

# Corporate Overview and Scrutiny

## Management Board

3 October 2024



## Forecast of Revenue and Capital Outturn 2024/25 – Period to 30 June 2024 and Update on Progress towards achieving MTFP (14) savings

### 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 Corporate Overview and Scrutiny Management Board with:
  - (a) the forecast revenue and capital outturn for 2024/25, based on the position to 30 June 2024;
  - (b) an update on the dedicated schools grants and forecast schools' outturn as at 31 March 2025, based upon the position to 30 June 2024;
  - (c) the forecast for the council tax and business rates collection fund outturn at 31 March 2025, based on the position to 30 June 2024; and
  - (d) details of the updated forecast use of and contributions to earmarked, cash limit and general reserves in 2024/25 and the estimated balances that will be held at 31 March 2025.
- 2 To provide Corporate Overview and Scrutiny Management Board with an update on progress towards achieving MTFP (14) savings in 2024/25.

## Executive Summary

- 3 The council is continuing to operate in a period of financial uncertainty and volatility. This uncertainty is being driven by continuing short term local government finance settlements for next year. The new government committed in its manifesto to providing multi-year settlements for local government to provide greater certainty and reaffirmed this in the Chancellor of the Exchequers announcements to Parliament on 29 July 2024. Whilst this is welcomed, no commitment has been given to increasing the overall resources available to local government in the immediate or longer term.
- 4 A Comprehensive Spending Review will take place in 2025 to inform funding from 2026/27 onwards, with a commitment given to providing three-year settlements and Comprehensive Spending Reviews occurring biannually thereafter. At this stage it is assumed that the local government finance settlement for 2025/26 will be a 'roll over' settlement, with the Budget / Autumn Statement scheduled for 30 October 2024, where the Government's spending and taxation plans will be published.
- 5 Our inherent low tax raising capacity due to our low tax base alongside ongoing significant demand pressures, particularly escalating demographic and cost pressures in Children's Social Care, the ongoing inflationary impact of the national living wage increases on service provision drive further uncertainty and risk in out budgets. Unless there is a fundamental shift in funding arrangements the financial outlook for the council is forecast to remain extremely challenging for the foreseeable future.
- 6 Consumer Price Index inflation (CPI) in the UK economy for the twelve months to July 2024 was 2.2%, slightly up on the position in June 2024 when it was 2.0%. Whilst CPI had briefly returned to the Bank of England's target level, since the peak in October 2022 (where CPI was 11.1%), prices and the cost pressures we face are significantly higher than three years ago and are still rising.
- 7 At its meeting in August, the Bank of England Monetary Policy Committee agreed to cut the base rate to 5.00%, but in doing so stated that we should not expect regular or significant further reductions in the coming months, with CPI forecast to increase to 2.75% this autumn before reducing back down to 2% in the New Year.
- 8 The Council's challenging financial position is largely driven by financial pressures in Children and Young People's Budgets. The forecast position as at 30 June 2024, indicates a net service grouping cash limit

overspend of £5.798 million this year. The majority of the overspend relates to Children and Young People's Services where there is a forecast cash limit overspend of £7.609 million forecast related to Children Looked After placement costs and associated expenditure.

- 9 Children and Young People's Services do not have a cash limit reserve to offset this overspend so, as in previous years, this overspend will need to be financed from the General Reserve at year end and these costs are considered to be recurrent and have therefore needed to be factored into the MTFP(15) budget planning assumptions.
- 10 The Local Government Employers 2024/25 pay award offer for 'Green Book' employees, which covers the vast majority of the Council's workforce, is a flat £1,290 uplift on all NJC pay points 2 to 43 inclusive. Whilst this is not yet agreed and is being challenged by Trade Unions, the offer is broadly in line with 4% uplift in budgeted costs in 2024/25. Should the offer be revised, and the pay award settled at a higher level, then any impact on the 2024/25 budget and MTFP(15) forecasts will be set out in future reports. Every 1% of pay award adds circa £2.9 million into the councils cost base.
- 11 The Chief Officer Pay award has however been agreed at 2.5%, which is in line with 2024/25 budget assumptions for this cohort.
- 12 As in previous years, the reduced income impact of temporary closures whilst refurbishment works are undertaken as part of the Leisure Transformation Programme have been treated as outside of the Regeneration Service cash limit budget and charged into Corporate Contingencies. The 2024/25 reduced income is forecast as £0.500 million.
- 13 The growth in the use of temporary accommodation has continued into 2024/25. The Housing Benefit Subsidy Grant reclaimed from the Department for Works and Pensions, on whose behalf the Council administers Housing Benefit, does not fully cover the costs of the Council providing temporary and supported accommodation to people in need of this support. Demand for this service has increased significantly in recent years. Whilst the 2024/25 budget included a £2.6 million budget increase to reflect these costs, the 2024/25 year-end forecast highlights a further net budget pressure of circa £0.900 million which will be funded corporately as outside of the service cash limit. There are no further budget adjustments factored into the MTFP(15) forecasts at this stage.
- 14 Energy prices are continuing to fall. The 2024/25 budget factored in an expected reduction in energy prices, however as the 2023/24 final outturn highlighted, prices have fallen slightly further and more quickly

than previously estimated. Energy costs are presently forecast to be lower than budget (net of Joint Stocks Power Generation income shortfall) by £1.345 million in the current year. Energy costs will continue to be monitored closely in conjunction with NEPO colleagues with any impact on MTFP (15) taken into consideration.

