

## **Audit Committee**

**30 September 2024**

### **2023/24 Final Outturn for the General Fund and Collection Fund**

#### **Ordinary Decision**

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## **Report of Paul Darby, Corporate Director of Resources**

### **Electoral division(s) affected:**

Countywide

### **Purpose of the Report**

- 1 To provide Audit Committee with information on the General Fund and Collection Fund outturn position for 2023/24.

### **Executive Summary**

- 2 The attached report was considered by Cabinet on 10 July 2024 and presents:
  - a) a summary of the Council's revenue and capital outturn position for the General Fund for 2023/24;
  - b) a summary of the final outturn for the dedicated schools grants and schools for 2023/24;
  - c) the final outturn for the Council's Council Tax and Business Rates collection fund for 2023/24;
  - d) the use of and contributions to earmarked, cash limit and general reserves in 2023/24, together with the closing position regarding balances held at 31 March 2024; and
  - e) the achievement of Medium Term Financial Plan (MTFP) (13) savings targets in 2023/24
  - f) the outcome of a review of all earmarked reserves, which has resulted in a set of proposals to repurpose a range of these reserves.

## **Recommendation**

- 3 It is recommended that Members note the contents of 2023/24 Final Outturn for the General Fund and Collection Fund report.

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**Cabinet**

**10 July 2024**



**2023/24 Final Outturn for the General Fund and Collection Fund**

**Ordinary Decision**

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## **Report of Corporate Management Team**

**Paul Darby, Corporate Director of Resources**

**Councillor Richard Bell, Portfolio Holder for Finance**

**Electoral division(s) affected:**

Countywide

### **Purpose of the Report**

- 1 To provide Cabinet with:
  - (a) the final revenue and capital outturn for the General Fund for 2023/24;
  - (b) the final outturn for the dedicated schools grants and schools for 2023/24;
  - (c) the final outturn for the Council Tax and Business Rates collection fund for 2023/24;
  - (d) the use of and contributions to earmarked, cash limit and general reserves in 2023/24 together with the closing position regarding balances held at 31 March 2024;
  - (e) the achievement of Medium Term Financial Plan (MTFP) (13) savings targets in 2023/24; and
  - (f) the outcome of a review of all earmarked reserves, which has resulted in a set of proposals to repurpose a range of these reserves.

### **Executive summary**

- 2 During 2023/24, the council continued to operate in a period of significant financial uncertainty and volatility. This uncertainty was again

driven by continuing short term local government finance settlements, our inherent low tax raising capacity due to our low tax base alongside ongoing significant unfunded 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 pay awards. The financial outlook for the council is forecast to remain extremely challenging for the foreseeable future.

- 3 Throughout 2023/24 the council faced a range of financial challenges which placed pressure upon the council's revenue budget. At the same time the council has continued to strive to control revenue expenditure whilst also delivering against a bold and ambitious capital programme.
- 4 The 2023/24 revenue budget approved by Council on 22 February 2023 was based upon the best estimates at that time. A number of pressures were faced during the year however which were not forecast. After the 2023/24 budget was set, the government announcement that national fostering allowances for 2023/24 were to increase by 12.4% - 7.4% points above our 5% forecast, which added £0.590 million to our costs in the year. This additional spending requirement has been built into the base budget in 2024/25 alongside the impact of the further increases announced for this year.
- 5 The Local Government Employers 2023/24 pay award agreed in November 2023 set out an increase for 'Green Book' employees of £1,925. This pay deal impacted the vast majority of council employees and equated 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. This resulted in an additional 1.5% budget uplift requirement, with the base 2023/24 budget assuming a 5% increase would be agreed. This above-budgeted pay-award created a £1.945 million pressure (net of vacancies) during 2023/24 and a £3.711 million per annum budget uplift requirement in 2024/25, where a further 4% uplift in costs is expected once the 2024/25 pay award is settled.
- 6 Attendance and use of our leisure centres has not returned to pre-pandemic levels, resulting in an under recovery against income budgets, which remained at pre-pandemic levels of usage. The impact on leisure income suffered over the past two years has continued into 2023/24 with a year-end shortfall in the underlying budget position of £0.820 million, which has been addressed in the 2024/25 base budget. In addition, reduced income of £0.735 million in 2023/24 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 further increased the budget shortfall. The underachievement of

leisure income has been treated as outside the Directorate's cash limit budget during 2023/24.

- 7 The pandemic accelerated growth in the use of temporary accommodation, which has continued post pandemic and into 2023/24. The Housing Benefit Subsidy Grant does not allow for full recovery of housing benefit payments linked to temporary and supported accommodation, leading to a shortfall in recoverable income of £2.4 million in 2023/24. This ongoing budget pressure has been addressed in the 2024/25 budget and will be closely monitored throughout the year.
- 8 The MTFP(13) forecasts anticipated that energy prices would fall based on the advice from industry experts, however during the year prices fell further and more quickly than was anticipated previously. Energy costs (net of Joint Stocks power generation income shortfall) reduced by £2.791 million during 2023/24.
- 9 A number of net pressures (including those above) have been funded outside of service cash limit and via corporate contingencies. These have totalled £1.483 million during 2023/24.
- 10 After taking this into account, service grouping cash limit budgets overspent in 2023/24 by £3.914 million. The majority of this related to Children and Young People's Services with a year-end overspend of £8.390 million (compared to a forecast £8.102 million overspend at quarter three). The service does not have a cash limit reserve to offset this overspend so, as in previous years, this overspend has been financed from the General Reserve.
- 11 Having excluded the CYPS position, the services net cash limits show an underspend of £4.476 million, compared to a forecast net £2.479 million underspend forecast at quarter three.
- 12 Overspends met corporately have been offset by underspends within corporate contingencies of £2.629 million, capital financing budgets of £3.877 million, and an over recovery in the interest investment budget of £7.691 million due to higher than anticipated interest rates on investments and a managed delay in taking out new borrowing. The corporate underspends reflect the one off receipt of a £1.721 million gain share payment from the Digital Durham programme and a revaluation impairment adjustment of £0.627 million in relation to the airport loans. Neither of these issues were factored into the quarter three forecasts.
- 13 In addition, in the Local Government Settlement on 5 February 2024, the Government announced a £100 million return across the sector from the allocation of a national business rates levy account in 2023/24. The return from the business rate levy account of £1.068 million has been

received in 2023/24 by the Council. This was not known when the quarter three forecast was prepared.

- 14 The Government has also announced a 2023/24 Business Rates Green Plant and Machinery exemption compensation allocation to local authorities. The council's allocation was £0.174 million.
- 15 Additional Business Rates Section 31 grant was also received at the year-end totalling £0.501 million.
- 16 Overall, therefore, after taking into account the outturn position on corporate budgets, the General Reserve position has increased by £6.044 million as at 31 March 2024. At quarter three there was a forecast £4.336 million increase in the General Reserve, resulting in a net change of £1.708 million at final outturn – largely reflecting the gain share payment from the Digital Durham programme and the airport loan impairment adjustment.
- 17 The MTFP(14) report to Council on 28 February forecast a £37.833 million funding shortfall for the council from 2025/26 to 2027/28 – with the updated forecasts, which will be presented to Cabinet in September 2024, showing an even more challenging position. Against this backdrop it is essential that the council has a strong balance sheet and access to earmarked reserves which are available to support future budget shortfalls. With this in mind a thorough review of all earmarked reserves has been completed as part of the 2023/24 final outturn process with a key aim of seeking to replenish and increase corporate reserves such as the MTFP Support Reserve and the Early Retirement/Voluntary Redundancy (ER/VR) reserve to ensure corporate capacity is in place to support future MTFP's.
- 18 The redirection to corporate reserves ensures that there is sufficient capacity in place to meet corporate commitments going forward and strengthen the council's ability to set balanced budgets over the coming years.
- 19 In total, £18.330 million of reserves have been repurposed to replenish corporate reserves, with those reserves increased as follows:

<b>Corporate Reserve</b>	<b>Amount £ Million</b>
MTFP Support Reserve	9.330
Commercial Reserve	5.000
ER/VR Reserve	2.500

<b>Corporate Reserve</b>	<b>Amount £ Million</b>
Elections Reserve	1.000
Culture Reserve - Lumiere	0.500
<b>Total</b>	<b>18.330</b>

- 20 Total earmarked and cash limit reserves (excluding schools reserves) reduced by a net £20.226 million in 2023/24, from £196.535 million at 31 March 2023 to £176.309 million at 31 March 2024. The year end reserve balances are higher than forecast at quarter three, when the in-year reduction was forecast to be £34.353 million. Full details of the movement on Reserves are shown in Appendix 4 to the report.
- 21 The year end outturn position shows a General Reserve of £32.061 million – which equates to 5.67% of the 2024/25 net budget requirement. This is within the council’s reserves’ policy for 2024/25 agreed at Council on 28 February 2024 of holding a General Reserve of between £28.2 million and £42.4 million.
- 22 The overall council reserves position, including the General Reserve, is considered to be adequate and prudent given our financial commitments and the financial challenges and uncertainties facing the council and the whole of local government from 2024/25 onwards.
- 23 The year end position for all current maintained schools shows a net contribution to reserves of £2.902 million (£10.695 million improvement from the original 2023/24 budget forecast where a £7.793 million drawdown from reserves was expected). The quarter three forecast position forecast that maintained schools would utilise £2.286 million of reserves in year. The change in position between quarters is mainly due to additional income. At the year-end there were 46 schools drawing circa £2.880 million from their retained reserves in year (to offset in year overspending) and 99 schools who contributed circa £5.782 million to their reserves (to reflect in year underspending).
- 24 The year end position for Dedicated Schools Grant centrally retained block shows a net £1.196 million overspend, including a £1.960 million overspend in relation to High Needs Block, which has increased the accumulated deficit from £8.635 million at 31 March 2023 to £10.595 million at 31 March 2024. The main area of spending pressure within the High Needs Block relates to top up funding in mainstream schools where demand for both Education Health and Care Plans (EHCP) and special Education Need (SEN) support has increased significantly.

- 25 The council has an ambitious capital programme and delivery against plans have progressed significantly throughout the year. In terms of the council capital programme, the final capital outturn position for 2023/24 shows capital expenditure totalling £233.010 million. Although the final outturn is £36.177 million lower than the revised capital budget of £259.187 million agreed by Cabinet in year, the final outturn of £233.010 million of capital expenditure being incurred is significantly higher (62% higher) than the highest previous capital expenditure in one year of £143 million.
- 26 During 2023/24 the council has invested £24.900 million in repairing and maintaining our highways, there has been an initial investment of £18.300 million towards our £60 million scheme at NetPark Phase 3, we have invested an initial £16.200 million towards a £38 million investment in a new primary and secondary school at Belmont, there has been investment of £13 million as part of our Leisure Transformation Programme and £9.400 million invested from our disabled facilities programme to ensure vulnerable people are able to stay in their own homes.
- 27 In addition to the above investments, major schemes at Durham Bus Station, The Story and at Spennymoor Primary School have neared completion. Overall, the council capital programme is significantly improving our infrastructure, the Councils facilities and services provided to the public with a capital programme of £361.901 million budgeted for 2024/25 and a £232.533 million budget for 2025/26 to continue the significant progress made in investing and maintaining the county's and council infrastructure.
- 28 Performance against the various treasury management prudential indicators agreed by County Council in February 2023 is set out at paragraphs 175-182 and shows that the council continues to operate within the targets and boundaries agreed. The detailed Treasury Management Outturn Report, which was scrutinised by the Audit Committee on 28 June 2024, will be presented to County Council on 17 July 2024.
- 29 The 2023/24 outturn for the Council Tax element of the Collection Fund shows an in-year deficit of £1.539 million, and a cumulative deficit of £1.774 million to 31 March 2024. Durham County Council's share of this net deficit is £1.491 million. At quarter three the in-year deficit was forecast to be £2.408 million, with a cumulative deficit of £2.643 million to 31 March 2024. Durham County Council's share of this forecast net deficit was previously forecast to be £2.220 million. The council's year end position has therefore improved by circa £0.729 million from the quarter three reported position.



- 30 The 2023/24 outturn for the Business Rates element of the Collection Fund is an in-year surplus of £6.482 million, and a cumulative surplus of £5.774 million. Durham County Council's share (49%) of this surplus is £2.830 million. At quarter three the in-year surplus was forecast to be £6.971 million, with a cumulative surplus of £6.263 million. Durham County Council's share (49%) of this forecast surplus was previously forecast to be £3.069 million. The year end position shows a reduced surplus position of £0.239 million when compared with the quarter three position.
- 31 The final outturn on the overarching Collection Fund is a £1.339 million surplus. When the budget was set for 2024/25 it was forecast that the surplus would be £0.686 million. This will result in an undeclared surplus of £0.653 million being accounted for as part of the 2024/25 Collection Fund.
- 32 On 22 February 2023, County Council agreed a net revenue budget of £520.176 million for 2023/24. Factoring in any reductions in government grants, inflation and other budget pressures, £12.383 million of savings were required to be delivered in 2023/24.
- 33 This report provides an update on the delivery of the £12.383 million MTFP(13) savings target included in the 2023/24 budgets which brings the overall savings target for the period 2011/12 to 2023/24 to circa £262 million. In total, £11.761 million (95.0%) of the total savings requirement were achieved in year in 2023/24.
- 34 This final outturn for 2023/24 has been prepared as part of the production of the Annual Statement of Accounts, which were published on the Council's website on 31 May 2024.

