achievement of income for park and ride of £0.250 million, unbudgeted spending of £0.160 million for enforcement cameras, increased business rate charges on car parks of £0.135 million, an overspend on routine electrical testing of car park street lighting of £66,000, under-recovery of bus shelter advertising income of £0.117 million and an overspend on bus shelter repairs and maintenance of £72,000. These were partially offset by an underspend of £0.150 million against Durham bus station for its closure in year, £0.127 million overachievement of parking income and £0.193 million of underspends mainly relating to road safety employee costs and school crossing patrols;
 - (c) Planning and Housing is forecast to overspend by £0.362 million against budget. This is largely due to an anticipated underachievement of income of £0.562 million with regard to planning fee income, as the volume of applications received has

reduced significantly over the last 12 months (linked to current economic circumstances such as increased interest rates and construction costs). Temporary accommodation budgets are also forecast to overspend by £0.142 million. These overspends are partially offset by anticipated staffing underspends of £0.342 million across the service;

- (d) Economic Development is forecast to overspend by £10,000 against budget, which is predominantly attributed to under-recovery of training income in the Employment and Skills 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 to reserves in 2023/24 is anticipated based largely upon current occupancy rates across a range of Business Space sites exceeding the base budget provision, resulting in an overachievement of net income receivable in year;
- (f) Corporate Property and Land is forecast to underspend by £0.256 million against budget. Within Buildings & Facilities Management, there is a forecast overspend of £0.216 million, mainly relating to the catering service, which anticipates a shortfall in income as a result of hybrid working and reduced footfall in the internal staff facilities such as County Hall and Green Lane. Strategy and Property Management is forecast to underspend by £0.410 million due primarily to additional budget growth of £0.600 million included in the base budget from 2022/23 for a staffing restructure that is not now expected to be in place until 2024/25. The underspend is partially offset by expenditure relating to interim support (consultants and professional fees) pending the implementation of the restructure. There are also minor underspends elsewhere within the service, including additional unbudgeted income in Business Development of £41,000, as well as underspends on supplies and services of £21,000.

81 In arriving at the forecast outturn position, a net £0.178 million relating to movement on reserves has also been excluded from the outturn. The major items being:

- (a) £2.429 million contribution to Transport reserves relating mainly to the projected underspend in Concessionary Fares to support the future provision of bus services and routes;
- (b) £2.282 million drawdown from Culture Reserves mainly relating to the Cultural Reserves programme;

- (c) £0.183 million contribution to Planning & Housing reserves relating mainly to the local lettings agency service;
- (d) £0.707 million drawdown from Economic Development Reserves relating to business growth and welfare assistance;
- (e) £0.402 million contribution from Corporate Property and Land reserves relating to property repairs and maintenance;
- (f) £78,000 drawdown from the REG Cash Limit Reserve for Major Project Board Support; and

82 The following budget transfers have been actioned in the second quarter;

- (a) £0.262 million transfer from NCC in relation to the Design and Conservation team into the Planning service area;
- (b) £48,000 transfer to Resources in relation to business support posts;
- (c) £17,000 transfer of income budget from NCC in relation to the Local Transport Plan;
- (d) £11,000 transfer to NCC in relation to electric vehicle charging infrastructure;
- (e) £0.101 million transfer to central contingencies relating to a senior management restructure; and
- (f) £48,000 transfer to capital financing in relation to the self-financing of a house building project;

83 Taking the projected outturn position into account, including the transfers to/from and between reserves in year, the forecasted cash limit reserve to be carried forward for Regeneration, Economy and Growth is £0.569 million at 31 March 2024

Resources

84 The 2023/24 forecast revenue outturn for Resources is a cash limit underspend of £0.926 million. The updated forecasts take into account adjustments for sums outside the cash limit such as redundancy costs which are met from corporate reserves and use of / contributions to earmarked reserves. At quarter one there was a small overspend of £4,000 forecast in 2023/24.

- 85 Reduction in energy prices of £37,000 along with the 2023/24 pay award inflation for Chief Officers and Apprentices of £0.223 million have been excluded from the cash limit outturn position. Also excluded is £3.200 million in relation to a forecast Housing Benefit Subsidy Grant claim shortfall covered corporately and £98,000 from general contingencies in relation to staffing costs linked to succession planning in the Occupational Health team and temporary legal support.
- 86 The Heads of Service across Resources continue to proactively manage activity to remain within the cash limit. The projected over budget position is the net effect of the following items:
- (a) Corporate Finance and Commercial Services is forecast to be under budget by £0.182 million with managed underspending on employee costs of £0.132 million and additional income of £50,000;
 - (b) Transactional and Customer Services is forecast to be under budget by £0.189 million, primarily due to underspends on employee costs of £0.167 million and a forecast underspend on premises costs of £33,000 in Customer Services, along with a £39,000 underspend on subscriptions and £50,000 under achievement of income;
 - (c) Digital Services is forecast to be over budget by £0.424 million. Within this area underachievement of income is forecast to be £0.840 million. This has been offset by forecast underspends on employees of £0.770 million, a forecast underspend on electricity at the Data Centre of £0.104 million, underspends on supplies of £0.123 million, transport underspends of £19,000 and an over achievement of income relating to a one-off 2022/23 recharge relating of £0.248 million;
 - (d) Internal Audit, Risk and Corporate Fraud is forecast to be under budget by £49,000, primarily due to a managed underspend on employee related expenditure;
 - (e) Legal and Democratic Services is forecast to be under budget by £0.234 million. This includes a £0.206 million managed underspend on employee related expenditure and an underspend of £28,000 relating to Member travelling and conferences;
 - (f) HR and Employee Services is forecast to be over budget by £0.184 million, primarily due to unachievable SLA income; and
 - (g) Procurement, Sales and Business Services is forecast to be under budget by £32,000, primarily due to a managed underspend on employee related expenditure.

- 87 A net £1.280 million relating to movement to and from reserves has also been excluded from the outturn. The major items being:
- (a) £72,000 drawdown from the Revenues and Benefit Reserve to fund temporary posts to support the workload of the team in year;
 - (b) £96,000 drawdown from the HR Reserve in respect of the Workforce Development Programme;
 - (c) £0.175 million drawdown from the Welfare Rights Reserve to fund temporary posts to support the workload of the team;
 - (d) £0.103 million drawdown from the Adults Cash Limit Reserve to provide assistance with outstanding workloads within the Financial Assessment, Payments, Billing and Debtors teams;
 - (e) £0.205 million drawdown from the Assessment Support Admin Scheme Reserve to fund service packages;
 - (f) £0.183 million drawdown from the Procurement Development Reserve which will be used to finance various procurement initiatives; and
 - (g) £0.320 million drawdown from the Resources Cash Limit Reserve to fund a number of temporary posts within the service grouping.
- 88 The following budget transfers have been actioned in the second quarter:
- (a) £48,000 transfer from REG in relation to Business Support posts;
 - (b) £26,000 transfer from AHS in relation to Business Support posts;
 - (c) £16,000 transfer to CEO in relation to the transfer of the Policy, Planning and Performance team into the CEO service area;
 - (d) £49,000 transfer from general contingencies in relation to a Customer Relations manager post; and
 - (e) £0.132 million transfer from general contingencies in relation to the loss of diocese school SLAs
- 89 Taking the outturn position into account, including items outside the cash limit and transfers to and from earmarked reserves, the cash limit reserve to be carried forward for Resources is forecast to be £1.955 million.