- 15 Water costs are expected to increase by an average of 11% in 2024/25, with forecasts highlighting a cost increase of circa £0.110 million. This has been managed within cash limit budgets at this stage, however this will need to be closely monitored throughout the year and any impact on the MTFP carefully considered.
- 16 The increasing demand for statutory Education, Health and Care Plan Assessments over recent years has resulted in insufficient capacity within the council's Educational Psychology Service and the wider Early Help Team to support the volume of assessments coming through. In September 2023, a short-term contract for locum support was agreed to enable a better response to current demand within timescales whilst further work in the associated action plan and the delivery of the Delivering Better Value Programme with DfE funding is undertaken. A forecast £0.960 million has been funded corporately to support this, with the MTFP(15) forecasts including provision for permanent budget growth in this area.
- 17 Having excluded the CYPS position, the other services' cash limit budgets are forecasting a net underspend of £1.811 million, with Adult and Health Services, Resources and the Chief Executives Office underspending by a combined £2.988 million, offset by forecast overspending in Neighbourhoods and Climate Change and Regeneration, Economy and Growth of £1.177 million.
- 18 It is forecast that the overall corporate position will be a net overspend of £4.135 million. This is after application of the budgets available in general contingencies, along with forecast underspends in corporate costs and in capital financing budgets following a managed approach to borrowing.
- 19 The combined forecast cash limit and corporate net forecast position therefore indicates a £2.324 million overspend for 2024/25 – consisting of a £4.135 million corporate overspend (including the CYPS cash limit overspend) less a £1.811 million services cash-limit underspend (excluding the CYPS cash limit overspend).
- 20 The council's current reserves policy aims to maintain General Reserve balance of between 5% and 7.5% of the net budget requirement in the medium term, which equates to a range of between £28.2 million and

£42.4 million in 2024/25. The opening General Reserves balance was £32.061 million (5.68% of the 2024/25 net budget requirement).

- 21 The quarter one forecasts would result in the General Reserve position reducing by £4.135 million to £27.926 million, which is below the minimum threshold. A transfer from the MTFP Support Reserve of £0.317 million would therefore be required to replenish to minimum requirement levels should these forecasts materialise.
- 22 Total earmarked and cash limit reserves (excluding school reserves) are forecast to continue to reduce. Earmarked reserves are being expended in line with their expected use, with a forecast reduction in overall reserves of £13.378 million in 2024/25, from £176.307 million to £162.929 million. £3.720 million of the reduction in reserves relates to the use of the MTFP Support Reserve in year to balance the 2024/25 budget.
- 23 The forecast reserves position, including the General Reserve, is still considered to be adequate and prudent given the financial commitments we have, and the uncertainties facing the council and the whole of local government beyond 2024/25.
- 24 The MTFP(14) 2024/25 to 2027/28 and Revenue and Capital Budget Report to Council on 28 February 2024 highlighted the ongoing budget concerns for the council with a forecast savings requirement of £37.833 million over the 2024/25 to 2027/28 period (following the £16.360 million savings already identified during the process). However, the savings gap highlighted in the MTFP(15) report to Cabinet shows an increase in the savings shortfall to £64.130 million for the period 2025/26 to 2028/29, which will need to be addressed.
- 25 The quarter one forecast position for all current maintained schools shows a forecast net use of reserves of £5.458 million in year - £1.009 million more than the budgeted position. The forecast net retained maintained schools' balances at 31 March 2025 is £20.735 million.
- 26 The forecast position for Dedicated Schools Grant centrally retained block shows a £7.873 million overspend in relation to High Needs Block due to the significant gap between high needs funding levels and high needs financial pressures as demand continues to increase, increasing the cumulative forecast retained deficit to £16.560 million at 31 March 2025. Cabinet should note this unfunded deficit is impacting on the level of investment interest income earned due to the cash-flowing of this deficit.
- 27 The updated projected capital outturn this year is £363.260 million, with the capital budget having been augmented with reprofiled budget from underspending against the 2023/24 capital programme, new spending

commitments and funding in-year since the budget was agreed, including allocations from capital contingencies and reprofiling proposals set out in the report to defer capital expenditure to future years where necessary.