## **Recommendations**

- 35 It is recommended that Cabinet note:
- (a) the 2023/24 final revenue outturn underspend position of £6.044 million which represents 1.11% of the 2023/24 revised net expenditure budget of £542.331 million;
  - (b) the 2023/24 overall cash limit overspend position of £3.914 million including CYPS overspend of £8.390 million (£4.476 million underspend excluding CYPS) and closing cash limit reserves of £9.865 million. These sums will continue to be available for service groupings to manage their budgets;
  - (c) the overall net council underspend in 2023/24 of £10.520 million;

- (d) the closing General Reserve balance of £32.061 million which is within the council's general reserves policy of retaining a balance of between 5% and 7.5% of the net budget requirement (£28.2 to £42.4 million);
- (e) the closing balance on earmarked reserves (excluding cash limit and schools reserves) at 31 March 2024 of £166.444 million, an in-year reduction of £22.036 million;
- (f) the Dedicated Schools Grant and Schools outturn position and closing balances on DSG/ Schools reserves of £27.231 million – an in year reduction of £1.232 million;
- (g) the performance against the various prudential indicators agreed by Council in February 2023;
- (h) the outturn position the Collection Funds in respect of Council Tax and Business Rates; and
- (i) the amount of savings delivered against the 2023/24 targets and the total savings that will have been delivered since 2011.

36 It is recommended that Cabinet approve:

- (a) the transfer of reserves as part of the review of reserves
- (b) the revised capital budget £645.123 million for the period 2024/25 to 2027/28

## Background

- 37 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) covered the period 2023/24 to 2026/27.
- 38 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.
- 39 The MTFP(14) 2024/25 - 2027/28 and Revenue and Capital Budget 2024/25 report approved by Council on 28 February 2024, highlighted the ongoing budget concerns for the council with a total forecast budget shortfall of circa £37.833 million over the period 2025/26 to 2027/28 after the realisation of £16.360 million of savings, with £8.083 million of the savings in 2024/25. Updated forecasts, covering the period 2025/26 to 2028/29 (MTFP(15)) will be presented to Cabinet in September 2024, which show an even more challenging position across the next four years, with the delivery of further savings of the magnitude required becoming ever more challenging to achieve.
- 40 The constitution requires that the Chief Finance Officer must report to Cabinet on the overall council budget monitoring position on a quarterly basis. This report satisfies that requirement and provides the 2023/24 year end revenue and capital outturn. The report includes details relating to the General Fund Revenue and Capital 2023/24 final outturns, the Collection Fund for Council Tax and Business Rates final outturn and contains details relating to the Dedicated Schools Grant funding blocks, including the financial performance of our maintained schools to the financial year end.
- 41 During 2023/24 high levels of interest rates and inflation continued to impact the council's budget. The Chancellor of the Exchequer has set out that he expects Consumer Price Inflation (CPI) to continue to stabilise across 2024/25, which is to be welcomed, though many of the council's budget pressures, particularly in social care, are demand led and relate to the complexity of the cases they are dealing with and not necessarily linked to inflation levels.
- 42 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 gradually over time in line with

the advice received from industry experts, but not to 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.

- 43 Energy costs (net of Joint Stocks power generation income shortfall) reduced by £2.791 million during 2023/24, in part due to higher gas stocks internationally and in part due to warm weather across the UK and Europe.
- 44 In late February 2023, after the 2023/24 budget was set, 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 added a circa £0.590 million of costs in 2023/24. This additional spending requirement has been built into the base budget from 2024/25 alongside the impact of the further increases announced for this year.
- 45 The Local Government Employers 2023/24 pay award was finally agreed in November 2023 and for 'Green Book' employees was a £1,925 flat rate increase for all employees covered by this agreement. This pay award 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 budget included provision for up to 5%, held within general contingencies until agreed (£12.200 million), the additional 1.5% point increase has added circa £1.945 million (net of vacancies) per annum to council costs in 2023/24, meaning that pay inflation has cost the Council £14.145 million this year (net of vacancies). A £3.711 million per annum budget uplift is included in the 2024/25 budget (inclusive of vacancies). A further 4% uplift in costs is expected in 2024/25 for the anticipated pay award settlement this year.
- 46 Attendance and use of our leisure centres has not returned to pre-pandemic levels, resulting in an under recovery against income budgets, which remained at pre-pandemic levels of usage. The impact on leisure income suffered over the past two years has continued into 2023/24 with a year-end shortfall in the underlying budget position of £0.820 million, which has been addressed in the 2024/25 base budget. In addition, reduced income of £0.735 million in 2023/24 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 further increased the budget shortfall.
- 47 The pandemic accelerated growth in temporary accommodation which 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 shortfall in recoverable income of £2.4 million in 2023/24. The ongoing budget pressure has also been addressed in the 2024/25 base budget and will be closely monitored throughout the year.

- 48 On 22 February 2023, County Council agreed a net revenue budget of £520.176 million for 2023/24. Factoring in any reductions in government grants, inflation and other budget pressures, £12.383 million of savings were required within MTFP(13) for 2023/24.
- 49 This report provides an update on the delivery of this savings target during 2023/24, which brings the overall savings targets to delivered for the period from 2011/12 to 2023/24 to circa £262 million. During 2023/24 95% (£11.761 million) of the in year 2023/24 savings target has been achieved.
- 50 The final outturn presented in this report has been factored into the 2023/24 Annual Statement of Accounts. During the process of finalising the Statement of Accounts, the Corporate Director of Resources is required to make a number of technical decisions in the best financial interests of the Council. Such decisions are fully disclosed within the statements, which were published on the council's website on 31 May 2024 and were considered by the Audit Committee on 28 June 2024, with the external audit of those statements now underway.

## **General Fund - Revenue Outturn**

- 51 This section of the report details the following:
- (a) Cash limit outturn position for service groupings;
  - (b) Overall revenue outturn for the General Fund with summarised service commentary;
  - (c) Overall capital outturn of the General Fund with summarised service grouping commentary
  - (d) The dedicated Schools Grant and schools outturn with summarised commentary

## **Cash Limit Outturn for Service Groupings**

- 52 The following exclusions have been considered within service grouping outturns:
- (a) items outside the cash limit funded from the General Reserve;
  - (b) use of /contribution to earmarked reserves (Appendix 4);

(c) use of general contingencies

53 The following sums have been determined to be outside of service grouping control and cash limits and have been funded from a general contingencies budget held corporately.

<b>Service Grouping</b>	<b>Use</b>	<b>Requirement</b>	<b>Cumulative Amount as at 31 March 2024 £ Million</b>	<b>Approved Cumulative Quarter 3 £ Million</b>
REG	Temp	Premises dual running costs	-0.429	-0.050
REG	Temp	Radon Gas Monitoring	0.052	0.095
RES/REG	Temp	Milburngate – Legal and Professional fees	0.550	0.388
CYPS	Temp	Surplus Property - R&M	0.269	0.161
CYPS	Temp	Educational Psychologists Locum support	0.200	0.200
CYPS	Temp	Soulbury staff grouping pay settlement	0.208	0.000
Resources	Temp	Occupational Health Succession Planning	0.048	0.048
NCC	Temp	Coronation costs	0.034	0.034
NCC	Temp	Waste Legal fees	0.183	0.089
Resources	Temp	CIPFA Finance Peer Review (OFLOG)	0.035	0.035
Resources	Temp	Legal Assistant support	0.050	0.050
Resources	Perm	Schools SLA Income and Business Manager Post	0.181	0.181
REG	Perm	Senior Management Restructure	-0.101	-0.101
CEO	Perm	Initiatives	0.010	0.010
<b>TOTAL</b>			<b>1.290</b>	<b>1.140</b>

- 54 The overall outturn for the Council is shown in Appendix 2 and details how the cash limit outturn for each service grouping is calculated.
- 55 The final 2023/24 cash limit outturn for service groupings was an in year underspend of £4.476 million. This excludes Childrens and Young Peoples Services (CYPS) which do not have a cash limit reserve balance to call on and where the service overspent in year by £8.390 million. To prevent deficit cash limit reserves being carried forward, in line with previous practice, the General Reserve have been utilised instead. Further details can be found within the service grouping commentary later in the report.
- 56 Overall, in 2023/24 there was a net increase in cash limit reserves of £1.810 million in year with the balance carried forward at 31 March 2024 being £9.865 million. The cash limit position for each service grouping is detailed in the table below:

Type of Reserve	Opening Balance as at 1 April 2023	Budgeted use at 1 April 2023	Movement during 2023/24	Closing Balance as at 31 March 2024
	£ Million	£ Million	£ Million	£ Million
<b>Service Grouping Cash Limit</b>				
Adult and Health Services	-5.329	0.698	-1.203	-5.834
Chief Executive's Office	-	-	-0.865	-0.865
Children and Young People's Services	-	-	-	-
Neighbourhoods and Climate Change	-0.090	-	-0.480	-0.570
Regeneration, Economy and Growth	-1.372	-	-0.089	-1.461
Resources	-1.264	-	0.129	-1.135
<b>Total Cash Limit Reserve</b>	<b>-8.055</b>	<b>0.698</b>	<b>-2.508</b>	<b>-9.865</b>

- 57 The following table details the Cash Limit Reserve movement during 2023/24:

Type of Reserve	Movement during 2023/24			
	Contribution to (-) or use of reserve	Cash Limit Position	Transfers from (-) / to earmarked reserves	Total Movement
	£ Million	£ Million	£ Million	£ Million
<b>Service Grouping Cash Limit</b>				
Adult and Health Services	1.270	-0.787	-1.686	-1.203
Chief Executive's Office	0.000	-0.805	-0.060	-0.865
Children and Young People's Services	-	-	-	-
Neighbourhoods and Climate Change	-0.150	-0.451	0.121	-0.480
Regeneration, Economy and Growth	0.254	-0.343	-	-0.089
Resources	0.325	-2.090	1.894	0.129
<b>Total Cash Limit Reserve</b>	<b>1.699</b>	<b>-4.476</b>	<b>0.269</b>	<b>-2.508</b>

## Earmarked Reserves

- 58 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 movement on reserves during the year and the closing balance at 31 March 2024
- 59 The forecast future MTFP (14 and 15) financial deficits are likely to require the council to continue to support the MTFP via the application of earmarked reserves, such as the MTFP Support Reserve and the ER/VR reserve. In this regard, as part of the 2023/24 closedown process, a review and redirection of earmarked reserves has been undertaken.
- 60 The redirection to corporate reserves ensures that there is sufficient capacity in place to meet corporate commitments going forward and strengthen the council's ability to set balanced budgets over the coming years.
- 61 In total, £18.330 million of reserves have been repurposed to replenish corporate reserves, with those reserves increased as follows:



<b>Corporate Reserve</b>	<b>Amount £ Million</b>
MTFP Support Reserve	9.330
Commercial Reserve	5.000
ER/VR Reserve	2.500
Elections Reserve	1.000
Lumiere Reserve	0.500
<b>Total</b>	<b>18.330</b>

62 Full details of the movement on earmarked reserves are shown in Appendix 4 to the report.

63 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 below highlights that the total earmarked and cash limit reserves reduced by £20.226 million in 2023/24, from an opening balance of £196.535 million to a closing balance of £176.309 million. The year end outturn is a smaller reduction in earmarked and cash limit reserves in year than was forecast at quarter three, when the in year reduction was forecast to be £34.353 million. The movement in earmarked reserves is explained in the service grouping commentaries.

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

<b>Type</b>	<b>Actual Balance at 1 April 2023  £ Million</b>	<b>Adjusted for increase (-) / use of Earmarked Reserves  £ Million</b>	<b>Transfers Between Reserves  £ Million</b>	<b>Net Change in Year  £ Million</b>	<b>Balance at 31 March 2024  £ Million</b>
Earmarked – Corporate Reserves	-73.645	11.568	-9.050	2.518	-72.127
Earmarked – Partner / External Grant	-31.665	7.935	0.850	8.785	-22.880
Earmarked - Other	-83.170	2.802	7.931	10.733	-72.437
<b>Sub-Total</b>	<b>-188.480</b>	<b>22.305</b>	<b>-0.269</b>	<b>22.036</b>	<b>-166.444</b>
Earmarked - Cash Limit	-8.055	-2.079	0.269	-1.810	-9.865
<b>Total Earmarked Reserves</b>	<b>-196.535</b>	<b>20.226</b>	<b>-</b>	<b>20.226</b>	<b>-176.309</b>

- 65 The current 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.
- 66 The council's 2024/25 reserves policy aims to maintain a General Reserve balance of between 5% (£28.2 million) and 7.5% (£42.4 million) of the net budget requirement in the medium term. The general reserves balance at 31 March 2024 is £32.061 million – which equates to 5.67% of the 2024/25 net budget requirement, which is within (at the lower end) of the council's reserves policy.
- 67 The CIPFA Resilience Index provides comparisons across local government for a range of financial indices or measures of financial resilience. The council has always had a strong position in these comparators but the most recent published information for the period to March 2023 highlights the relatively high-level use of reserves by the council in recent years compared with other local authorities.
- 68 The Resilience Index highlights changes in reserves levels over the previous three years with this comparator expected to show local authorities in distress as they utilise high levels of reserves. For the three-year period covered in the latest publication, the council has had the highest reduction in reserves when compared to our nearest neighbour group and the council has had a well above average use of reserves over the three years period when compared with all other unitary authorities. It is important to note that the use of reserves within the council over this period has been focussed upon the utilisation of earmarked reserves rather than material reductions in the General Reserve or the quantum available in the MTFP Support Reserve.
- 69 The council's overall level of reserves at March 2023 was slightly above average when compared with the net revenue budget, however, the reduction in reserves outlined in this report will undoubtedly impact on our standing. It is likely therefore that the CIPFA Resilience Index when published for the period ending March 2024 will highlight a continuing trend of high utilisation of reserves and a further reduction in overall reserves available to the council – most likely in excess of the reductions being experienced elsewhere.
- 70 On 13 December 2023, Cabinet considered a report setting out updated forecasts for High Needs Special Educational Needs spending, which showed an increasing in-year deficit of spending over High Needs Block grant income received.

71 The significant and increasing HNB deficit position is a serious concern for the Council and many other local authorities. The exceptional accounting override that allows councils to exclude HNB deficits from their main council general revenue funding position is due to end in 2025/26, at which point the HNB deficit may need to be funded by council resources requiring a significant (and unaffordable / unsustainable) call on general fund reserves and further annual budget pressures that are not factored into the current MTFP(14) forecasts. Should this accounting override be removed, and additional funding is not provided then many authorities will be forced into submitting a Section 114 Notice, as the cumulative deficits forecast in some authorities are into the tens of millions.