Resources – Centrally Allocated Costs (Corporate Costs)

- 90 The forecast revenue outturn for 2023/24 for Corporate Costs is a cash limit underspend of £123,000. This takes into account the following adjustments for sums outside the cash limit such as the use of / contribution to earmarked reserves, funding from contingencies. The forecast outturn for Corporate Costs at quarter one was a cash limit underspend of £82,000.
- (a) Care leaver Council Tax Discount Costs (£93,000) have been excluded from the forecast of outturn and covered corporately.
 - (b) DLUHC have recently consulted on Best Value Standards and Intervention – A statutory guide for Best Value Authorities which includes its expectation that local authorities undertake a corporate or finance peer review every five years. The finance function commissioned CIPFA to undertake a Financial peer review during October 2023 at a cost of £35,000. These costs have been funded from general contingencies.
- 91 The forecast outturn position is mainly due to reduced expenditure on bank charges and payment card fees.

Contingencies and Central Budgets

- 92 Taking into consideration sums drawn from contingencies as shown in paragraph 46 and other known requirements (pay award etc), general contingencies are projected to under spend by £2 million during 2023/24. The projected underspend at quarter one was £2.5 million.

Interest Payable and Similar Charges - Capital Financing

- 93 The forecast outturn position of £35.435 million is £4.425 million lower than the revised £39.860 million budget. This forecast underspend reflects the council's ability to continue to delay borrowing decisions whilst interest rates are high. The level of cash balances currently held allows the council to use these funds to manage cash flow requirements in the short term. The position forecast at quarter one was an underspend of £4.146 million.

Interest and Investment Income

- 94 The forecast income of £15.184 million is £5.284 million higher than the £9.900 million budget. The position forecasts at quarter one was that income would be £13.365 million, £3.465 million more than the £9.900 million budget. The updated forecast surplus reflects increased investment returns, as interest rates achievable on short term investments have improved significantly over the last 15 months. Bank

base rates have risen from 0.10% in November 2021 to its current level of 5.25%. Despite the Bank of England’s decision, at its September Monetary Policy Committee meeting, to maintain base rate at its current level, markets are not predicting any future cuts until at least August 2024.

- 95 The table below highlights the change in borrowing and investments at the end of quarter two:

	Actual 31.03.23 £ Million	Average Interest Rate	Actual 30.06.23 £ Million	Average Interest Rate
Borrowing	440	3.11%	423	3.11%
Investments	351	4.01%	343	5.21%
Net Debt	89		80	

Council Earmarked Reserves Forecast

- 96 Earmarked reserves are funds set aside for specific, known or predicted future expenditure. Appendix 4 details the council and school earmarked reserves showing the opening balance at 1 April 2023, the forecast movement on reserves during the year and the forecast closing balance as at 31 March 2024.

- 97 A summary of the forecast of council reserves (excluding school reserves) is shown below. Earmarked reserves can be categorised as sums held for corporate purposes, sums held on behalf of partner organisations / external grants and other sums earmarked for specific purposes. The summary highlights that the total earmarked and cash limit reserves are forecast to reduce by £33.290 million in 2023/24, from £196.535 million to £163.245 million. The updated forecasts are for a marginally lower reduction in earmarked and cash limit reserves in year than what was forecast at quarter one, when the in year reduction was forecast to be £34.124 million. The improved position being largely due to the improved cash limit position for service groupings. The movement in earmarked reserves is explained in the service grouping commentaries.

- 98 A summary of the expected movement in these reserves for each category is set out in the table below:

Type	Actual Balance at 1 April 2023 £ million	Adjusted for increase (-) / use of Earmarked Reserves £ million	Transfers Between Reserves £ million	Net Forecast Change in Year £ million	Forecast Balance at 31 March 2024 £ million
Earmarked – Corporate Reserves	-73.645	11.264	0.000	11.264	-62.381
Earmarked – Partner / External Grant	-31.665	8.769	0.040	8.809	-22.856
Earmarked - Other	-83.170	11.884	-0.016	11.868	-71.302
Sub-Total	-188.480	31.917	0.024	31.941	-156.539
Earmarked - Cash Limit	-8.055	1.373	-0.024	1.349	-6.706
Total Earmarked Reserves	-196.535	33.290	0.000	33.290	-163.245

- 99 Based on the quarter two position, cash limit reserve balances of £6.706 million are forecast at the year end, an in year reduction of £1.349 million. At quarter one the cash limit reserve position was indicating an in year reduction of £0.580 million.
- 100 The forecast cash limit and general reserves position is considered to be sufficient and prudent given the financial commitments and uncertainties facing the council and local government beyond 2023/24. The MTFP(14) report to Council on 11 October 2023 highlighted the ongoing budget concerns for the council with a forecast budget shortfall of circa £67 million over the next four years, with an additional savings requirement to those identified totalling £52.272 million over this period.
- 101 The forecast future MTFP(14) savings shortfalls are likely to require the council to continue to support the MTFP via earmarked reserves, such as the MTFP Support Reserve and the ER/VR reserve. In this regard all reserves are reviewed regularly to ensure sufficient reserves are available to support the MTFP. This will include consideration of transferring sums out of the General Reserve to reduce it to the minimum level required if necessary.
- 102 The council's current reserves policy aims to maintain general reserve balance of between 5% (£26 million) and 7.5% (£39 million) of the net budget requirement in the medium term. The quarter two forecast general reserve balance at 31 March 2024 is £29.775 million, which equates to circa 5.6% of the council's net budget requirement.

Dedicated Schools Grant and Schools

Dedicated Schools Block – DSG

- 103 The council currently maintains 154 schools, including nursery, primary, secondary, special schools and a single Alternative Provision (AP) school. The AP school is for pupils who have been permanently excluded from other schools, or who are at risk of permanent exclusion.
- 104 The council had 161 maintained schools at the time of budget setting, however seven schools have since converted to academy status.
- 105 The table below shows the schools that have transferred to academy status and the balances that transferred in year. In the case of Wellfield School, the council agreed to write-off the deficit using the earmarked reserve established for this purpose:

School	Reserves at 1 April 2023 £ million
Wellfield School	-2.776
Vane Road Primary	0.382
Collierley Primary	0.123
Woodham Burn Primary	0.077
Easington C of E Primary	0.037
Awaiting transfer	0.239
Green Lane C of E Primary	0.070
Greenfield School	0.710
Net change due to academisation	-1.138

- 106 The recast reserve position for the remaining 154 maintained schools at quarter two is shown in the following table:

Subjective Budget Heading	Original Budget	Quarter 2 Forecast	Forecast to Budget Variance
	£ Million	£ Million	£ Million
Employees	209.736	210.751	1.015
Premises	15.959	16.828	0.869
Transport	1.841	1.944	0.103
Supplies	35.958	36.361	0.403
Central Support & DRF	0.000	0.113	0.113
Gross expenditure	263.494	265.997	2.503
Income	-73.515	-80.261	-6.746
Net expenditure	189.980	185.736	-4.244

Subjective Budget Heading	Original Budget	Quarter 2 Forecast	Forecast to Budget Variance
	£ Million	£ Million	£ Million
Budget share	183.069	183.578	0.509
Use of reserves	6.911	2.158	-4.753
Revised Balance at 31 March 2023	29.602	29.602	0.000
Forecast at 31 March 2024	22.691	27.444	-4.753

- 107 In overall terms, the quarter two forecast reflects an improved position from the original budget where these schools were forecasting to require £6.911 million of reserves to balance the in-year financial position. The updated position at quarter two is that the use of reserves figure will be £2.158 million, a reduction of £4.753 million against the original budget plans. At quarter one the forecasts indicated a use of reserves of £4.541 million, a reduction of £2.838 million against the original budget plans.
- 108 The forecast position at individual school level indicates that a small number of schools may be in deficit at the end of the current financial year and a more significant number of schools may not have sufficient reserves available to set a balanced budget in 2024/25
- 109 The council will work closely with schools over the autumn term to support the financial planning process to set balanced budgets for 2024/25.

Dedicated Schools Grant Centrally Retained Blocks

- 110 The forecast outturn position for the centrally retained DSG budgets shows a projected overspend of £1.667 million, as detailed below:

DSG Block	Budget £ Million	Outturn £ Million	Over / (Under) Spend £ Million
High Needs	85.892	88.010	2.118
Early Years	34.271	33.820	-0.451
Central Schools Services	2.898	2.898	0.000
TOTAL	123.061	124.728	1.667

- 111 The High Needs Block (HNB) budget at the start of the year included a planning assumption of a £1 million underspend that would result in a reduction to the cumulative HNB deficit position.

- 112 All areas of HNB expenditure continue to be kept under close review, with particular attention on top-up funding..
- 113 A five-year recovery plan for high needs block funding and expenditure, including recovery of the accumulated deficit by the end of the five-year period, was approved by Cabinet in April 2022. A review of the current programme of work is taking place alongside work with DfE through the Delivering Better Value (DBV) programme with an update to the plan taking into consideration the latest forecast of outturn, revised inflation forecast and recent funding announcements .
- 114 The updated position at quarter two is that this expenditure will exceed grant allocation by £2.118 million, increasing the forecast cumulative deficit from £8.635 million to £10.753 million.
- 115 The main area of pressure is top up funding in mainstream schools and settings, where demand for both EHCP and SEN support top up funding has increased significantly at the start of the academic year.
- 116 Expenditure on mainstream top up funding is forecast to be £20.176 million against a budget of £16.739 million, resulting in a forecast overspend of £3.437 million (20%) against element of the High Needs DSG budget.
- 117 The figures include £0.830 million to fund increases to top up funding rates that took effect from September 2023. These increases cover top up funding in mainstream settings from 0-16 and were required to meet the increasing cost of providing support to pupils, largely as a result of recent pay awards. The cost of this will be funded from the budget allocation for Investment Support Fund (ISF), reducing the net overspend to £2.607 million.
- 118 The net overspend of £2.607 million is demand driven, with a circa 37% more full time equivalent pupils forecast to require top up funding in 2023-24 in comparison to the previous year. Whilst the average cost of individual top up funding allocations is lower in 2023-24, this still results in a significant overspend position.
- 119 The other main area of pressure is in Independent and Non-Maintained Special School (INMSS) provision, where forecast expenditure of £8.141 million is forecast to exceed budget of £7.214 million by £0.927 million.
- 120 The overspends in mainstream top up funding and INMSS provision are offset by the planned underspend of £1 million relating to the deficit reduction.

- 121 The HNB Sustainability Programme phase 1 is nearing an end. Our commitment to monitor and review the projects continues, and we will work closely with school's forum and other key stakeholders to ensure this is done in partnership.
- 122 A review of the first phase of the Programme is being undertaken and we will share the findings of this and the outcome of the achievements at a special meeting we are hosting in the Autumn.
- 123 The DfE identified Durham County Council amongst 55 local authorities to receive support towards improving their HNB financial position and sustainability. The Authority was originally due to take part in the third tranche of the 'Delivering Better Value in SEND' Programme, commencing in the spring 2023, however were approached in December 2022 with an opportunity to join the second tranche, which was accepted.
- 124 As part of the DfE's Delivering Better Value (DBV) programme the council has now completed the diagnostic phase. A grant application has been submitted to the DfE and is currently being considered by a Board. We anticipate that implementation of the new plan will begin from October 2023 and will form a key part of the next phase of our HNB sustainability programme.
- 125 Following the completion of the diagnostic work a grant application has been prepared. This was originally due to be considered in July, however due to some additional requests from the DfE, this has been delayed until October. At the time of writing this report the council was awaiting a decision on the outcome of the bid, where circa £1 million of additional funding from the DfE could be received to help deliver a new implementation plan.
- 126 The Early Years Block is forecasting an underspend of £0.451 million. This is largely due to a reduction in the numbers of children forecasted to be eligible for funding, based on the actuals we have experienced in the Summer Term.
- 127 Forecasts for the Autumn and Spring terms assume similar levels of uptake as experienced in 2022/23, and if this were to be the position it is likely that DfE will clawback any excess of funding, it would therefore be unwise at this stage to assume any reserves could be utilised in year.
- 128 The impact of the current forecast on the DSG reserves position is shown in the following table:

DSG Reserves	High Needs Block (Unusable Reserve) £ Million	Early Years Block (Unusable Reserve) £ Million	Schools Block (Unusable Reserve) £ Million	Total DSG (Unusable Reserve) £ Million
Balance as at 1 April 2022	-8.843	0.656	2.401	-5.786
2021/22 Early Years Block Adjustment	0.000	0.594	0.000	0.594
Use/ Contribution in 2022/23	0.208	-0.528	-1.620	-1.940
Balance as at 1 31 March 2023	-8.835	0.722	0.781	-7.132
2022/23 Early Years Block Adjustment	0.000	-0.359	0.000	-0.359
Forecasted Use / Contribution in 2023/24	2.118	0.451	0.000	-1.667
Forecasted Balance as at 1 April 2024	-10.753	0.814	0.781	-9.158

129 The overall DSG reserve was in a net deficit position of £7.132 million at the start of the financial year as a result of the accumulated deficit position in relation to the high needs block. The overall deficit position is now forecast to increase to £9.158 million to the year end. At quarter one the overall deficit position was forecast to be £7.246 million to the year end.

Capital

130 The 2023/24 original budget of £320.547 million was revised at Cabinet on 12 July 2023 in the quarter one Forecast of Revenue and Capital Outturn report. This resulted in revised budget of £321.377 million, a net increase of £0.830 million. Details of the original and revised budget are shown in the table below.