## Revenue Outturn 2023/24

72 Appendix 2 provides a more detailed outturn position for the council's General Fund by service grouping. In addition, Appendix 3 provides a detailed outturn position for the council by type of expenditure and income. The following table provides a summary of the final outturn income, expenditure and funding position:

	£ Million	£ Million
Gross expenditure		1,898.562
Gross income		-1,361.454
<b>Net Expenditure</b>		<b>537.108</b>
<b>Financed by:</b>		
Council Tax	-268.372	
Use of earmarked reserves	-23.537	
Estimated net surplus (-) / deficit on Collection Fund	3.895	
Business Rates	-55.678	
Top up grant	-75.763	
Revenue Support Grant	-32.991	
New Homes Bonus	-1.861	
Section 31 Grant	-35.143	
Social Care Grant	-49.564	
Services Grant	-5.149	
Levy Account Surplus Grant	-1.068	
In year Cash Limit Underspend transfer to Cash Limit Reserve	4.476	
Net Contribution to / use of (-) cash limit reserve	-2.397	
Net contribution to/ from (-) General Reserves	6.044	
		<b>-537.108</b>

- 73 Expenditure being met corporately has been offset by underspends within corporate contingencies of £2.629 million, a capital financing underspend of £3.877 million, and an over recovery in the interest investment budget of £7.691 million, due to higher than anticipated interest rates on investments and a managed delay in taking out new borrowing. The corporate underspends reflect the one off receipt of a £1.721 million gain share payment from the Digital Durham programme and a revaluation impairment adjustment of £0.627 million in relation to the airport loans. Neither of these issues were factored into the quarter three forecasts
- 74 In addition, in the Local Government Settlement published on 5 February 2024, the Government announced a £100 million return across the sector from the business rates levy account in 2023/24. The levy surplus sits outside of the main settlement and the overall fund has been allocated on the same basis as in 2022/23. The return from the business rate levy account of £1.068 million was received in March 2024 and was not factored into the quarter three forecasts.
- 75 The Government also announced a Business Rates Green Plant and Machinery exemption compensation allocation to local authorities. The council's allocation was £0.174 million.
- 76 Additional Business Rates Section 31 grant was also received at the year-end totalling £0.501 million.
- 77 Overall, therefore, after taking into account the outturn positions on corporate budgets, the General Reserve position has increased by £6.044 million as at 31 March 2024. At quarter three there was a forecast £4.336 million increase in the General Reserve, resulting in a net improvement of £1.708 million between quarters.
- 78 Taking into account the movement within cash limit budgets and within the General Reserve the total outturn position for 2023/24 was an underspend of £10.520 million. The table below details the underspend transfer to the general and cash limit reserves at the year- end:

	<b>£ Million</b>
<b>2023/24 Total Underspend</b>	<b>10.520</b>
Transfer to Cash Limit Reserves	4.476
Transfer to General Reserve	6.044

- 79 The year end outturn position increases the General Reserve balance to £32.061 million to what is considered to be prudent level given the significant ongoing financial uncertainties facing the council and local government beyond 2023/24. The updated general reserves position

equates to 5.67% of the 2024/25 net budget requirement and is therefore within the parameters of the council's revised reserves policy for 2024/25 agreed at Council on 28 February 2024, of maintaining a General Reserve of between 5% and 7.5% of the council's net budget requirement, which for 2024/25 is between £28.2 million and £42.4 million.

## **Service Grouping Commentary - Revenue**

80 A summary of the outturn for each service grouping is 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)**

81 The 2023/24 outturn for Adults and Health Services (AHS) is a cash limit underspend of £0.787 million, representing circa 0.5% of the total revised budget for AHS. This compares to the forecast quarter three cash limit underspend of £0.464 million (0.3%).

82 In 2023/24 AHS 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.

83 The outturn takes into account net adjustments for sums outside the cash limit including redundancy costs associated with MTFP savings which are met from the ER/VR Reserve, technical capital accounting entries and use of / contributions to earmarked reserves. Inflationary adjustments relating to reductions in energy costs of £38,000 and the 2023/24 pay award budgets linked to vacancies of £77,000 are included in the above net cash limit adjustments.

84 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, resulted in an under-budget position for the year of £1.154 million;

- (b) net spend on adult care packages was £0.368 million over budget. This area of the budget continues to be closely monitored to assess demographic and procedural/operational changes, and is an area where significant MTFP savings have been delivered over recent years;
- (c) net expenditure on Public Health related activity is in line with grant allocations.

85 A net £1.732 million relating to contributions to and from reserves is also included in the net adjustments for sums outside the cash limit and therefore excluded from the cash limit outturn as follows:

- (a) £0.585 million net contribution to the AHS Social Care Reserve to fund future social care projects;
- (b) £23,000 contribution to the Community Discharge Reserve;
- (c) £2.268 million drawdown from the AHS Integrated Care Reserve to fund temporary staffing arrangements and short-term projects in year;
- (d) £1.213 million drawdown from the AHS cash limit reserve to fund temporary staffing arrangements;
- (e) £1.318 million net contribution to Public Health reserves to fund future Public Health related activity;
- (f) £25,000 drawdown from CYPS Reserve to fund temporary staffing arrangements; and
- (g) £91,000 contribution to the Corporate Insurance Reserve.

86 Taking the year-end outturn position into account, the Cash Limit Reserve balance for AHS is £5.834 million at 31 March 2024.

### **Chief Executive's Office (CEO)**

87 The 2023/24 outturn for the Chief Executive's Office (CEO) is a cash limit underspend of £0.805 million representing circa 18.6% of the total revised budget for CEO. This compares to a quarter three cash limit forecast underspend of £0.768 million (17.8%)

88 The outturn takes into account net adjustments for sums outside the cash limit such as redundancy costs which are met from the ER/VR Reserve, capital accounting entries and the use of / contributions to

earmarked reserves. The 2023/24 pay award budgets linked to vacancies of £29,000 are also included in the net cash limit adjustments.

89 The outturn position reflects 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 underspend by £26,000, relating to employee costs;
- (b) Corporate Policy, Planning and Performance has underspent by £0.430 million. This was primarily associated with vacant posts being held in advance of planned MTFP savings in 2024/25 and beyond, service restructure and secondments alongside additional income;
- (c) Communications and Marketing has underspent by £0.413 million. Again, this was primarily linked to vacant posts held in advance of planned MTFP savings and a service restructure of £0.322 million, along with unbudgeted additional advertising income of £30,000, underspends on Durham County News of £20,000 and underspends on general supplies of £40,000.

90 The cash limit outturn shows the position after a net £0.377 million movement reserves (included in the net adjustments above). The major item being:

- (a) £0.198 million from the Transformation Reserves to fund employee costs in 2023/24 associated with the transformation team;
- (b) £54,000 drawdown from the AHS County Durham Integrated Care Reserve to fund employee costs in the Communications and Marketing team; and
- (c) £99,000 drawdown from the AHS Cash Limit Reserve to fund employee costs in the Communications and Marketing team.

91 Taking the year end outturn position into account, the Cash Limit Reserve balance for CEO is £0.865 million at 31 March 2024.

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

92 The revenue outturn position for CYPS is a cash limit overspend of £8.390 million for the year, representing a 4.9% overspend against the

total revised budget for CYPS. This compares the forecast quarter three cash limit overspend forecast of £8.104 million (4.7%).

- 93 The outturn takes into account net adjustments for sums outside the cash limit outturn such as redundancy costs which are met from corporate reserves, capital accounting entries and the use of / contributions to earmarked reserves. Inflationary adjustments in relation to energy reductions of £0.196 million, Fostering Allowance increases of £0.590 million and Pay Award budgets linked to vacancies of £75,000 million are also included in the net cash limit adjustments.
- 94 The outturn position includes overspends within Social Care of £10.670 million and underspends within Early Help, Inclusion and Vulnerable Children of £1.022 million, Education and Skills of £0.652 million, and Central of £0.604 million.
- 95 Social Care is a net £10.670 million over budget for the year. The Service had a net overspend of £10.749 million relating to the cost of placements for children looked after (CLA), after taking account of costs of £0.394 million relating to higher rates for fostering allowances that were met corporately.
- 96 The pressure on the budget in children's social care has been evident for a number of years as the number of children in the care system has increased significantly and their needs have continued to become more complex. The budget for this area in 2023/24 was £62.288 million, which is an increase of £15.230 million on the previous year.
- 97 Across the year the number of CLA increased by 147 (14%) from 1,049 to 1,196 and the number of CLA in external high-cost placements (those costing more than £100,000 per annum) increased by 15 from 105 to 120. The average cost of External Residential placements has increased from £0.316 million at April 2023 to £0.332 million in March 2024.
- 98 The Education and Skills service had an underspend of £0.652 million in year. The main reasons for the underspend position are highlighted below:
- (a) The Home to School Transport (HTST) budget was increased by £9.6 million to £29.1 million in 2023/24 and an underspend of £0.536 million, or 1.8% was achieved against this revised budget;
  - (b) An overspend of £0.413 million relating to an aggregated budget shortfall across the service due to reductions in SLA income from schools;



- (c) An overspend of £0.206 million relating to the write off of aged AWPU Pupil Transfer invoices. These invoices mainly relate to financial years 2018/19 and 2019/20. This overspend is offset by a reduction in the bad debt provision, which is reported under the Central CYPS budget heading;
- (d) An overspend of £93,000 relating to DCC-run Nursery provision;
- (e) An overspend of £66,000 relating to the operation of Durham Leadership Centre due to a shortfall in lettings income; and
- (f) There is an underspend of £0.147 million against employee budgets, which results from a staffing restructure in Education Durham effective from September 2024 that was implemented in response to falling SLA income levels referenced in paragraph 98(b) above.

99 There are also further underspends in the following areas:

- (a) £0.270 million due to underspends on the Early Years Sustainability and associated activity budgets;
- (b) £0.162 million Pension Liabilities saving;
- (c) £0.160 million saving on the council contribution towards Maintained Nursery Schools.

100 There is no cash limit impact for the Progression and Learning Service after the net use of £3.158 million of reserves to fund the continuation of the service for January 2024 to March 2024, which is the period between European Social Funding (ESF) ending on 31 December 2023 and UK Shared Prosperity (UKSPF) beginning in April 2024.

101 There was an underspend of £0.604 million against budget in the Central CYPS budgets resulting from a change in debt provision for the year. This is a one-off impact in the current financial year and reflects that relatively high levels of debts over four years old have been written off this year, thus reducing the bad debt provision requirement.

102 Early Help and Inclusion had an underspend of £1.022 million, relating to:

- (a) The One Point Service had an underspend of £0.591 million, largely attributable to underspends in employee and activity budgets due to the management of vacant posts in advance of delivering MTFP savings of circa £0.300 million in 2024/25.

- (b) SEND and Inclusion are reporting a £0.268 million underspend after the application of £0.200 million funding from contingencies provided to tackle the backlog of statutory assessments 2023/24. This underspend is largely attributable to underspends in employee budgets due to the management of vacant posts and recruitment delays.
- (c) Aycliffe Secure Centre (ASC) is reporting a nil cash limit variance after a contribution to reserves of £679,000. The forecast at quarter three was a contribution of £70,000 and the change is largely attributable to recruitment delays and savings on premises expenditure.
- (d) The remaining service areas in EHVC are reporting an overspend of £0.163 million.

103 Operational Support is reporting a nil variance against budget.

104 A net £7.565 million relating to contributions to and from reserves are also included in the net adjustments for sums outside the cash limit and therefore excluded from the service outturn. The major items being:

- (a) £3.544 million drawdown from Schools Reserves to write off School deficits as part of the academy transfer process;
- (b) £0.927 million drawdown from the Corporate ER/VR reserve to fund Schools and Progression and Learning redundancies as the service is restructured to meet UKSPF grant funding levels;
- (c) £0.921 million drawdown from the Adult Learning reserve being the use of grant carried forward from the previous year;
- (d) £0.823 million contribution to the PFI Lifecycle reserve relating to estimates of replacement of furniture and equipment;
- (e) £0.725 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;
- (f) £0.679 million contribution to Aycliffe Secure Services reserve to fund future projects at the centre;
- (g) £0.533 million drawdown from the Multiply Funding reserve to fund service delivery;

- (h) £0.490 million drawdown from the Homes for Ukraine reserve to fund service delivery;
- (i) £0.428 million contribution to the Supporting Families Programme reserve to fund the programme in future years;
- (j) £0.472 million drawdown from the Family Hubs Programme reserve to fund service delivery;
- (k) £0.314 million drawdown from the Emotional Wellbeing reserve to fund service developments;
- (l) £0.314 million drawdown from the Youth Futures reserve to fund service delivery;
- (m) £0.287 million drawdown from the Children's Social Inclusion reserve to fund the Holiday Activities and Food Programme;
- (n) £0.285 million drawdown from the Unaccompanied Asylum Seeking Children reserve to fund service delivery;
- (o) £0.248 million drawdown from the Durham Enable reserve to fund service delivery;
- (p) £0.240 million contribution to the Delivering Better Value reserve to fund future service delivery;
- (q) £0.238 million drawdown from the Rapid Response reserve to fund the service; and
- (r) £0.236 million drawdown from the Music Service reserve to fund service delivery;

105 Taking the year end outturn position into account, there is a £8.390 million deficit cash limit position at year end. As the service has no cash limit reserves this overspend is funded from general reserves.

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

106 The final revenue outturn for 2023/24 for NCC is a cash limit underspend of £0.451 million representing circa 0.36% of the total revised budget for NCC. The position forecast at quarter three was a cash limit overspend of £97,000.

107 The outturn takes into consideration net adjustments for sums outside the cash limit, such as redundancy costs which are met from corporate reserves, capital accounting entries and the use of / contributions to

earmarked reserves. Net inflationary adjustments on energy reductions of £0.718 million and the 2023/24 pay award linked to vacancies of £82,000 are also included in the above net cash limit adjustments along with £0.514 million leasing extension costs funded corporately, £34,000 relating to Coronation costs and £0.183 million relating to legal fees for the Trade Waste Court Cost which have been funded from contingencies.

108 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 was £0.212 million underspent. This is mainly resulting from overachieved income of £0.392 million on trade waste, and £0.941 million overachievement of fees and charges and SLA income in Clean & Green. There was also a £0.246 million underspend on staffing due to vacancies and pending restructures. These underspends were partly offset by overspends of £1.355 million on transport costs, the majority of which relates to vehicle dayworks and spot hire;
- (b) Highways was underspent by £0.043 million. The main reasons for this being as follows:
  - Highways Trading overachievement of income by £0.576 million due higher than anticipated sales in the lead up to year-end;
  - Highways Revenue is overspent by £1.331 million, mainly on highways maintenance work, including gully emptying cyclic works, drainage, bridges and priority action works;
  - This is largely offset by underspends on Strategic Highways of £0.798 million mainly consisting of overachievement of income on enforcement and inspections, road closures, roundabout sponsorship, and fixed penalty notices;
- (c) Community Protection was underspent by £0.194 million. This is mainly resulting from unspent growth funding due to vacancies and new posts from the services restructure which have been filled mid-year. There is also funding which is earmarked for future spinal column point increments causing an underspend.
- (d) Partnerships & Community Engagement is underspent by £0.126 million, mainly due to savings from a Strategic Manager post vacancy throughout the year, a vacancy also in the Civil

Contingencies Unit (CCU) plus overachievement of income on Service Level Agreements within the CCU.

- 109 A net £0.698 million relating to movement to and from reserves is also included in the net adjustments for sums outside the cash limit and therefore excluded from the service outturn. The major items being:
- (a) £0.600 million contribution to the Winter Maintenance reserve;
  - (b) £1.0 million net contribution to the North Pennines AONB reserve;
  - (c) £2.1 million drawdown from AAP and Towns and Villages reserve;
- 110 Taking the outturn position into account, including the transfers to/from and between reserves in year, the Cash Limit Reserve balance for NCC is £0.540 million at 31 March 2024.

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

- 111 The 2023/24 outturn is a cash limit underspend of £0.343 million representing circa 0.5% of the revised budget for REG. This compares to a forecast quarter three overspend of £90,000.
- 112 The outturn takes into account net adjustments for sums outside the cash limit outturn such as redundancy costs which are met from corporate reserves, capital accounting entries and the use of / contributions to earmarked reserves. Net inflationary adjustments on energy reductions of £1.804 million and the 2023/24 pay award linked to vacancies of £0.245 million are also included in the above net cash limit adjustments along with £1.555 million in respect of Leisure Centre income shortfalls covered corporately and £0.172 million covered from central contingencies (£52,000 Radon Monitoring, £0.550 million Milburngate legal and professional fees offset by a £0.430 million saving on premises double running costs).
- 113 The outturn position reflects the proactive management of activity by Heads of Service across REG to try and remain within the cash limit. The main reasons accounting for the outturn position are as follows:
- (a) Culture, Sport and Tourism was overspent by £0.480 million against budget. The main reasons are:
    - an unrealised MTFP saving of £75,000;
    - a capital contribution of £86,000 to the leisure transformation programme;

- a £0.167 million overspend at the two completed leisure transformation sites (Abbey and Peterlee); and
  - income shortfalls of £0.242 million at Killhope Museum.
  - These overspends were partially offset by short term equipment underspends whilst new gym equipment is awaited at seven leisure centres.
- (b) Transport and Contract Services underspent by £0.202 million against budget. The main reasons are:
- an under-recovery of departure charge income at Durham Bus Station of £0.116 million,
  - under-achievement of income for park and ride of £0.241 million,
  - increased business rate charges on car parks of £0.135 million;
  - under-recovery of bus shelter advertising income of £0.111 million, which was a MTFP saving proposal in a previous MTFP round and an overspend on bus shelter repairs and maintenance of £90,000;
  - These were partially offset by an underspend of £0.175 million against Durham bus station during its closure in year, £0.319 million overachievement of parking income, an underspend of £0.426 million on bus and rail contracts and £88,000 of underspends mainly relating to road safety employee costs and school crossing patrols. The 2024/25 budget includes an adjustment to rebase the park and ride income, which will then be unwound over the following four years;
- (c) Planning and Housing was underspent by £0.396 million against budget. This was largely due to staffing underspends of £0.782 million across the service, partially offset by an underachievement of income of £0.331 million relating planning fee income.
- (d) Corporate Property and Land was underspent by £0.622 million against budget.
- Within Buildings & Facilities Management, there was an overspend of £0.159 million, mainly relating to the catering service, which includes a shortfall in income as a result of

hybrid working and reduced footfall in staff facilities such as County Hall and Green Lane;

- Strategy and Property Management was underspent by £0.626 million due primarily to additional budget growth of £0.600 million included in the base budget from 2022/23 for a staffing restructure that had not been implemented and is not now expected to be in place until 2024/25; and
- There were also minor underspends elsewhere within the service, including additional unbudgeted income in Business Development of £67,000 along with underspends on supplies and services of £92,000;

114 In arriving at the outturn position, a net £2.486 million relating to movement on reserves is also included in the net adjustments for sums outside the cash limit and therefore excluded from the outturn. The major items being:

- (a) £3.280 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) £1.806 million drawdown from Culture Reserves mainly relating to the Cultural programme;
- (c) £0.642 million contribution to Planning & Housing Reserves relating mainly to the local lettings agency service;
- (d) £0.837 million drawdown from Economic Development Reserves relating to business growth and employability initiatives - supporting over 25's with health conditions into work;
- (e) £1.405 million contribution to Corporate Property and Land Reserves relating to property repairs and maintenance; and
- (f) £0.254 million drawdown from the REG Cash Limit Reserve for Major Project Board Support.

115 Taking the year end outturn position into account, the Cash Limit Reserve balance for Regeneration, Economy and Growth is £1.462 million at 31 March 2024.

## **Resources**

116 The 2023/24 outturn for Resources is a cash limit underspend of £2.090 million representing circa 7.67% of the revised budget for Resources.

This compares to a forecast quarter three cash limit underspend of £1.434 million.

- 117 The outturn takes into account net adjustments for sums outside the cash limit outturn such as redundancy costs which are met from corporate reserves, capital accounting entries and the use of / contributions to earmarked reserves. Inflationary adjustments in relation to energy reductions of £35,000 and Pay Award budgets linked to vacancies of £0.418 million are also included in the net cash limit adjustments along with £2.4 million in relation to 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.
- 118 The Housing Benefit Subsidy Grant shortfall has been addressed in the 2024/25 base budget.
- 119 During 2023/24 DLUHC consulted on Best Value Standards and Intervention – A statutory guide for Best Value Authorities which include 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, the outcome of which was presented to Audit Committee on 29 February 2024. These costs have also been funded from general contingencies.
- 120 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) Corporate Finance and Commercial Services were under budget by £0.236 million, with managed underspending on employee costs of £0.111 million and additional income of £0.152 million;
  - (b) Transactional and Customer Services were under budget by £0.581 million, primarily due to underspends on employee costs of £0.438 million;
  - (c) Digital Services were under budget by £1.239 million. Within this area, underachievement of income was £0.867 million, but this was offset by managed underspends on employees of £1.171 million, an underspend on electricity at the Data Centre of £76,000, managed underspends on supplies and services of £0.600 million 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 was under budget by £0.105 million, primarily due to additional income generated in year;
- (e) Legal and Democratic Services was under budget by £0.406 million. This includes a £0.308 million managed underspend on employee related expenditure, a £0.150 million overspend on professional advice services, overachieved income of £0.206 million within the Registration Service and an underspend of £90,000 relating to Member travelling and conferences;
- (f) HR and Employee Services was over budget by £0.189 million, primarily due to unachievable SLA income linked to maintained schools converting to academy status; and
- (g) Procurement, Sales and Business Services was under budget by £26,000, primarily due to a managed underspend on employee related expenditure.

121 A net £1.435 million relating to movement to and from reserves is included in the net adjustment for sums outside the cash limit and therefore excluded from the outturn. The major items being:

- (a) £0.106 million drawdown from the HR Reserve in respect of the Workforce Development Programme;
- (b) £0.231 million drawdown from the Welfare Rights Reserve to fund temporary posts to support the workload of the team;
- (c) £0.106 million drawdown from the Adults Cash Limit Reserve to fund additional temporary staffing to address outstanding workloads within the Financial Assessment, Payments, Billing and Debtors teams as a result of the introduction of the Azeus Care system;
- (d) £1.079 million drawdown from the Corporate ER/VR Reserve to meet costs associated with the delivery of MTFP savings requirements;
- (e) £0.113 million drawdown from the Assessment Support Admin Scheme to fund service packages;
- (f) £0.273 million drawdown from the Procurement Development Reserve which will be used to finance various procurement initiatives; and
- (g) £0.190 million drawdown from the Resources Cash Limit Reserve to fund a number of temporary posts within the service grouping.

- 122 Taking the outturn position into account, including items outside the cash limit and transfers to and from earmarked reserves (and a top slicing of £1.979 million as part of the reserves review), the Cash Limit Reserve for Resources is £1.133 million at 31 March 2024.

### **Resources – Centrally Allocated Costs (Corporate Costs)**

- 123 The 2023/24 outturn for Corporate Costs is a cash limit overspend of £78,000 representing circa 1.82% of the revised budget. This compares to the forecast quarter three forecast underspend of £0.163 million (3.8%)
- 124 The outturn takes into account net adjustments for sums outside the cash limit such as the use of / contribution to earmarked reserves, and funding from contingencies.
- 125 Care Leaver Council Tax Discount Costs of £0.148 million are included in the net adjustment above and have been covered corporately.
- 126 A net £0.788 million drawdown from the Council Tax Hardship Reserve is also included in the net adjustments above along with £48,000 from the Welfare Assistance Funding reserve and £0.100 million from the PHE Grant Reduction Support Scheme.
- 127 The year end overspend position is mainly due to additional external auditor fees in respect of the 2022/23 audit.

### **Contingencies and Central Budgets**

- 128 Taking into consideration sums drawn from contingencies and other known requirements, general contingencies have underspent by £2.629 million during 2023/24. Also included in the outturn is £1.721 million in relation to a gain share payment from the Digital Durham programme.

### *Interest Payable and Similar Charges - Capital Financing*

- 129 The outturn position of £35.983 million is £3.877 million lower than the revised £39.860 million budget. This underspend reflects the council's ability to continue to delay actual borrowing whilst interest rates remain high. The level of cash balances currently held allows the council to use this liquidity to manage cash flow requirements in the short term.

### *Interest and Investment Income*

- 130 The interest and investment income of £17.591 million is £7.691 million more than the £9.900 million budget held. The position at quarter three reported forecast income of £16.090 million, £6.190 million more than budget. The outturn reflects increased investment returns, as interest

rates achievable on short term investments have improved significantly over the last 15 months and updated cash flow forecasts, factoring in slippage in the capital programme. The Bank of England's base rate is currently at 5.25% and has been at this level since August 2023. The Bank of England made the decision, at its May 2024 Monetary Policy Committee meetings, to maintain base rate at its current level. Markets are now predicting a first cut in base rate cuts for August 2024.

131 In addition, historic credit loss provisions associated with a loan to Newcastle International Airport have been reserved during 2023/24, following a review of the current loan balance, resulting in an additional £0.627 million recorded under interest and investment income. This was not factored into the quarter three forecast of outturn.

132 The table below highlights the change in borrowing and investments at the year-end:

	<b>Actual 31.03.23 £ Million</b>	<b>Average Interest Rate</b>	<b>Actual 31.3.24 £ Million</b>	<b>Average Interest Rate</b>
Borrowing	440	3.11%	412	3.12%
Investments	351	4.01%	217	5.65%
<b>Net Debt</b>	<b>89</b>		<b>195</b>	

## **Dedicated Schools Grant and Schools**

### **Dedicated Schools Block – DSG**

133 The council currently maintains 145 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.

134 The council had 161 maintained schools at the time of the 2023/24 budget setting and 16 schools have converted to academy status since that point.

135 The table below shows the schools that have converted to academy status within the year, the balance of reserves at 1 April 2023 and final balance transferred for schools who have been finalised.

136 In the case of Wellfield School, the Cabinet agreed at its meeting on 15 March 2023 to write-off the deficit using the earmarked reserve established for this purpose.

<b>Reserves at 1 April 2023 ((-) surplus)</b>	<b>School</b>	<b>Balance Written off via Earmarked Reserve</b>	<b>Balance Transferred ((-) surplus)</b>
<b>£ Million</b>		<b>£ Million</b>	<b>£ Million</b>
2.776	Wellfield School	2.992	-
-0.382	Vane Road Primary	-	-0.408
-0.123	Collierley Primary	-	-0.132
-0.077	Woodham Burn Primary	-	-0.125
-0.037	Easington C of E Primary	-	-0.035
-0.070	Green lane C of E Primary	-	-0.114
-0.710	Greenfield School	-	-0.595
-0.113	St Helens Auckland Primary	-	-
-5.118	Durham Sixth Form Centre	-	-5.512
0.059	Peases West Primary	-	-
-0.018	Castleside Primary	-	-
-0.145	Pelton Community Primary	-	-
-0.038	Beamish Primary	-	-
-0.423	Catchgate Primary	-	-
0.013	Deaf Hill Primary	-	-
-0.047	Kelloe Primary	-	-
<b>-4.453</b>	<b>Net change due to academisation</b>	<b>2.992</b>	<b>-6.921</b>

- 137 Should Peases West Primary and Deaf Hill Primary schools still have deficit reserve balances following the finalisation of balances, the academy trust will be invoiced for such balances.
- 138 The total amount of reserves movement relating to academisation within the year was £4.077 million, this included balances of £0.148 million for schools which converted in quarter four of 2022/23.
- 139 The reserve position for the 145 maintained schools at final outturn is shown in the following revenue outturn table:

Subjective Budget Heading	Original Budget	Final Outturn	Outturn to Budget Variance
	£ Million	£ Million	£ Million
Employees	193.907	196.750	2.843
Premises	14.448	14.907	0.459
Transport	1.789	2.374	0.585
Supplies	33.046	34.418	1.372
Central Support & DRF	0.060	0.211	0.151
<b>Gross expenditure</b>	<b>243.250</b>	<b>248.660</b>	<b>5.410</b>
Income	-58.814	-73.760	-14.946
<b>Net expenditure</b>	<b>184.436</b>	<b>174.900</b>	<b>-9.536</b>
Budget share	176.643	177.802	0.752
<b>Use of reserves</b>	<b>7.793</b>	<b>-2.902</b>	<b>-10.695</b>
Balance at 31 March 2023	-23.770	-23.770	-
<b>Balance at 31 March 2024</b>	<b>-15.977</b>	<b>-26.672</b>	<b>-10.695</b>
Balance for academies not yet transferred	-	-0.559	-0.559
<b>Revised Balance at 31 March 2024</b>	<b>-15.977</b>	<b>-27.231</b>	<b>-11.254</b>

- 140 The final position has improved since budget setting when it was forecast that the 145 schools would need to use £7.793 million of reserves. The final outturn shows that the schools will contribute £2.902 million to reserves.
- 141 The change in the position largely relates to an increase in income at final outturn compared to previous forecasts. The following table shows the main areas of income which has increased to improve the final position of the schools.