131 The council's Capital Member Officer Working Group (MOWG) closely monitors the capital programme and has considered further revisions to the capital programme. This report sets out further proposed revisions to the capital programme, taking into account additional resources received by the authority and further requests for reprofiling as Service Management Teams continue to monitor and review their capital schemes.

132 A further reprofiling review is currently underway to provide an updated budget position for the quarter three forecast of outturn report to Cabinet.

133 The following table summarises the latest capital budget for approval alongside the original budget. The table also shows the actual capital spend as at 30 September 2023.

Service Grouping	Original Budget 2023/24	Revised Budget 2023/24 Quarter 1	Amendments recommended by MOWG	Revised Budget 2023/24 Quarter 2	Actual Spend to 30 Sept 2023
	£ Million	£ Million	£ Million	£ Million	£ Million
Adult and Health Services	2.045	2.402	0.147	2.549	0.525
Children and Young People's Services	87.765	93.731	-14.207	79.524	13.318
Neighbourhoods and Climate Change	84.527	82.344	-13.519	68.825	16.466
Regeneration, Economy and Growth	135.867	132.557	19.287	151.844	52.451
Resources	10.343	10.343	-0.106	10.237	2.405
TOTAL	320.547	321.377	-8.398	312.979	85.165

134 Since the original and revised 2023/24 budget was agreed, a number of variations to the capital programme have been suggested, which are a result of additions and reductions in resources received by the council. Variations of note are as follows:

- (a) **CYPS** – the service has the following additions and reductions:
 - (i) **School Devolved Capital** – Net budget increase of £20,798 consisting of £20,000 increase for Greenfield School and £6,137 increase for Tudhoe Moor Nursery, both funded from direct revenue contributions; and £5,339 reduction in school devolved capital for Easington CE School due to the school converting to an academy status;
 - (ii) **Children's Services** - Budget increase of £0.900 million to purchase and adapt a property in Chester Moor to be used as a children's home, which will provide a further four bed spaces. The cost will be funded from corporate capital contingencies.
- (b) **NCC** – the service has the following additions:

- (i) **Highways** - Net budget increase of £0.974 million, consisting of £0.227 million budget reduction for Pothole Fund to reflect the revised grant allocation; £0.701 million budget increase for CSIA - South Moor and Stanley Resilience Innovation Scheme, funded from an EA grant; and £0.500 million budget increase for Crakehill Landslip to progress detailed design and land acquisition, funded from corporate capital contingencies;
 - (ii) **Environmental Services** -Total budget increase of £34,510 funded from s106 contributions, consisting of £15,415 for Flinthill new play space and £19,095 for New Brancepeth play space refurbishment;
 - (iii) **Partnerships & Community Engagement** –Budget increase of £0.3 million for Members Towns and Villages Capital budget funded from direct revenue contribution. Budget increase of £0.100 million for various AAP capital schemes, funded from earmarked reserves. Budget increase of £21,572 relating to individual Members’ budgets, funded from earmarked reserves.
- (c) **REG** – the service has the following additions:
- (i) **Planning and Housing** - Budget increase of £2.360 million for Afghan Resettlement Scheme properties, consisting of £1.360 million funded from DLUHC grant and £1 million funded by self-financing. £0.527 million budget increase for Neville’s Cross acquisitions funded from s106 contribution. £43,777 budget increase for Disabled Facilities Grant funded from Livin (RSL) contribution;
 - (ii) **Transport and Contracted Services** - Budget increase of £30,000 for T&V (Traffic Assets) - DVP – Unprogrammed, funded from Police and Crime Commissioner contribution;
 - (iii) **Culture and Sport** – Budget increase of £0.235 million for the TCF/ITS scheme funded by a contribution from NECA/Newcastle City Council. Increase of £20,000 for T&V/Traffic Assets scheme funded by a contribution from Police and Crime Commissioner, received in 2022/23.
- (d) **Resources** – the service has the following additions and reductions:

- (i) **Financing Resources** - Budget increase of £4,329 for migration of HR/Payroll functionality, funded from an earmarked reserve;
- (ii) **Policy Planning and Performance** - Budget reduction of £50,308 for Changing Places, to reflect reduced grant allocation from DLUHC.

135 Budget managers continue to challenge and review the programming and phasing of capital works, which has resulted in the re-profiling of the following budgets in line with anticipated activity in 2023/24:

(a) **CYPS**

- (i) **Education – School Related** - £2.0 million was reprofiled from 2023/24 to 2024/25 (£1.2 million) and 2025/26 (£0.8 million) for the schools' capital unprogrammed scheme, to reflect the revised schedule of works. Other significant amount includes £0.287 million reprofiled from 2023/24 to 2024/25 for Copeland Road Primary School window replacement due to the works commencing in 2024/25;
- (ii) **SEN Capital** - £12.895 million was reprofiled from 2023/24 to 2024/25 due to new schemes being in design phase, with only design costs expected to be incurred in 2023/24.

(b) **NCC**

- (i) **Environmental Services** - £1.9 million was reprofiled from 2023/24 to 2024/25 for net zero schemes, as this is not expected to be allocated to new schemes in 2023/24. Other major amounts include reprofiling of £4.0 million from 2023/24 to 2024/25 for LEVI Fund Bridge Pilot, which is for an installation phase that is not due to commence until at least January 2024; and £2.0 million from 2023/24 to 2024/25 for Morrison Busty Depot Phase 7 due to a delay linked to ecology issues requiring surveys and a licence application to Natural England;
- (ii) **Partnership and Community Engagement** - £0.3 million was reprofiled from 2023/24 to 2024/25 for Assets to Communities – Bearpark Community Centre (£0.2 million) and Material Defects Unprogrammed Works (£0.1 million), both reflecting a revised spend profile. Other major amounts include reprofiling of £0.292 million AAP Capital Budgets and £2.710 million Members Neighbourhood Budgets, both from 2023/24 to 2024/25;

- (iii) **Highways** - Reprofiting of £1.847 million from 2023/24 to 2024/25 for SLERP 2 Unprogrammed scheme, as only the pre-design costs will be incurred in 2023/24, with the remainder in 2024/25. Other major amounts include reprofiling of £0.921 million from 2023/24 to 2024/25 for Durham City Conservation Works North/South Bailey, as the scheme is not likely to be delivered in 2023/24; and £0.3 million from 2023/24 to 2024/25 for Burnigill Bank due to the timing of works having to be agreed with Network Rail.