Income	£ Million
Additional Government Grant	3.200
Fees and Charges	2.600
External Concs/Services to other schools	2.300
Staff Insurance Claims	1.800
Early Years Funding	1.700
SEN Funding	1.600
Interest payable on reserves	1.200

- 142 The reserve position reflects 99 schools (68%) contributed £5.782 million to their reserves and 46 schools (32%) utilised £2.880 million of their reserves to balance their in-year financial position.
- 143 In October 2023, the DfE announced additional funding to support individual schools that find themselves in financial difficulties. An overall sum of £20 million was allocated nationally and Durham's share is £0.582 million. Local authorities had significant flexibility about how to use this funding and sums ranging between £2,000 and £85,000 were provided to 23 schools to support them in moving to a more sustainable financial position.
- 144 This grant allocation has positively impacted on the need for schools to request a licensed deficit in 2024/25, however whilst this is welcomed as the grant allocation is one-off and therefore will not be available next year there is a strong likelihood that some schools will require licensed deficits in 2025/26. A separate paper on the July Cabinet agenda sets out an overview of the maintained schools budget plans for 2024/25.

### **Dedicated Schools Grant Centrally Retained Block**

- 145 The outturn position for the centrally retained DSG budgets is an overspend of £1.196 million as detailed below:

<b>DSG Block</b>	<b>Budget £ Million</b>	<b>Outturn £ Million</b>	<b>Variance £ Million</b>
High Needs	89.917	91.877	1.96
Early Years	34.271	33.837	-0.434
Central Schools Services	2.898	2.347	-0.551
De-delegated	0.201	0.422	0.221
<b>TOTAL</b>	<b>127.287</b>	<b>128.483</b>	<b>1.196</b>

- 146 For the High Needs Block (HNB), the 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.
- 147 The outturn position is an overspend against grant allocation by £1.960 million (forecast overspend of £2.391 million at quarter three), therefore increasing the HNB cumulative deficit from £8.635 million to £10.595 million.
- 148 The main area of pressure is top up funding in mainstream schools and settings, where expenditure on mainstream top up funding was £19.135 million against a budget of £16.739 million, thus resulting in an overspend of £2.396 million (14%) against budget.

- 149 There are circa 27% more full time equivalent pupils receiving top up funding in 2023/24 in comparison to the previous year. Whilst the average cost of individual top up funding allocations is broadly similar to last year, this still results in a significant overspend position.
- 150 The other main areas of pressure are in Independent and Non-Maintained Special School (INMSS) provision, where expenditure of £9.126 million exceeded budget of £7.214 million by £1.912 million, and in Alternative Provision (AP) where net expenditure of £10.552 million against a net budget of £10.354 million, results in an overspend of £0.198 million. Much of this is due to increased numbers of excluded pupils moving the Pupil Referral Unit at The Woodlands School during the autumn and spring terms.
- 151 An updated HNB Sustainability Plan was reported to Cabinet in December 2023. The report set out the implications of lower increases to HNB grant over the period 2024/25 to 2027/28 than received in recent years, set against continuing increases in cost and demand and resulting in a forecast increasing cumulative deficit position that could reach £67 million by the end of 2027/28.
- 152 The significant and increasing HNB deficit position is a serious concern for the Council and many other local authorities. The exceptional accounting override that allows councils to exclude HNB deficits from their main council general revenue funding position and hold this cumulative deficit in an unusable reserve on the Balance Sheet, is due to end in on 31 March 2026. After this point, the HNB deficit may need to be funded by council resources from 2026/27.
- 153 Phase one of the HNB Sustainability Programme came to an end in the summer of 2023, which focussed on nine key areas as agreed by Cabinet in 2019.
- 154 Phase two of our HNB Sustainability Programme commenced in September 2023, with a major element being implementation of the DfE supported Delivering Better Value in SEND work along with further work on Social, Emotional Mental Health and Early Years Funding.
- 155 The Early Years Block expenditure of £34.196 million was £0.434 million lower than the grant allocation, however we await the final grant adjustment in July 2024 (based on January 2023 pupil numbers), which is likely to result in a clawback of funding.
- 156 The impact of the outturn on the DSG reserves position is shown in the following table:

<b>DSG Reserves</b>	<b>High Needs Block £ Million</b>	<b>Early Years Block £ Million</b>	<b>Schools Block £ Million</b>	<b>Total DSG £ Million</b>
<b>Balance as at 1 April 2022</b>	<b>-8.843</b>	<b>0.656</b>	<b>2.401</b>	<b>-5.786</b>
2021/22 Early Years Block Adjustment	-	0.594	-	0.594
Use/ Contribution in 2022/23	0.208	-0.528	-1.620	-1.940
<b>Balance as at 31 March 2023</b>	<b>-8.635</b>	<b>0.722</b>	<b>0.781</b>	<b>-7.132</b>
2022/23 Early Years Block Adjustment	-	-0.359	-	-0.359
Use / Contribution in 2023/24	-1.960	0.434	0.330	-1.196
<b>Balance as at 1 April 2024</b>	<b>-10.595</b>	<b>0.797</b>	<b>1.111</b>	<b>-8.687</b>

- 157 The overall DSG reserve was in deficit 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 £8.687 million to the year end, however this is prior to any clawback of EY funding.
- 158 The in-year increase in the Schools Block Reserve largely reflects the timing of a payment of £0.582 million in relation to copyright licenses from the Central School Services Block, offset by a planned use of the de-delegated reserves of £0.221 million.
- 159 The balance of £1.111 million on the Schools Block reserve is held to support in-year movements in relation to school funding formula and potential PFI costs in relation to schools funded by PFI, pending a change in the application of funding formula guidance which is currently under review.

## **Capital**

- 160 The 2023/24 original budget of £320.547 million was reviewed throughout the year with the final revision approved as part of the MTFP(14) report to Cabinet on 14 February 2024 when the revised 2023/24 budget was agreed at £259.187 million.
- 161 The Council's Capital Member Officer Working Group (MOWG) closely monitors the capital programme. This report updates the capital budget



included in the 14 February 2024 Cabinet MTFP(14) report, approved by County Council on 28 February 2024, setting out further detail on revisions to the capital programme, especially in relation to the reprofiling of capital budgets.

162 Since the quarter three forecast of outturn report was and considered by Cabinet earlier in the year, a number of significant adjustments to the capital budget have been necessary. The changes have in the main related to receipt of additional grant funding or revised grant allocations. Significant amounts added to 2023/24 and to future years include the following:

- (a) £1.167 million Connect the classroom Grant from DfE;
- (b) £0.968 million Childcare Expansion Grant from DfE;
- (c) £7.138 million High Needs Provision Fund Capital Grant from DfE;
- (d) £4.717 million Food Waste Recycling Grant from DEFRA;
- (e) £2 million for LED Lighting Replacement funded on a self-financing basis;
- (f) £0.900 million for the purchase of a new landfill gas engine for Coxhoe Landfill Gas Power Generation Plant funded on a self-financing basis;
- (g) £4.010 million NEMCA grant for the development of the Aykley Heads site;
- (h) £2.5 million Transforming Cities Fund Grant for Durham City Centre Connectivity;
- (i) £2.5 million Active Travel England Grant for North Durham Active Travel Corridor;
- (j) £2.940 million Safer Roads Fund grant from DfT;
- (k) £36.800 million for development of NETPark Phase 3a, funded from a combination of self-financing and grants from North East Investment Zone and Local Transport Fund awarded to NEMCA;
- (l) £3.230 million Heat Network Innovation Project (Triple Point) Grant for Seaham Garden Village Minewater Heating;
- (m) £2.096 million DLUHC grant for Spennymoor Long Term Plan;

- (n) £1.375 million Homes England grant for Temporary Accommodation;
- (o) £4.604 million for Single Homelessness Accommodation Programme, funded from a combination of a DLUHC grant and self-financing contribution;
- (p) A combined total of £3.850 million UKSPF and REPF grants for Community Infrastructure;
- (q) £7 million for South Church Enterprise Park, funded from a combination of a DLUHC grant and self-financing contribution;
- (r) Revised allocation and thus a budget reduction of £3.870 million for Green Homes – HUG Phase 2 Grant from DESNZ;
- (s) Revised allocation and thus a budget reduction of £1.591 million for Stonebridge Park and Ride funded from Transforming Cities Fund Grant.

163 The following table compares the final 2023/24 capital outturn by service grouping with the revised 2023/24 capital budget:

Service Grouping	Original Budget 2023/24	Revised Budget 2023/24 Quarter 3	2023/24 Outturn	2023/24 Variance
	£ Million	£ Million	£ Million	£ Million
Adult and Health Services	2.045	2.246	1.830	-0.415
Children and Young People's Services	87.765	59.193	42.672	-16.521
Neighbourhoods and Climate Change	84.527	56.603	47.489	-9.115
Regeneration, Economy and Growth	135.867	134.507	125.951	-8.555
Resources	10.343	6.638	5.067	-1.571
<b>TOTAL</b>	<b>320.547</b>	<b>259.187</b>	<b>223.010</b>	<b>-36.177</b>

164 The following table details the action that has been taken in relation to reprofiling and budget addition/deletions at the 2023/24 year-end.

Service Grouping	Revised Budget 2023/24 Quarter 3	2023/24 Additions/ (Deletions) from Budget	2023/24 Reprofiting to future years	2023/24 Transfers	2023/24 Adjusted Budget Position
	£ Million	£ Million	£ Million	£ Million	£ Million
Adult and Health Services	2.246	-	-0.415	-	1.830
Children and Young People's Services	59.193	7.418	-23.974	0.034	42.672
Neighbourhoods and Climate Change	56.603	1.240	-9.721	-0.634	47.489
Regeneration, Economy and Growth	134.507	2.472	-11.626	0.599	125.951
Resources	6.638	-	-1.571	-	5.067
<b>TOTAL</b>	<b>259.187</b>	<b>11.130</b>	<b>-47.307</b>	<b>-</b>	<b>223.010</b>

165 The variance of £36.177 million includes requests to carry forward unspent budgets to fund the completion of capital schemes from 2024/25 onwards. It also includes 2023/24 overspends on some projects as a result of an acceleration in project delivery timescales. For these projects, future years' budgets have been reduced. All of the resultant re-profiling is reflected in the capital budgets for 2024/25 to 2027/28.

### Financing – General Fund Capital Programme 2023/24

166 The capital programme is financed from various funding sources which include grants, capital receipts, revenue contributions, contributions from earmarked reserves and prudential borrowing. Financing of the 2023/24 outturn is detailed in the following table.

Financed by	2023/24 Outturn £ Million
Grants and Contributions	103.164
Revenue and Reserves	14.296
Capital Receipts	34.608
Borrowing	70.942
<b>TOTAL</b>	<b>223.010</b>

## Service Grouping Commentary - Capital

- 167 The primary reasons for the net capital underspend against the revised capital programme budget are set out in the next section. The £36.177 million underspend represents circa 14% of the quarter three budget, which is comparable to the underspend at the end of 2022/23 financial year (13%).
- 168 The underspend of £0.415 million in Adult and Health Services is mainly due to:
- a) **Adult Care** – underspend of £0.415 million, consisting of £0.389 million for Hawthorn House Development and £26,202 for Chester Le Street Positive Journeys, both due to revised schedule of works. Both schemes have been reprofiled to 2024/25 and are scheduled to be completed in that financial year.
- 169 The underspend of £16.521 million in Children and Young People's Services is mainly due to:
- a) **Children's Services – Children's Care.** Net overspend of £0.243 million, including £0.108 million for the Acquisition of the Edge of Care Children's Home and £0.180 million for Copeland Barns West Auckland Children's Home, with both amounts accelerated from budget profiled in 2024/25 into 2023/24.
  - b) **Children's Services – Secure Services.** Net underspend of £0.196 million, consisting of £32,865 for Transitions Home, £0.108 million for Swimming Pool Upgrade and £55,000 for UPS System Replacement. The Transitions Home budget was transferred to the Swimming Pool scheme, as works on the Transitions Home are now completed. The remaining budgets have been reprofiled from 2023/24 to 2024/25.
  - c) **Children's Services – Planning and Service Strategy.** Net underspend of £0.117 million, including a reduction of £36,115 for Review of the SSID System, which is now complete, and the amount was returned to corporate capital contingencies; addition of £47,221 for Liquid Logic Single View, which is funded from the Supporting Families revenue budget; and reprofiling of £0.120 million from 2023/24 to 2024/25 across the whole area to reflect revised phasing of works.
  - d) **Early Help Inclusion & Vulnerable Children-Inc SEN Capital.** Underspend of £0.616 million for Special Provision Capital Fund and £0.399 million for High Needs Capital Provision Fund. This also

includes an addition of £5.074 million High Needs Provision DfE grant, which was reprofiled to 2024/25 in full.

- e) **Education – School Devolved Capital.** Net overspend of £0.255 million, including £1.184 million underspend on schools' devolved capital budgets, which have been reprofiled from 2023/24 to 2024/25; £1.145 million overspend due to schools receiving additional Connect the Classroom grant from DfE, which was fully expended before year-end; and £0.211 million of additional expenditure funded from direct revenue funding. These variances are mainly due to unpredicted changes in individual schools' spending decisions.
- f) **Education – School Related.** Net underspend of £15.690 million, with major underspends comprising of:
- £0.470 million for Escomb Primary School New Build. This scheme has been significantly delayed due to number of events including unknown underground services which had to be relocated; old, buried structures which impacted the foundation design; ongoing ecological issues with regards to bats; and structural issues to the main timber beam within the classroom of the future building. Whilst the Contractor was able to complete the two-classroom extension at the end of February, the works to the classroom of the future and subsequent re-roofing have extended site duration and works will be completed by the end of May 2024;
  - £1.360 million for Spennymoor Primary School New Build. The commencement of the project was delayed ensuring budget affordability, including construction and client contingencies;
  - £6.584 million for Belmont School New Build due to inclement weather causing a nine week delay to the construction;
  - £1.881 million for Rebuild of Greenfield Community College due to delay to commencement of design meetings whilst value engineering and initial budget issues were resolved with the contractor. Project is currently at Stage 2 for design to the refurbishment element;
  - £0.911 million for Expansion of Wingate Primary School. The works were initially stopped due to the extent poor ground conditions being encountered and concerns over stability of ground next to existing school and health and safety concerns for workforce, which have now been resolved and works will be completed in May 2024; and

- £3.268 million unprogrammed budget, with £0.280 million transferred to other schemes and £2.987 million reprofiled to 2024/25.

These budgets have been reprofiled to 2024/25 and in the main, there are no underspends where budgets have been reduced, returned to contingencies or to external funders.

170 The underspend of £9.115 million in Neighbourhoods and Climate Change is mainly due to:

- a) **Community Protection.** Net underspend of £0.190 million, which includes £0.125 million underspend on Back Office ICT System Development which was reprofiled to 2024/25 due to delays in the procurement process and securing the new provider.
- b) **Environmental Services.** Net underspend of £1.582 million. The most significant variances in this area include:
  - £0.145 million overspend for Clean and Green schemes, consisting of £35,000 addition for Tanfield Conservation Grazing funded from revenue and various other transfers from Members and AAP budgets to fund spend in year;
  - £0.248 million underspend on Environment and Design schemes, consisting of various transfers from Members and AAP budgets as well as revenue funding, with the budgets subsequently reprofiled to 2024/25;
  - £0.105 million underspend on various schemes in Depots also reprofiled to 2024/25;
  - £0.154 million underspend on Stanley Cemetery Extension which was reprofiled to 2024/25 as the full costs have not been recharged before year-end;
  - £0.270 million underspend on Petland Restoration Capital Schemes due to the schemes now being completed. These budgets were funded from a European Commission grant and the grant allocation was reduced to reflect final costs for each scheme;
  - £0.177 million underspend on Morrison Busty Battery Storage Phase 4, due to a number of credits received from suppliers. This resulted in an underspend which was reprofiled to 2024/25 to be used for potential further works if still required;
  - £0.275 million underspend on On-Street Residential Electric Vehicle Chargepoint Scheme, £0.118 million underspend on

ORCS Electric Vehicle Chargepoints Derwent Valley Project and £0.140 million underspend on Local Electric Vehicle Infra Fund Bridge Pilot, with all budgets reprofiled to 2024/25. Underspends on all three schemes are due to increased costs with suppliers and Northern Power Grid, where some sites selected for installation have become unfeasible and no longer represent value for money. Due to this the service have had to alter the project and carry out new surveys and inspections on alternative site locations which has caused unforeseen delays to expenditure and infrastructure installation. Additionally, Northern Power Grid and Stark Energies have been unable to carry out their duties within expected timescales, meaning delayed invoicing from contractors;

- £0.173 million overspend for Teesdale LC Decarbonisation, consisting of an internal transfer within the service of £0.227 million, reduction of Salix grant of £0.145 million and £91,823 budget accelerated from 2024/25 to fund expenditure at year-end. Teesdale LC has been delayed due to issues with the new substation and electrical supply installation; and.
  - £0.140 million underspend on Newton Aycliffe LC Decarbonisation Scheme, with the budget reprofiled to 2024/25. The underspend is mainly due to payments for works and retention still to be paid to internal and external contractors, as well as c. £13,000 project contingency which may still be required.
- c) **Highways.** Net underspend of £7.083 million. The most significant in-year variances in this area are:
- £0.145 million overspend on PROW Capital Footway Works funded from budget accelerated from 2024/25, due to additional PROW capital works undertaken in 2023/24;
  - £0.190 million underspend on New Elvet Bridge due to the anticipated remedial works delayed until 2024/25;
  - £0.660 million underspend on Whorlton Suspension Bridge due to delays that resulted in predicted in-year spend being less than anticipated;
  - £0.601 million overspend on Newton Cap Viaduct – Public Health Works Stages 1 & 2, due to the scheme progressing better than programmed resulting in increased in-year end spend. The overspend was funded from accelerating the 2024/25 budget;

- £0.181 million underspend on Leazes Footbridge Investigation and Design, due to works not progressing in year. The budget was reprofiled to 2024/25;
  - £3.240 million net underspend on Highways Capitalised Maintenance, which includes £0.195 million that was transferred to the Housing Infrastructure Fund scheme in REG and subsequently reprofiled to 2024/25. It also includes £1.836 million on carriageway schemes (A, B, C and unclassified roads), which was partially due to the need to undertake carriageway resurfacing schemes on-site towards the end of the financial year and therefore there was not sufficient time to recharge full costs of the works before year-end. This also includes an overspend of £0.306 million for Highways Asset Management System, which was funded from an MTFP(14) capital bid which was only built into the budget after December. The service completed a through exercise at year-end, where all budgets have been either reprofiled to future years or realigned to other schemes within the service;
  - £1.734 million underspend on Pothole schemes funded from an additional DfT grant allocation of £1.886 million which was only confirmed in December. It's been agreed with DfT that this can be carried forward to 2024/25;
  - £0.412 million underspend on Street Lighting – Energy Replacement Programme (SLERP), £0.132 million underspend on Countywide Asset Renewal and £0.462 million underspend on Street Lighting Capitalised Maintenance, all due to installations not being complete on a number of schemes as well as works being complete but not fully recharged before year-end. All budgets have been either reprofiled to 2024/25 or realigned to other schemes within the service;
  - £0.241 million overspend on NIDP and Flood Alleviation schemes in Drainage which are funded from an EA grant. £0.353 million grant was received after December 2023 but only £0.241 million was spent, with the remaining £0.112 million carried forward to 2024/25; and
  - £0.446 million underspend on South Moor and Stanley Resilience Innovation Scheme which was due to the timing of payments. The scheme is grant-funded, and the funding can be used in 2024/25, so the scheme was reprofiled to that year.
- d) **Partnerships & Community Engagement.** Net underspend of £0.260 million. This includes:



- an underspend of £0.252 million on Great Lumley Community Centre which has been reprofiled to 2024/25;
- Underspend of £0.112 million on West Rainton Community Centre which has been reprofiled to 2024/25 due to the revised schedule of payments;
- underspend of £90,950 on Community Buildings Review – Unprogrammed which also has been reprofiled to 2024/25. This is the only remaining capital budget for unforeseen capital expenditure encountered during the delivery of the community asset transfer programme and the budget was not required in 2023/24; and
- overspend of £0.226 million on AAP Members Neighbourhood Fund which was mainly funded from earmarked reserves and revenue contributions.

171 The underspend of £8.555 million in Regeneration, Economy and Growth is mainly due to:

- a) **Economic Development.** Net overspend of £0.432 million, with the most significant variance in this area being an overspend of £3.655 million on Remaking Beamish Capital Project, which was due to the timing of claims received from Beamish Museum. This expenditure is funded from a contribution from Beamish Museum and as such has no effect on prudential borrowing.

Other significant variances include:

- £1.485 million overspend (acceleration of spending) on NETPark Phase 3 in year, due to an interim payment made to the contractor for works completed in the first 2 weeks of March to maximise LEP funding, funded from accelerating future year's budget;
- £0.278 million underspend on Future Hight Street Fund North Bondgate & Fore Bondgate due to delayed site progress caused by utility issues, party wall matters, gas leak & additional demolition, with budget reprofiled to 2024/25;
- £0.274 million underspend on Future Hight Street Fund Town Centre Property Reuse Fund due to Subsidy Control issues on 47 Newgate Street which have held up payment; two schemes have been unable to start on site due to contractor availability. Budgets have been reprofiled to 2024/25;
- £0.465 million underspend on Future Hight Street Fund Newgate Street Food & Beverage Units due to delayed site progress

caused by utility issues, party wall matters & discovery of basement, with budgets reprofiled to 2024/25;

- £0.300 million underspend on Bishop Auckland Towns Deal Newgate Market Place due to delays to public consultation and scheme revisions, which led to programming of first elements of works in quarter one of 2024/25 and so the budget has been reprofiled in line with this;
  - £0.536 million underspend on Bishop Auckland Towns Deal Springboard to Employment due to delayed start to third party contract and insufficient evidence to process further claims. Work is ongoing and evidence is currently being provided, with the contract due to complete in full during quarter two 2024/25. The budget has been reprofiled into 2024/25 to match the revised profile;
  - £0.300 million underspend on Aykley Heads Project Development, with budget reprofiled to future years. Although the capital spend is shown as not being achieved, this is because external grant was secured to cover these works but can only be claimed in 2024/25. Development works have however been progressed;
  - £0.284 million underspend on Neighbourhood Retailing, due to three public realm enhancement schemes not commencing and one awaiting further delivery of materials In addition, Business Grants have not been completed due to weather and finishing off works and the service was unable to release the grants. The budget has been reprofiled to 2024/25; and
  - £0.445 million underspend on Town & Village Centres Walking and Cycling schemes due to the progression with two elements (Hownsgill Viaduct and Relley Bridge) being delayed in 2023/24 Q4, which meant that expected spend was not incurred. The budget has been reprofiled to 2025/26.
- b) **Culture and Sport.** Net underspend of £0.928 million, with the most significant variance being an overspend of £1.144 million on the refurbishment of Louisa Leisure Centre due to additional works that have been added to the scope for further maintenance items and the works aligned to the original scope has moved more quickly than initially anticipated, resulting in higher spend than previously forecast. The budget was accelerated from 2024/25.

Other variances include:

- £0.288 million underspend on Woodhouse Close Leisure Centre New Build due to early enabling works around utility diversions

being deferred because of the length of time taken by utility companies and their processes which are outside the Council's control or influence. The budget has been reprofiled to future years;

- £0.586 million underspend on DLI Redevelopment due to a delay in appointing a main contractor to the project thereby impacting upon both consultant fees and construction costs being pushed into 2024/2025. The contracts are in place now and the budget has been reprofiled with spending starting to flow through in 2024/25; and
- £0.321 million underspend on Weardale Railway due to the programme of works delivered by Weardale Railway Ltd being delayed, which resulted in grant claims not being submitted. The budget has been reprofiled to 2024/25.

c) **Transport and Contracted Services.** Net underspend of £7.223 million, with the most significant variance being a £3.260 million underspend on Newton Aycliffe Housing Infrastructure Fund, which was due to ongoing discussion with Homes England regarding the updated Grant Funding Agreement conditions combined with ongoing utility co-ordination that led to a later than expected commencement on-site. The net £3.260 million consists of £0.195 million internal transfer from Strategic Highways, with a total of £3.455 million reprofiled into future financial years.

Other variances of note include:

- an overspend of £2.065 million on Durham Bus Station and North Road Development which was funded from accelerating the 2024/25 budget approved;
- £0.526 million underspend on Jade Business Park Development due to the discovery of unexpected Utility Apparatus during construction and re-phasing considering impact on neighbouring businesses delayed completion of some elements. The budget has been reprofiled to 2024/25;
- £0.904 million underspend on Sniperley Park and Ride Extension due to issues in finalising the land acquisition and confirmation of contractor which have delayed a commencement of the main construction. The budget has been reprofiled to 2024/25;
- £0.390 million underspend on Transforming Cities Fund Walking and Cycling Northern Corridor schemes due to change in procurement route linked to delivery resource availability, which resulted in specific packages now having to be tendered for

external delivery and delays in confirming Statutory Undertaker work orders. The budgets have been reprofiled to 2024/25;

- £1.111 million underspend on Bishop Auckland Bus Station due to delays in the procurement of the main works contractor which have delayed the expected progress. The budget is part of the Future High Street Fund Programme and has been reprofiled to future years;
  - £0.395 million underspend on Bishop Auckland Road Junction Capacity Improvements due to significant delays with internal design process which meant that external designers had to be appointed. Further delays in utility diversion commencement where the service is awaiting confirmation from the companies. The budget is part of the Future High Street Fund Programme and has been reprofiled to 2024/25;
  - £0.304 million underspend on Locomotion Car Park, part of the LUF Programme, due to later than expected start with construction following delayed discharge of planning conditions. The budget has been reprofiled to 2024/25; and
  - £2.755 million underspend on Locomotion Walking and Cycling, part of the LUF Programme, due to delays relating to land acquisition. The budget has been reprofiled to 2024/25.
- d) **Corporate Property and Land.** Net underspend of £0.147 million, with the most significant variance being an overspend of £0.541 million on Aykley Heads Plot C, which relates to accelerated external works (car park, additional overflow car park and additional footpath), with this budget accelerated from 2024/25.
- e) **Planning and Housing.** Net underspend of £0.599 million, with the most significant variance being an overspend of £2.479 million on Disabled Facilities Grant, which was due to an increase in number of grants requested and increased material/labour costs. The budget was accelerated from 2024/25.