- (c) **REG** – project managers have undertaken a thorough review of the capital programme. The result is a net acceleration of £15.925 million to 2023/24 from 2024/25 (£8.705 million) and 2025/26 (£7.220 million). Significant amounts for each area are detailed below:
 - (i) **Culture and Sport** - Budget acceleration from 2024/25 to 2023/24: £1.408 million for Locomotion – New Exhibition building and £0.243 million for Redhills Building Refurbishment, both reflecting revised grant payment schedules. Reprofiting from 2023/24 to 2024/25: £0.325 million for refurbishment of Teesdale Leisure Centre due to delayed progress linked to PSDS scheme; and £0.250 million for Spennymoor Leisure Centre due to phase 2 works now likely to commence after the school holiday period and lasting until early summer 2024. The other major amount is a reprofiling of £0.134 million from 2023/24 to 2024/25 for Grass Pitch Improvements, as wet weather in spring 2023 has deferred some planned schemes;

 - (ii) **Transport and Contracted Services** - Budget acceleration from 2024/25 to 2023/24 of £0.715 million for Durham Bus Station and North Road Development and £0.714 million for A19/A1018 Seaton Lane Junction, with both schemes scheduled to be completed in 2023/24. Budget acceleration of £0.680 million from 2024/25 to 2023/24 for Tindale Grange and budget acceleration of £0.135 million from 2024/25 to 2023/24 for BA-Towns Deal-Infrastructure-Heritage Sites, both due to a review of expected spend in line with expected activities. Budget acceleration of £0.150 million from 2024/25 to 2023/24 for Newton Aycliffe HIF to cover ongoing development costs. Reprofiting of £0.1 million from 2023/24 to 2024/25 for TCF ITS (1a) Unprogrammed due to a review of the programme, where some elements are now to be aligned to 2024/25. Reprofiting of £0.625 million from 2023/24 to

2024/25 for TCF2 Development Work to reflect the balance of TCF movements based on current GFAs;

- (iii) **Corporate Property and Land** - Acceleration of £10.0 million from 2024/25 (£0.231 million) and 2025/26 (£9.769 million) for Rivergreen Centre to allow the purchase of the building to go ahead in 2023/24. Reprofiting of £2.095 million from 2023/24 to 2024/25 (£1.096 million) and 2025/26 (£1.0 million) for Milburngate fit out; and reprofiting of £0.269 million from 2023/24 to 2024/25 for Milburngate Specification Improvement, both reflecting the ongoing issues on site. Reprofiting of £0.248 million from 2023/24 to 2025/26 for Meadowfield Depot - Strategic Site, as the existing programme of works is now complete. Acceleration of £0.651 million from 2025/26 to 2023/24 for Aykley Heads Plot C to reflect the revised contract sum;

- (iv) **Economic Development** - Acceleration of £8.827 million from 2024/25 to 2023/24 for NETPark Phase 3 following a receipt of spend profile from contractor. Reprofiting of £0.5 million from 2023/24 to 2025/26 for Chapter Homes as no borrowing or payback is forecast in 2023/24. Reprofiting of £0.290 million from 2023/24 to 2024/25 for Digital High Street as the Wi-Fi pilots will not be extended due to inaccuracy of the data collected via the system, so budget needs to be reprofiled while managers consider other options for town centre data collection. Reprofiting of £0.379 million from 2023/24 to 2024/25 for Seaham Car Park – Top of North Dock due to delay caused by utilities 12-week lead-in and other works taking place on North Terrace. Reprofiting of £0.4 million from 2023/24 to 2024/25 for Spennymoor Festival Walk due to options and costs received for Cheapside Units and Programme detailing February 2024 start for demolition. Reprofiting of £0.917 million from 2023/24 to 2025/26 for Finance Durham Investment Fund, as no further drawdowns are anticipated in 2023/24 and funds will be reinvested within the programme. Reprofiting of £0.170 million from 2023/24 to 2024/25 for South Moor Development site as the scheme is unlikely to progress in 2023/24 due to ongoing discussions about scope and pricing of the project. Reprofiting of £0.4 million from 2023/24 to 2024/25 (£0.1 million) and 2025/26 (£0.3 million) for Vulnerable Buildings as the scheme involves multiple private sector owners/developers, planning permissions, legal negotiations on multiple land and buildings countywide. Reprofiting of £0.333 million from 2023/24 to 2024/25 for Easington Colliery School/Place First as the

service is awaiting Cabinet decision on how the site will be taken forward.

136 The following table summarises the recommended financing of the revised 2023/24 capital programme:

Financed By:	Original Budget 2023/24	Revised Budget 2023/24 Quarter 1	Amendments recommended for Cabinet Approval	Revised Budget 2023/24 Quarter 1
	£ Million	£ Million	£ Million	£ Million
Grants and Contributions	113.815	113.400	3.381	116.781
Revenue and Reserves	1.875	3.982	0.538	4.520
Capital Receipts	34.367	34.367	-0.144	34.223
Borrowing	170.490	169.628	-12.173	157.455
TOTAL	320.547	321.377	-8.398	312.979

Prudential Indicators

137 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.

138 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)

139 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.

140 In the table below, the original CFR estimate for 2023/24 is the position reported to Council on 22 February 2023 as part of the council's Annual Treasury Management Strategy. The council's actual CFR at 31 March 2023 of £525.618 million was reported to Council on 19 July 2023 as

part of the Treasury Management Outturn Report. The half year Treasury Management position and performance against the full suite of Treasury Management Strategy and Prudential Indicators will be presented to County Council on 6 December 2023. Updated estimates based on the forecasts as at 30 September 2023 are as follows:

	2023/24 Original £ Million	2023/24 Estimate £ Million	2023/24 Variance £ Million	2024/25 Estimate £ Million	2025/26 Estimate £ Million
Opening CFR	529.344	525.618	-3.726	678.970	865.851
Add net borrowing requirement for the year	188.588	157.455	-31.133	201.497	69.776
Add leasing & PFI requirement for the year	10.296	15.197	4.901	6.422	5.099
Deduct MRP/VRP and other financing movements	-19.259	-19.300	-0.041	-21.038	-23.338
Closing CFR	708.969	678.970	-29.999	865.851	917.388

Gross Debt and the Capital Financing Requirement (CFR)

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

	2022/23 Actual £ Million	2023/24 Estimate £ Million	2024/25 Estimate £ Million	2025/26 Estimate £ Million
Borrowing	439.652	411.632	376.064	372.890
Finance leases	48.769	54.898	51.963	47.503
PFI liabilities	34.779	33.887	32.995	32.104
Total Gross Debt	523.200	500.418	461.023	452.497
Capital Financing Requirement	525.618	678.970	865.851	917.388
Headroom (Internal Borrowing)	2.418	178.552	404.829	464.892

Operational Boundary

- 142 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:

	2023/24 £ Million
Operational Boundary Limit	679.000
Estimated Gross Debt 31 March 2024	500.418
Headroom	178.582

Authorised Limit

- 143 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:

	2023/24 £ Million
Authorised Limit	743.000
Estimated Gross Debt 31 March 2024	500.418
Headroom	233.582

Maturity Structure of Borrowing

- 144 This indicator is set to control the council's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing for 2023/24 are shown in the table below alongside estimated figures at 31 March 2024:

	Lower Limit	Upper Limit	2023/24 Estimated
Under 12 months	0%	20%	0%
12 months to 2 years	0%	40%	10%
2 years to 5 years	0%	60%	13%
5 years to 10 years	0%	80%	18%
10 years and above	0%	100%	59%