Other variances of note include:

- £0.773 million underspend on Afghan Resettlement Scheme due to the acquisition of Hartley Gardens properties not completing prior to year-end. In addition, not all B&FM recharges were processed by year-end. The budget was reprofiled to 2024/25;
- £0.315 million underspend on Care Connect Digital Upgrade due to procurement delays. Circa £0.314 million equipment spend

was not completed within 2023/2024 with the order completed in 2024/25. The budget was reprofiled to future years; and

- £2.250 million underspend on Green Homes HUG Phase 2 with the budget, which was fully funded from a Dept for Energy, Security and Net Zero (DESNZ) grant, deleted from the Capital Programme. This is largely due to the knock on effect from the difficulties faced in the Local Authority Delivery (LAD) programme, including staff capacity issues and DESNZ embargoing any activity for Home Upgrade Grant (HUG) until March 2023, meaning no publicity or procurement could get underway. Procurement activity has now taken place. Issues with Energy Performance Certificates (EPC) data held by the government has also led to difficulties in identifying qualifying properties. Other local authority areas are facing the same issues and have also been asked to reduce their delivery profile accordingly. Following discussion with the principal contractor, they are confident that if the properties are identified delivery of up to 125 properties can be completed in the financial year 2024/25 and on that basis the funding will be returned to the Council.

172 The underspend of £1.571 million in Resources is mainly due to:

- a) **Policy Planning and Performance.** Net underspend of £0.658 million, consisting of:
  - £0.382 million for Corporate Business Intelligence System, due to delays in the programme which has now been rebased and the budget reprofiled to 2024/25; and
  - £0.275 million underspend for Changing Places, where budgets have been reprofiled from 2023/24 to 2024/25 due to revised schedule of works. The projects are funded mainly from a DLUHC grant which must be spent by the end of June 2024, however it is estimated that all works will be completed before the deadline.
- b) **Digital and Customer Services.** Net underspend of £0.912 million, which includes:
  - £97,017 for the fit-out of the Rivergreen Centre, which was reprofiled to 2024/25 ;
  - £0.146 million for Wide Area Network (WAN) Capacity Upgrade & Remodel where the budget has needed to be reprofiled due to capacity issues within the Telecoms team;

- £0.141 million for Decommissioning and Refurb of rooms at Comeleon House which is proving to be logistically and technically complex. The service is currently reviewing the plan and timeline for 2024/25 to reprofile and complete the necessary work;
- £0.150 million for Mobile 5G where budget was reprofiled to 2024/25;
- £0.282 million for Digital Durham – Contract 2 which is an underspend following contract closure and must be repaid to other public sector partners that invested in the contract to provide superfast broadband. The budget was reprofiled to 2024/25 and final payments are now being made;
- £0.118 million overspend for Digital Durham-Top Up Scheme, which has been accelerated from 2024/25; and
- £70,000 for Vulnerability Assessment Platform which was no longer required and was realigned to the Unified Communications, to supplement an MTFP(14) capital bid for that scheme.

### 2024/25 to 2027/28 Capital Programme

173 Considering the above amendments, which include the reprofiling of capital budgets from 2023/24 to future years and budget additions and deletions described earlier in the report the revised Capital Programme for 2024/25 to 2027/28 is summarised in the table below:

Service Grouping	2024/25	2025/26	2026/27	2027/28	TOTAL
	£ Million	£ Million	£ Million	£ Million	£ Million
Adult and Health Services	0.740	-	-	-	0.740
Children and Young People's Services	98.275	21.864	2.175	-	122.314
Neighbourhoods and Climate Change	84.828	36.639	1.206	-	122.673
Regeneration, Economy and Growth	169.396	169.154	42.803	4.505	385.857
Resources	8.662	4.877	-	-	13.539
<b>TOTAL</b>	<b>361.901</b>	<b>232.533</b>	<b>46.184</b>	<b>4.505</b>	<b>645.123</b>

174 The capital programme is financed from various funding sources which include grants, capital receipts, revenue contributions, contributions from earmarked reserves and prudential borrowing. Financing of the 2024/25 to 2027/28 Capital Programme is detailed in the following table:

Financed by	2024/25	2025/26	2026/27	2027/28	TOTAL
	£ Million	£ Million	£ Million	£ Million	£ Million
Grants and Contributions	125.995	85.558	2.432	-	213.986
Revenue and Reserves	3.991	2.211	0.455	0.447	7.105
Capital Receipts	3.446	3.661	2.274	-	9.380
Borrowing	228.469	141.103	41.023	4.057	414.652
<b>TOTAL</b>	<b>361.901</b>	<b>232.533</b>	<b>46.184</b>	<b>4.505</b>	<b>645.123</b>

### Prudential Indicators

175 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.

176 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)

177 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.

178 In the table below, the original CFR estimate for 2023/24 is the position reported to Council on 22 February 2024 as part of the council's Annual Treasury Management Strategy. The council's actual CFR at 31 March 2024 of £586.318 million will be reported to Council on 17 July 2024 as part of the Treasury Management Outturn Report, with that report

having been scrutinised by the Audit Committee on 28 June 2024 The position as at 31 March 2024 together with updated estimates for the next two years are as follows:

	<b>2023/24</b>	<b>2023/24</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>
	<b>Estimate</b>	<b>Actual</b>	<b>Variance</b>	<b>Estimate</b>	<b>Estimate</b>
	<b>£ Million</b>	<b>£ Million</b>	<b>£ Million</b>	<b>£ Million</b>	<b>£ Million</b>
Opening CFR	525.618	525.618	0.000	586.318	811.594
Add net borrowing requirement for the year	100.500	70.942	-29.558	228.469	141.103
Add leasing & PFI requirement for the year	10.709	6.619	-4.090	16.871	7.854
Deduct MRP/VRP and other financing movements	-18.435	-16.861	1.574	-20.064	-21.861
<b>Closing CFR</b>	<b>618.392</b>	<b>586.318</b>	<b>-32.074</b>	<b>811.594</b>	<b>938.690</b>

### Gross Debt and the Capital Financing Requirement (CFR)

179 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. The council will be required to borrow significant additional sums in the future at a time when interest rate levels are below budgeted levels:

	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>
	<b>Actual</b>	<b>Actual</b>	<b>Estimate</b>	<b>Estimate</b>
	<b>£ Million</b>	<b>£ Million</b>	<b>£ Million</b>	<b>£ Million</b>
Borrowing	439.652	411.632	376.064	372.890
Finance leases	48.769	48.760	56.033	54.188
PFI liabilities	34.779	33.887	32.995	32.104
<b>Total Gross Debt</b>	<b>523.200</b>	<b>494.279</b>	<b>465.092</b>	<b>459.182</b>
<b>Capital Financing Requirement</b>	<b>525.618</b>	<b>586.318</b>	<b>811.594</b>	<b>938.690</b>
<b>Headroom (Internal Borrowing)</b>	<b>2.418</b>	<b>92.039</b>	<b>346.502</b>	<b>479.508</b>



## Operational Boundary

- 180 This is the limit which gross debt 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:

	<b>2023/24 £ Million</b>
<b>Operational Boundary Limit</b>	619.000
<b>Gross Debt 31 March 2024</b>	494.279
<b>Headroom</b>	124.721

## Authorised Limit

- 181 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:

	<b>2023/24 £ Million</b>
<b>Authorised Limit</b>	674.000
<b>Estimated Gross Debt 31 March 2024</b>	494.279
<b>Headroom</b>	179.721

## Maturity Structure of Borrowing

- 182 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 actual figures at 31 March 2024:

	Lower Limit	Upper Limit	2023/24 Actual
Under 12 months	0%	20%	9%
12 months to 2 years	0%	40%	1%
2 years to 5 years	0%	60%	12%
5 years to 10 years	0%	80%	17%
10 years and above	0%	100%	62%

## Council Tax and Business Rates Collection Funds

### Council Tax

- 183 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.
- 184 The in-year collection rate at 31 March 2024 was 95.37%, a 0.54% point reduction on the 2022/23 position (95.91%) and a 0.09% point decrease on the position as at the 31 March 2022 when in year recovery for 2021/22 stood at 95.46%.
- 185 The council is continuing to provide extensive support to economically vulnerable households with their council tax payments. In 2023/24 the Council Tax Support Fund was used to reduce bills for current working age and pension age Local Council Tax Support (LCTS) claimants, with £1.852 million having been awarded to 31 March 2024. This was the last year of such awards being made.
- 186 The in-year collection rates at the year-end for the current and last two financial years, are detailed below:

Billing Year	Position at 31 March each year %
<b>2023/24</b>	<b>95.37</b>
2022/23	95.91
2021/22	95.46

- 187 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.

- 188 Actual cash collected as at 31 March 2024 was £334.684 million compared with £320.692 million as at 31 March 2023. When the council tax increases for 2023/24 are factored in this represents a year-on-year real terms increase of £6.912 million in terms of council tax income received.
- 189 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.
- 190 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.
- 191 At 31 March 2024, the final outturn for the Council Tax collection fund is an in year deficit of £1.539 million in year, with the council's share of the deficit being £1.294 million.
- 192 After taking into account the undeclared 2022/23 deficit of £0.235 million and the in year deficit of £1.539 million, the overall outturn for the council tax element of the Collection Fund is a £1.774 million deficit. The council's share of this deficit is £1.491 million. At quarter three the in-year deficit was forecast to be £2.408 million, with a cumulative deficit of £2.643 million to 31 March 2024. Durham County Council's share of this forecast net deficit was previously forecast to be £2.220 million. The council's year end position has improved by £0.729 million from the quarter three reported position.
- 193 The total position for the Council Tax element of the Collection Fund for 2023/24 is detailed in the following table:

	<b>£ Million</b>
Net Bills issued during Accounting Year 2023/24	401.726
LCTRS and previous years CTB adjustments	-62.699
Calculated change in provision for bad debts required and write offs	-3.161
<b>Net income receivable (a)</b>	<b>335.866</b>
<b>Precepts and Demands</b>	
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
<b>Total Precepts and Demands (b)</b>	<b>337.405</b>
<b>Net Surplus / (-) Deficit for year (a) – (b)</b>	<b>-1.539</b>
<b>Undeclared Surplus / (-) Deficit brought forward from 2022/23</b>	<b>-0.235</b>
<b>Estimated year end deficit</b>	<b>-1.774</b>

### ***Business Rates***

- 194 Business Rates Retention was implemented in 2013/14 and the council has had a vested budget interest and stake in the level of business rate yield since then. 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 that is important.
- 195 The in-year collection rate at 31 March 2024 was 98.68%, which is a 2.3% point improvement on the same position last year of 96.38%. The in-year collection rates at the end of March for the current and last two financial years, are as follows:

<b>Billing year</b>	<b>Position at 31 March each year %</b>
<b>2023/24</b>	<b>98.68</b>
2022/23	96.38
2021/22	98.38

- 196 At 31 March 2024, the final outturn for the business rate element of the Collection Fund is an in-year surplus of £6.482 million of which the council's 49% share is £3.177 million.
- 197 After taking into account the undeclared 2022/23 deficit of £0.708 million and, the in year surplus of £6.482 million, the overall outturn for the business rate element of the Collection Fund is a £5.774 million surplus, of which the council's share is £2.830 million. At quarter three the in-year surplus was forecast to be £6.971 million, with a cumulative surplus of £6.263 million. Durham County Council's share (49%) of this forecast surplus was previously forecast to be £3.069 million. The year end position therefore shows a reduced surplus position when compared with the quarter three position. The council's year end position has deteriorated by £0.239 million from the quarter three reported position.
- 198 The total position for the Business Rates element of the Collection Fund for 2023/24 is detailed in the following table:

	<b>£ million</b>
Net rate yield for 2023/24 including previous year adjustments	117.947
Estimate of changes due to appeals lodged and future appeals	3.767
Estimated losses in Collection – Provision for Impairment and Write-offs	-1.066
<b>Net income receivable (a)</b>	<b>120.648</b>
Agreed allocated shares:	
Central Government (50%)	56.319
Durham County Council (49%)	55.483
County Durham and Darlington Fire and Rescue Authority (1%)	1.132
Cost of Collection Allowance and Renewable Energy (paid to Durham County Council)	1.228
<b>Total fixed payments (b)</b>	<b>114.162</b>
<b>Net surplus for year (a) – (b)</b>	<b>6.482</b>
<b>Undeclared Deficit brought forward from 2022/23</b>	<b>-0.708</b>
<b>Estimated year end deficit</b>	<b>5.774</b>

- 199 Taking into account the positions at the end of the 2023/24 financial year 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 £1.339 million surplus. This compares to an overall £0.849 million net surplus forecast at quarter three.

200 From a budget viewpoint however the forecast net surplus position on the Collection Fund was agreed in the Council Taxbase setting report agreed at Cabinet on 15 November 2023. At that time, the council forecast net surplus on the Collection Fund was £0.686 million. On that basis there will be an undeclared surplus on the Collection Fund for the council of £0.653 million. This will be included in the forecast Collection Fund position throughout 2024/25.

	<b>£ Million</b>
Council Tax Deficit	-1.491
Business Rates Surplus	2.830
<b>NET SURPLUS</b>	<b><u>1.339</u></b>

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

201 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.

202 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%.

203 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.

204 At 31 March 2024, the gross small business relief awarded against the 2023/24 business rates bills and adjustments to 2013/14 to 2022/23 bills is £17.869 million, and the council will receive £6.617 million in Section 31 grant, including the capping adjustment and threshold change adjustments.

### *Other Section 31 Grants*

205 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.

- 206 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.**

207 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.

208 MTFP (13) savings proposals for 2023/24, agreed by County Council on 22 February 2023 totalled £12.383 million.

209 At 31 March 2024 savings totalling £11.761 million, representing 95% of the £12.383 million total savings target had been delivered in year. Where savings were not fully delivered in year mitigating actions are being delivered by service management teams – the underachievement of the saving targets were in the main timing issues in terms of the delivery of the proposals.

### *Consultation*

210 During the year, public consultation was carried out in respect of the MTFP (13) proposed review of Area Action Partnerships. This concluded on Sunday 23 April 2023. No other public consultation reflecting any of the remaining MTFP (13) initiatives took place during the year.