Council Tax and Business Rates Collection Funds

Council Tax

- 145 Council Tax is charged for all residential dwellings in bandings agreed by the Valuation Office Agency, which is part of His Majesty's Revenues and Customs (HMRC). Exemptions, reliefs and discounts are awarded dependent upon the state of the property, its use and occupiers' personal circumstances.
- 146 The in year collection rate at 30 September 2023 was 54.52%, a slight reduction on the position as at 30 September 2022 (55.92%) and also a slight reduction on the position as at the 30 September 2021 when in year recovery for 2021/22 stood at 54.78%.
- 147 The council is continuing to provide extensive support to economically vulnerable households with their council tax payments. The Council Tax Support Fund is used to reduce bills for current working age and pension age Local Council Tax Support (LCTS) claimants, with £1.439 million having been awarded to 30 September 2023.
- 148 The in-year collection rates at the end of quarter two for the current and last two financial years, are detailed below:

Billing Year	Position at 30 September each year %
2023/24	54.52
2022/23	55.92
2021/22	54.78

- 149 The income shown in the Council Tax Collection Fund is the amount collectable from council taxpayers in the long run, rather than the actual cash collected in the year the charges are raised. Likely bad debts are accounted for by maintaining a bad debt provision. The amount estimated to be collectable is calculated each year by reference to the actual council tax base for all domestic properties in the county (schedule of all properties, discounts and reliefs) with an allowance for non-collection.
- 150 Actual cash collected as at 30 September 2023 was £187.184 million compared with £181.582 million as at 30 September 2022. When the council tax increases for 2023/24 are factored in this represents a year on year real terms increase of £5.922 million in terms of council tax income received.

- 151 Due to changes in the number of properties (including new build and demolitions), eligibility of discounts and reliefs during the year, the actual amount collectable increases or decreases from the estimate on a day to day basis. In addition, adjustments for previous billing years take place during each accounting year. All of these adjustments mean that the actual amounts collected will always differ from the original budget.
- 152 Such differences at the end of each accounting year, after taking into account the calculated change required in impairment allowance, determines whether a surplus or deficit has arisen, which is then shared proportionately between the council and its major preceptors, these being Durham Police Crime and Victim's Commissioner and County Durham and Darlington Fire and Rescue Authority.
- 153 In terms of the in-year position for the council tax element of the Collection Fund at 30 September 2023, the estimated outturn is a deficit of £2.376 million, with the council's share of the deficit being £1.997 million.
- 154 After taking into account the undeclared 2022/23 deficit of £0.235 million and the forecast in year deficit of £2.376 million, the overall forecast for the council tax element of the Collection Fund is a £2.611 million deficit. The council's share of this deficit is £2.194 million. At quarter one the in-year deficit was forecast to be £1.783 million, with a cumulative deficit of £2.018 million to 31 March 2024. Durham County Council's share of this forecast net deficit was previously forecast to be £1.695 million.
- 155 The total position for the Council Tax element of the Collection Fund for 2023/24 is detailed in the following table:

	£ Million
Net Bills issued during Accounting Year 2023/24	402.279
LCTRS and previous years CTB adjustments	-63.098
Calculated change in provision for bad debts required and write offs	-4.152
Net income receivable (a)	335.029
Precepts and Demands	
Durham County Council	268.371
Parish and Town Councils	15.143
Durham Police Crime and Victim's Commissioner	37.183
County Durham and Darlington Fire and Rescue Authority	16.708
Total Precepts and Demands (b)	337.405
Net Surplus / (-) Deficit for year (a) – (b)	-2.376
Undeclared Surplus / (-) Deficit brought forward from 2022/23	-0.235
Estimated year end deficit	-2.611

Business Rates

- 156 Business Rates Retention was implemented in 2013/14 and the council has a vested budget interest and stake in the level of business rate yield. Income generated from Business Rates is shared between Central Government (50%), Durham County Council (49%) and County Durham and Darlington Fire and Rescue Authority (1%). Therefore, it is not only the accuracy and timeliness of bills levied and collected that is monitored and audited, but also the level of income anticipated for the year is important.
- 157 The in-year collection rate at 30 September 2023 was 58.17%, which is a slight improvement on the same position last year. The in-year collection rates at the end of quarter two for the current and last two financial years, are as follows:

Billing year	Position at 30 September each year %
2023/24	58.17
2022/23	57.27
2021/22	53.91

- 158 In terms of the in-year position for the business rate element of the Collection Fund as at 30 September 2023, the estimated outturn for the year is an in year surplus of £6.587 million of which the council's 49% share is £3.227 million.
- 159 After taking into account the undeclared 2022/23 deficit of £0.708 million and the forecast in year surplus of £6.587 million the overall forecast for the business rate element of the Collection Fund is a £5.879 million surplus, of which the council's share is £2.880 million. At quarter one the in-year surplus was forecast to be £9.861 million, with a cumulative surplus of £9.153 million. Durham County Council's share (49%) of this forecast surplus was previously forecast to be £4.485 million.
- 160 The total position for the Business Rates element of the Collection Fund for 2023/24 is detailed in the following table:

	£ Million
Net rate yield for 2023/24 including previous year adjustments	118.368
Estimate of changes due to appeals lodged and future appeals	3.709
Estimated losses in Collection – Provision for Bad Debts and Write-offs	-1.451
Net income receivable (a)	120.626
Agreed allocated shares:	
Central Government (50%)	55.483
Durham County Council (49%)	56.319
County Durham and Darlington Fire and Rescue Authority (1%)	1.132
Cost of Collection Allowance and Renewable Energy (paid to Durham County Council)	1.104
Total fixed payments (b)	114.039
Net surplus for year (a) – (b)	6.587
Undeclared Surplus / (-) Deficit brought forward from 2022/23	-0.708
Estimated year end surplus	5.879

- 161 Taking into account the forecast positions at the end of quarter two for council tax and business rates, the overarching position for the council in terms of the 2023/24 Collection Fund are as set out below, which is an overall £0.686 million surplus. This compares to an overall £2.790 million net surplus reported at quarter one.

	£ Million
Council Tax Deficit	-2.194
Business Rates Surplus	2.880
NET SURPLUS	<u>0.686</u>

Section 31 Grant - Small Business Rate Relief

- 162 Small businesses (ratepayers occupying with properties with rateable values under £15,000) benefit from relief on their rates payable. The government has awarded local authorities a Section 31 grant to cover

their share of the shortfall in business rates that these small business ratepayers would have paid had the relief scheme not been in place.

- 163 Small business ratepayers with properties with rateable values up to £12,000 are now being granted full relief, and properties with rateable values between £12,000 and £15,000 have a tapered relief applied to them ranging from 100% down to 0%.
- 164 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.
- 165 At 30 September 2023, the gross small business relief awarded against the 2023/24 business rates bills and adjustments to 2013/14 to 2022/23 bills is £17.541 million, and the council will receive £6.811 million in Section 31 grant, including the capping adjustment and threshold change adjustments.