### *HR implications*

211 Equality data relating to the 24 employees leaving through voluntary redundancy, early retirement, and ER/VR during quarter four of MTFP (13) showed that 41.67% were male and 58.33% were female.

- 212 In terms of race, 54.17% of leavers had not disclosed their ethnicity; 45.83% of leavers declared their ethnicity, with all stating that they were white British or white English.
- 213 Regarding disability status, 4.17% of employees said they had a disability, 29.17% had no disability and 66.67% did not disclose their disability status.
- 214 Equality data relating to the four employees leaving through compulsory redundancy during quarter four showed that 25% were female and 75% were male.
- 215 In terms of race, 50% of compulsory redundancy leavers had not disclosed their ethnicity and the remaining 50% stated that they were white British or white English. Regarding disability status, no employees disclosed a disability, 50% had no disability and 50% did not disclose their disability status.
- 216 Since austerity began in 2011, equality data relating to employees leaving through voluntary redundancy, shows that 65.41% were female and 34.59% were male. The higher proportion of female leavers is likely due to the exercises which took place in previous years which focused on traditionally female occupied professions, (these included the closure of care homes, reduction in service in the Pathways and Youth service and a restructure and change of working pattern for Care Connect). These figures also align to the overall gender split of the council's employees.
- 217 In terms of race, since 2011, 45.28% of leavers had not disclosed their ethnicity, with 54.26% stating that they were white British or white English. Regarding disability status 2.90% said they had a disability, 14.31% had no disability and 82.8% did not disclose their disability status.

#### *Equality Impact Assessments (EIA)*

- 218 Services have completed EIA screenings and assessments where necessary as part of the decision-making process for 2023/24 MTFP (13) proposals.
- 219 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 2023/24
- Cabinet – 12 July 2023 – 2022/23 Final Outturn for the General Fund and Collection Fund
- Cabinet - 11 October 2023 – Medium Term Financial Plan (14) 2023/24 – 2027/28
- Cabinet – 13 September 2023, 15 November 2023, 13 March 2024 – Quarters 1-3 - Forecast of Revenue and Capital Outturn 2023/24
- Cabinet – 15 November 2023 – Council tax base 2024/25 and Forecast Deficit on the Council Tax Collection Fund as at 31 March 2024
- Cabinet – 14 February - Medium Term Financial Plan 2024/25 - 2027/28 and Revenue and Capital Budget 2024/25
- County Council – 28 February 2024 – Medium Term Financial Plan 2024/25 - 2027/28 and Revenue and Capital Budget 2024/25

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## **Appendix 1: Implications**

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### **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 spend against budgets agreed by Council in February 2023 in relation to the 2023/24 financial year. The information contained within this report has been prepared in accordance with standard accounting policies and procedures.

### **Finance**

The report details the financial outturn for the council for 2023/24 for revenue (incorporating details of sums treated as outside the cash limit and funded corporately through general contingencies) and the financial outturn for capital. The report covers the 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 2024/25 – 2027/28 Capital programme budget.

### **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 MTFP(13) 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 scrutinised and supplemented with information supplied by the Service Management Teams and budget holders. The outturn has been produced taking into consideration all spend in year and year end accounting practices. This should mitigate any risks regarding challenge over the accuracy and validity of the financial outturn position of the council as reported.

## **Procurement**

None.



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

	Original Budget 2023/24	Revised Budget	Proposed Budget Revisions	Budget - incorporating adjustments	Service Groupings Final Outturn	Final 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 Final Outturn			Cash Limit Position
											Energy	Fostering	Pay Inflation 23/24	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Employees	571,861	581,135	0	581,135	565,377	565,680	353	0	4,309	-10,793	0	0	1,134	-9,659
Premises	60,764	60,264	0	60,264	64,689	64,689	-847	0	-419	3,159	3,183	0	0	6,342
Transport	64,792	64,856	0	64,856	67,841	67,841	-524	0	-611	1,850	0	0	0	1,850
Supplies & Services	117,757	115,898	0	115,898	153,072	155,255	-238	0	-1,301	37,818	0	0	0	37,818
Agency & Contracted	551,775	580,015	0	580,015	607,890	610,098	-906	0	0	29,177	0	-590	0	28,587
Transfer Payments	152,814	155,916	0	155,916	169,861	170,985	-2,193	0	0	12,876	0	0	0	12,876
Central Costs	143,125	124,701	0	124,701	150,378	150,534	5,979	-1,699	-19,931	10,182	0	0	0	10,182
DRF	456	455	0	455	9,931	9,931	0	0	-213	9,263	0	0	0	9,263
Capital Charges	55,916	55,917	0	55,917	64,089	64,089	-893	0	0	7,279	0	0	0	7,279
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>GROSS EXPENDITURE</b>	<b>1,719,260</b>	<b>1,739,157</b>	<b>0</b>	<b>1,739,157</b>	<b>1,853,128</b>	<b>1,859,102</b>	<b>731</b>	<b>-1,699</b>	<b>-18,166</b>	<b>100,811</b>	<b>3,183</b>	<b>-590</b>	<b>1,134</b>	<b>104,538</b>
<b>Income</b>														
Government Grants	633,142	630,761	0	630,761	669,254	669,657	199	0	-2,513	36,582	0	0	0	36,582
Other Grants and Contributions	91,231	101,074	0	101,074	116,725	116,858	-642	0	-1,291	13,851	0	0	0	13,851
Sales	6,937	6,569	0	6,569	6,235	6,232	0	0	39	-298	0	0	0	-298
Fees and Charges	114,789	124,952	0	124,952	140,527	140,495	1,560	0	-818	16,285	392	0	0	16,677
Rents	11,312	11,527	0	11,527	19,467	19,467	-152	0	-69	7,719	0	0	0	7,719
Recharges To Other Services	320,669	308,308	0	308,308	319,695	319,695	2,345	0	-610	13,122	0	0	0	13,122
Other	9,549	9,014	0	9,014	70,546	70,546	-42,907	0	-5,732	12,893	0	0	0	12,893
<b>Total Income</b>	<b>1,187,629</b>	<b>1,192,205</b>	<b>0</b>	<b>1,192,205</b>	<b>1,342,449</b>	<b>1,342,950</b>	<b>-39,597</b>	<b>0</b>	<b>-10,994</b>	<b>100,154</b>	<b>392</b>	<b>0</b>	<b>0</b>	<b>100,546</b>
<b>NET EXPENDITURE</b>	<b>531,631</b>	<b>546,952</b>	<b>0</b>	<b>546,952</b>	<b>510,679</b>	<b>516,152</b>	<b>40,328</b>	<b>-1,699</b>	<b>-7,172</b>	<b>657</b>	<b>2,791</b>	<b>-590</b>	<b>1,134</b>	<b>3,992</b>

## Appendix 4: Earmarked Reserves Position as at 31 March 2024

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
<b>EARMARKED RESERVES</b>							
<b>Corporate Reserves</b>							
Business Support Reserve	Corporate	-1,250	263	-923	1,243	583	-667
Cabinet Priorities Reserve	Corporate	-755	108		539	647	-108
Capital Expenditure reserve	Corporate	-642			642	642	0
Commercialisation Support Reserve	Corporate	-9,107	13		-5,000	-4,987	-14,094
Equal Pay Reserve	Corporate	-4,479			2,000	2,000	-2,479
ER/VR Reserve	Corporate	-10,354	2,877		-2,500	377	-9,977
Feasibility Study Reserve	Corporate	-500			500	500	0
Insurance Reserve	Corporate	-5,965	13	-1,176	3,000	1,837	-4,128
Levelling Up Feasibility Reserve	Corporate	-94	90		4	94	0
MTFP Reserve	Corporate	-36,996	10,027		-9,330	697	-36,299
Resources DWP Grant Reserve	Corporate	-2,295	432	-156	852	1,128	-1,167
Resources Elections Reserve	Corporate	-1,208			-1,000	-1,000	-2,208
<b>Total Corporate Reserves</b>		<b>-73,645</b>	<b>13,823</b>	<b>-2,255</b>	<b>-9,050</b>	<b>2,518</b>	<b>-71,127</b>
<b>Sums held for other organisations/grants</b>							
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		-1,018		-1,018	-3,170
Resources Council Tax Hardship Reserve	Resources	-1,342	788		544	1,332	-10
Resources COVID-19 Support Grants	Resources	-620	113			113	-507
Social Care Reserve - Community Discharge Grant	AHS	-737	3	-27	-40	-64	-801
Social Care Reserve - CCG	AHS	-21,737	3,999	-1,000	346	3,345	-18,392
<b>Total Sums held for other organisations/grants</b>		<b>-31,665</b>	<b>9,993</b>	<b>-2,058</b>	<b>850</b>	<b>8,785</b>	<b>-22,880</b>
<b>Other Specific Reserves</b>							
Business Growth Fund Reserve	REG	-604	334			334	-270
CEO Grant Reserve	CEO	-284	198			198	-86
CEO Operational Reserve	CEO	-208	26		182	208	0
CEO Transformation Reserve	CEO	-853		-2,000		-2,000	-2,853
Children's Services Reserve	CYPS	-1,630	645	-265	49	429	-1,201
Community Protection Reserve	NCC	-3,370	494	-535	299	258	-3,112
Corporate Property & Land Reserve	REG	-2,789	702	-2,106	427	-977	-3,766
Culture and Sport Reserve	REG	-8,259	2,413	-608	-455	1,350	-6,909
Economic Development Reserve	REG	-2,427	384	-166	289	507	-1,920
Education Reserve	CYPS	-18,386	8,769	-3,309	2,155	7,615	-10,771
EHVC Reserve	CYPS	-3,924	2,998	-2,932	177	243	-3,681
Employability and Training Reserve	REG	-309		-155	-151	-306	-615
Environmental Services Reserve	NCC	-3,091	1,039	-1,302	75	-188	-3,279
Funding and Programmes Management Reserve	REG	-418	50	-23	173	200	-218
Grant Reserve	CEO	-86			86	86	0
Housing Regeneration Reserve	REG	-2,170	65		198	263	-1,907
Housing Solutions Reserve	REG	-3,880	801	-1,639	169	-669	-4,549
Partnerships and Community Engagement Reserve	NCC	-13,159	2,849	-750	1,288	3,387	-9,772
Planning Reserve	REG	-439	210	-26	-65	119	-320
Public Health Reserves	AHS	-6,220	1,517	-1,416	933	1,034	-5,186
REG Match Fund Programme Reserve	REG	-605	234	-20	327	541	-64
Resources Corporate Reserve	Resources	-562	294	-467	258	85	-477
Resources Customer Services Reserve	Resources	-239			239	239	0
Resources Financial Services Reserve	Resources	0		-33	33	0	0
Resources Human Resources Reserves	Resources	-297	106		26	132	-165
Resources ICT Reserves	Resources	-970	163		386	549	-421
Resources Internal Audit & Corporate Fraud Reserve	Resources	-249	50		135	185	-64
Resources Legal Reserves	Resources	-389	118		124	242	-147
Resources Operations and Data Reserve	Resources	-50				-50	-50
Resources Revenue and Benefits Reserve	Resources	-528	32		164	196	-332
Resources System Development Reserve	Resources	-197			197	197	0
Social Care Reserve - Specific Purpose	AHS	-1,320	58	-103	175	130	-1,190
Technical Services Reserve	NCC	-1,862	77	-832	2	-753	-2,615
Town and Villages Regeneration Reserve	REG	-686	112			112	-574
Transport Reserve	REG	-2,710	256	-3,505	36	-3,213	-5,923
<b>Total Other Specific Reserves</b>		<b>-83,170</b>	<b>24,994</b>	<b>-22,192</b>	<b>7,931</b>	<b>10,733</b>	<b>-72,437</b>
<b>TOTAL EARMARKED RESERVES</b>		<b>-188,480</b>	<b>48,810</b>	<b>-26,505</b>	<b>-269</b>	<b>22,036</b>	<b>-166,444</b>

EARMARKED RESERVES AND CASH LIMIT RESERVES	SERVICE GROUPING	OPENING BALANCE £'000	USE OF RESERVES £'000	CONTRIBUTION TO RESERVES / CASH LIMIT POSITION £'000	TRANSFERS BETWEEN RESERVES £'000	TOTAL MOVEMENT ON RESERVES £'000	CLOSING BALANCE AT 31/03/24 £'000
<b>Cash Limit Reserves</b>							
Adult and Health Services		-5,329	1,968	-787	-1,686	-505	-5,834
Chief Executive's Office		0		-805	-60	-865	-865
Children and Young People's Services		0	-8,390	8,390			0
Neighbourhoods and Climate Change		-90	-150	-451	121	-480	-570
Regeneration, Economy and Growth		-1,372	254	-343		-89	-1,461
Resources		-1,264	325	-2,090	1,894	129	-1,135
<b>Total Cash Limit Reserves</b>		<b>-8,055</b>	<b>-5,993</b>	<b>3,914</b>	<b>269</b>	<b>-1,810</b>	<b>-9,865</b>
<b>Total Council Reserves</b>		<b>-196,535</b>	<b>42,817</b>	<b>-22,591</b>	<b>0</b>	<b>20,226</b>	<b>-176,309</b>
<b>Schools' Balances</b>							
Schools' Revenue Balance *	CYPS	-28,463	4,134	-2,902		1,232	-27,231
DSG Reserve	CYPS	0					0
<b>Total Schools and DSG Reserves</b>		<b>-28,463</b>	<b>4,134</b>	<b>-2,902</b>	<b>0</b>	<b>1,232</b>	<b>-27,231</b>
<b>Total Earmarked Reserves</b>		<b>-224,998</b>	<b>46,951</b>	<b>-25,493</b>	<b>0</b>	<b>21,458</b>	<b>-203,540</b>

\* Academy transfers: the Schools' Revenue Balance movement includes an adjustment of £2.992 million of deficit balances to be written off, £0.148 million surplus transfer for schools converting in Q4 of 2022/23 and £6.921 million of surplus balances to be transferred to the new trusts (a net reduction of £4.077 million before the movement in respect of maintained schools)