Other Section 31 Grants

- 166 In the Autumn Statement 2016, Spring Budget 2017 and Autumn Statement 2018 additional business rate relief schemes were announced on which Section 31 grants would be payable. These relief schemes include Rural Rate Relief and Local Newspaper Reliefs, Supporting Small Business, Local Discretionary Relief Scheme, Pub Relief and Retail Relief Schemes. In 2021 the Non-Domestic Rating (Public Lavatories) Bill came into force which gives public lavatories 100% relief from business rates, this applies retrospectively from 1 April 2020. Funding for these schemes is provided through Section 31 grants.
- 167 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(13) savings.

- 168 The delivery of the MTFP (13) agreed savings considers:
- (a) the duties under the Equality Act;
 - (b) appropriate consultation;
 - (c) the HR implications of the change including consultation with employees and trade unions;
 - (d) communication of the change and the consultation results;

(e) sound risk management.

169 MTFP (13) savings proposals for 2022/23, agreed by County Council on 22 February 2023 total £12.383 million.

170 At 30 September 2023, savings totalling £10.359 million, representing 83.7% of the £12.383 million total savings target have been delivered. This is an improvement on the position at 30 June 2023 when savings delivered totalled £5.435 million, 43.9% of the annual target.

Consultation

171 Public consultation was carried out in respect of the proposed review of Area Action Partnerships, concluding on Sunday 23 April 2023. No other public consultation reflecting any of the remaining MTFP (13) initiatives took place during this quarter.

HR implications

172 Equality data relating to the eleven staff leaving through voluntary redundancy, early retirement, and ER/VR during quarter two of MTFP (13) showed that 55% were female and 45% were male. In terms of race, 100% of leavers their ethnicity stating that they were white British or white English.

173 Regarding disability status, 9.1% of employees said they had a disability, 27.3% had no disability, and 63.6% did not disclose their disability status.

174 During quarter two, four employees in total have left through compulsory redundancy. One of these is associated with the MTFP savings.

175 Equality data relating to the four staff leaving through compulsory redundancy, showed that 50% were female and 50% were male. In terms of race, 50% of leavers had not disclosed their ethnicity and the remaining 50% stated that they were white British or white English. Regarding disability status no employees said they had a disability, 25% had no disability and 75% did not disclose their disability status.

176 Since 2011, equality data relating to staff leaving through voluntary redundancy, showed that 65.46% were female and 34.54% were male. The higher proportion of female leavers is likely due to the exercises which took place in previous years which focused on traditionally female occupied professions, (these included the closure of care homes, reduction in service in the Pathways and Youth service and a restructure and change of working pattern for Care Connect). This is also reflective of the council's overall gender balance in terms of employees.

177 In terms of race, since 2011, 45.20% of leavers had not disclosed their ethnicity, with 54.37% stating that they were white British or white English. Regarding disability status 2.93% said they had a disability, 13.85% had no disability and 83.13% did not disclose their disability status.

Equality Impact Assessments (EIA)

178 Services have completed EIA screenings and assessments where necessary as part of the decision-making process for 2023/24 MTFP (13) proposals.

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

Other useful documents

- County Council – 22 February 2023 – Medium Term Financial Plan 2023/24 to 2026/27 and Revenue and Capital Budget 2021/22
- Cabinet – 12 July 2023 – 2022/23 Final Outturn for the General Fund and Collection Fund
- Cabinet - 12 July 2023 – Medium Term Financial Plan (14) 2024/25 -2027/28
- Cabinet - 13 September 2023 – Forecast of Revenue and Capital Outturn 2023/24 – Period to 30 June 2023
- Cabinet - 11 October 2023 – Medium Term Financial Plan (14) 2024/24 – 2027/28

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Appendix 1: Implications

Legal Implications

The consideration of regular budgetary control reports is a key component of the council's Corporate and Financial Governance arrangements. This report shows the forecast spend against budgets agreed by Council in February 2023 in relation to the 2023/24 financial year. The forecasts contained within this report have been prepared in accordance with standard accounting policies and procedures.

Finance

The report details the forecast financial outturn for the council for 2023/24 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 2024, plus the Collection Fund outturn, covering council tax and business rates. The report also sets out details of proposed amendments to the Capital Programme agreed by Council in February 2023, along with details of sums to be treated as outside the cash limit and funded corporately through General Contingencies.

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 (13) 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 MTFP13 savings proposals that were factored into the 2023/24 budget.

Accommodation

None.

Risk

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

This, together with the information supplied by Service Management Teams and budget holders, helps to mitigate the risks associated with achievement of the forecast outturn position.

Procurement

None.

Appendix 3: Revenue Summary by Expenditure / Income 2023/24

	Original Budget 2023/24	Proposed Budget Revisions	Budget - incorporating adjustments	Service Groupings Forecast of Outturn	Forecast of Outturn (including Corporate Costs)	Contribution to / (Use of) Contingencies , sums outside the cash limit, DSGAA	Contribution to / (Use of) Cash Limit Reserve	Contribution to / (Use of) Earmarked Reserves	Adjusted Variance	Adjustment for inflationary-related sums outside the cash limit included in Forecast of Outturn			Cash Limit Position
										Energy	Fostering	Pay Inflation 23/24	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Employees	571,861	-918	562,457	552,499	552,832	-306	0	4,924	-5,007	0	0	-573	-5,580
Premises	60,764	546	60,397	60,123	60,123	-150	0	-436	-860	3,240	0	0	2,380
Transport	64,792	843	64,867	66,176	66,176	-102	0	19	1,226	0	0	0	1,226
Supplies & Services	117,757	-79	116,449	133,440	135,292	-806	0	-53	17,984	0	0	0	17,984
Agency & Contracted	551,775	6,209	575,777	592,255	594,522	-862	0	0	17,883	0	-590	0	17,293
Transfer Payments	152,814	1,932	155,927	174,131	174,396	-3,311	0	0	15,158	0	0	0	15,158
Central Costs	143,125	-14,644	124,764	133,536	133,691	1,833	-1,652	-19,888	-10,780	0	0	0	-10,780
DRF	456	0	455	1,805	1,805	0	0	-43	1,307	0	0	0	1,307
Capital Charges	55,916	0	55,917	55,917	55,917	0	0	0	-0	0	0	0	-0
Other	0	0	0	0	0	0	0	0	0	0	0	0	0
GROSS EXPENDITURE	1,719,260	-6,111	1,717,010	1,769,882	1,774,754	-3,704	-1,652	-15,477	36,911	3,240	-590	-573	38,988
Income													
Government Grants	633,142	3,452	626,167	645,395	645,395	0	0	1,726	20,954	0	0	0	20,954
Other Grants and Contributions	91,231	1,954	101,299	104,590	105,070	-166	0	-505	3,100	0	0	0	3,100
Sales	6,937	0	6,612	5,716	5,826	0	0	272	-514	0	0	0	-514
Fees and Charges	114,789	6,272	124,784	126,873	126,873	1,793	0	-169	3,713	435	0	0	4,148
Rents	11,312	67	11,141	13,203	13,203	0	0	22	2,084	0	0	0	2,084
Recharges To Other Services	320,669	-17,863	306,498	309,793	309,793	0	0	-196	3,099	0	0	0	3,099
Other	9,549	-35	8,836	10,782	10,750	0	0	-919	995	0	0	0	995
Total Income	1,187,629	-6,153	1,185,337	1,216,352	1,216,910	1,627	0	231	33,431	435	0	0	33,866
NET EXPENDITURE	531,631	42	531,673	553,530	557,844	-5,331	-1,652	-15,708	3,480	2,805	-590	-573	5,122

Appendix 4: Earmarked Reserves Position as at 30 September 2023

EARMARKED RESERVES AND CASH LIMIT RESERVES	SERVICE GROUPING	OPENING BALANCE	USE OF RESERVES	CONTRIBUTION TO RESERVES	TRANSFERS BETWEEN RESERVES	TOTAL MOVEMENT ON RESERVES	CLOSING BALANCE AT 31/03/24
		£'000	£'000	£'000	£'000	£'000	£'000
<u>EARMARKED RESERVES</u>							
Corporate Reserves							
Business Support Reserve	Corporate	-1,250	122	-293		-171	-1,421
Cabinet Priorities Reserve	Corporate	-755	108			108	-647
Capital Expenditure reserve	Corporate	-642					-642
Commercialisation Support Reserve	Corporate	-9,107	16			16	-9,091
Equal Pay Reserve	Corporate	-4,479					-4,479
ER/VR Reserve	Corporate	-10,354	1,077			1,077	-9,277
Feasibility Study Reserve	Corporate	-500					-500
Insurance Reserve	Corporate	-5,965					-5,965
Levelling Up Feasibility Reserve	Corporate	-94					-94
MTFP Reserve	Corporate	-36,996	10,028			10,028	-26,968
Resources DWP Grant Reserve	Corporate	-2,295	206			206	-2,089
Resources Elections Reserve	Corporate	-1,208					-1,208
Total Corporate Reserves		-73,645	11,557	-293	0	11,264	-62,381
Sums held for other organisations/grants							
Collection Fund Deficit Reserve	Corporate	-4,722	4,735	-13		4,722	0
Local Taxation Income Guarantee Reserve	Corporate	-355	355			355	0
North Pennines AONB Partnership Reserve	NCC	-2,152					-2,152
Resources Council Tax Hardship Reserve	Resources	-1,342					-1,342
Resources COVID-19 Support Grants	Resources	-620	205			205	-415
Social Care Reserve - Community Discharge Grant	AHS	-737					-737
Social Care Reserve - CCG	AHS	-21,737	3,487		40	3,527	-18,210
Total Sums held for other organisations/grants		-31,665	8,782	-13	40	8,809	-22,856
Other Specific Reserves							
Business Growth Fund Reserve	REG	-604	225			225	-379
CEO Grant Reserve	CEO	-284	147			147	-137
Children's Services Reserve	CYPS	-5,554	1,572	-236	-60	1,276	-4,278
Community Protection Reserve	NCC	-3,370	488	-329		159	-3,211
Corporate Property & Land Reserve	REG	-2,789	361	-983		-622	-3,411
Culture and Sport Reserve	REG	-8,259	2,282	-14		2,268	-5,991
Economic Development Reserve	REG	-2,427	619	-129	29	519	-1,908
Education Reserve	CYPS	-18,386	7,713	-270		7,443	-10,943
Employability and Training Reserve	REG	-309					-309
Environmental Services Reserve	NCC	-3,091	948	-522	65	491	-2,600
Funding and Programmes Management Reserve	REG	-418	47			47	-371
Grant Reserve	CEO	-86					-86
Housing Regeneration Reserve	REG	-2,170		-49		-49	-2,219
Housing Solutions Reserve	REG	-3,880	503	-527		-24	-3,904
CEO Operational Reserve	CEO	-208			10	10	-198
CEO Transformation Reserve	CEO	-853					-853
Partnerships and Community Engagement Reserve	NCC	-13,159	3,489	-1,483	-150	1,856	-11,303
Planning Reserve	REG	-439	38		-65	-27	-466
Public Health Reserves	AHS	-6,220	1,403	-1,992		-589	-6,809
REG Match Fund Programme Reserve	REG	-605	249	-178		71	-534
Resources Corporate Reserve	Resources	-562	212			212	-350
Resources Customer Services Reserve	Resources	-239			-30	-30	-269
Resources Financial Services Reserve	Resources	0		-6		-6	-6
Resources Human Resources Reserves	Resources	-297	96			96	-201
Resources ICT Reserves	Resources	-970	161		30	191	-779
Resources Internal Audit & Corporate Fraud Reserve	Resources	-249	46		135	181	-68
Resources Legal Reserves	Resources	-389					-389
Resources Operations and Data Reserve	Resources	-50					-50
Resources Revenue and Benefits Reserve	Resources	-528	72			72	-456
Resources System Development Reserve	Resources	-197					-197
Social Care Reserve - Specific Purpose	AHS	-1,320	662		20	682	-638
Technical Services Reserve	NCC	-1,862	85	-396		-311	-2,173
Town and Villages Regeneration Reserve	REG	-686	9			9	-677
Transport Reserve	REG	-2,710	487	-2,916		-2,429	-5,139
Total Other Specific Reserves		-83,170	21,914	-10,030	-16	11,868	-71,302
TOTAL EARMARKED RESERVES		-188,480	42,253	-10,336	24	31,941	-156,539

EARMARKED RESERVES AND CASH LIMIT RESERVES	SERVICE GROUPING	OPENING BALANCE £'000	USE OF RESERVES £'000	CONTRIBUTION TO RESERVES £'000	TRANSFERS BETWEEN RESERVES £'000	TOTAL MOVEMENT ON RESERVES £'000	CLOSING BALANCE AT 31/03/24 £'000
Cash Limit Reserves							
Adult and Health Services		-5,329	2,102	-316		1,786	-3,543
Children and Young People's Services		0	-6,222	6,222			0
Chief Executive's Office		0		-548	-60	-608	-608
Neighbourhoods and Climate Change Regeneration, Economy and Growth Resources		-90	-150	89	121	60	-30
		-1,372	78	725		803	-569
		-1,264	320	-927	-85	-692	-1,956
Total Cash Limit Reserves		-8,055	-3,872	5,245	-24	1,349	-6,706
Total Council Reserves		-196,535	38,381	-5,091	0	33,290	-163,245
Schools' Balances							
Schools' Revenue Balance *	CYPS	-28,463	1,020			1,020	-27,443
DSG Reserve	CYPS	0					0
Total Schools and DSG Reserves		-28,463	1,020	0	0	1,020	-27,443
Total Earmarked Reserves		-224,998	39,401	-5,091	0	34,310	-190,688

* Academy transfers: the Schools' Revenue Balance in-year movement includes an adjustment of £2.776 million of deficit balances to be written off and £1.638 million of surplus balances to be transferred to the new trusts (a net increase of £1.138 million before the movement in respect of maintained schools)