- 28 Performance against the various treasury management and prudential indicators agreed by County Council in February 2024 are set out in this report and shows that the council continues to operate within the boundaries agreed.
- 29 The forecast outturn for the Council Tax Collection Fund shows an in-year surplus of £0.121 million, and a cumulative surplus of £0.957 million to 31 March 2025. Durham County Council's share of this forecast net surplus is £0.806 million.
- 30 The forecast outturn for the Business Rates Collection Fund is an in-year surplus of £2.513 million, and a cumulative surplus of £2.439 million to 31 March 2025 once the deficit brought forward from last year is taken into account. Durham County Council's share (49%) of this forecast surplus is £1.195 million.
- 31 As at 30 June 2024 the council has delivered savings totalling £5.736 million, which is 71% of the £8.083 million savings target for the year, with circa £1 million of the savings (12.5%) forecast not to be achieved in year due to delays in delivering some of the proposals agreed by Council.

## **Recommendations**

- 32 It is recommended that Corporate Overview and Scrutiny Management Board note that Cabinet at its meeting held on 18 October 2024:
  - (a) note the council's overall forecast financial position for 2024/25 and the continuing significant inflationary and demand led cost pressures – particularly in Children's Social Care and in temporary accommodation budgets;
  - (b) agree the proposed 'sums outside the cash limit' and transfers to and from general contingencies as set out in the report;
  - (c) agree the revenue and capital budget adjustments outlined in the report;
  - (d) note performance against the various prudential indicators agreed by Council in February 2024;
  - (e) note the forecast use of earmarked reserves in year;

- (f) note the forecast 2024/25 net cash limit overspend of £5.798 million including the CYPS overspend of £7.609 million (£1.811 million underspend excluding CYPS) and the forecast cash limit reserves of £10.887 million;
- (g) note the forecast General Fund overspend of £4.135 million resulting in a forecast overall net council overspend in 2024/25 of £2.324 million (£4.135 million less a £1.811 million services cash-limit underspend);
- (h) note the forecast General Reserve position at 31 March 2025 (c£27.926 million) and the requirement to utilise £0.317 million of MTFP reserve to replenish the General Reserves in line with the council's policy of ensuring this reserve is 5% of the net revenue budget (i.e. a minimum requirement of £28.243 million);
- (i) note the net unavoidable demand-led and inflationary pressures which are forecast to be managed from the General Reserve;
- (j) note the Dedicated Schools Grant and Schools forecast outturn position;
- (k) note the position on the Collection Funds in respect of Council Tax and Business Rates; and
- (l) note the amount of savings delivered to 30 June 2024 against the 2024/25 targets and the total savings that will have been delivered since 2011.

## Background

- 33 The County Council agreed Medium-Term Financial Plan 14 (MTFP(14)), which incorporates the revenue and capital budgets for 2024/25, on 28 February 2024. MTFP(14) covers the period 2024/25 to 2027/28.
- 34 The MTFP(14) report highlighted ongoing budget concerns for the council with a forecast savings shortfall of £37.833 million over the 2025/26 to 2027/28 period, after factoring in assumed increases in council tax over the period and the delivery of £16.360 million of agreed savings proposals.
- 35 A separate report on the Cabinet agenda today sets out the updated MTFP(15) forecasts, covering the period 2025/26 to 2028/29, showing that the savings shortfall has now increased to £64.130 million.
- 36 The delivery of savings to this magnitude is becoming ever more challenging to achieve.
- 37 Consumer Price Index inflation (CPI) in the UK economy for the twelve months to June 2024 was 2.0% and increased to 2.2% for July 2024. Whilst CPI is lower than its peak in October 2022 (when CPI was 11.1%), prices are significantly higher than they were three years ago and are still rising. Reducing and more stable levels of headline inflation has led the Bank of England to cutting interest rates. At its meeting in August, the Bank of England Monetary Policy Committee agreed to cut the base rate to 5.00%, but in doing so stated that we should not expect regular or significant further reductions in the coming months, with CPI forecast to increase to 2.75% this autumn before reducing back down to 2% in the New Year.
- 38 Water prices are increasing by an average of 11% over 2024/25, with the forecasts highlighting a cost increase of circa £0.110 million this year. This has been managed within budgets at this stage, however this will need to be closely monitored throughout the year and any impact on the MTFP considered.
- 39 The Local Government Employers 2024/25 pay award offer for 'Green Book' employees, which covers the vast majority of the Council's workforce, is a flat £1,290 uplift on all NJC pay points 2 to 43 inclusive. Whilst this is not yet agreed and is being challenged by Trade Unions, the offer is broadly in line with 4% uplift in budgeted costs in 2024/25. Should the offer be revised, and the pay award settled at a higher level, then any impact on the 2024/25 budget and MTFP(15) forecasts will be set out in future reports. Every 1% of pay award adds circa £2.9 million into the council's cost base.



- 40 The Chief Officer Pay award has however been agreed at 2.5%, which is in line with 2024/25 budget assumptions for this cohort.
- 41 This report provides a forecast of the revenue and capital outturn for 2024/25, based upon expenditure and income up to 30 June 2024. It includes details relating to the General Fund revenue and capital budgets 2024/25, the Collection Fund for Council Tax and Business Rates and contains details relating to the Dedicated Schools Grant funding blocks, including the financial performance of our maintained schools.
- 42 The report also provides an update on the delivery of MTFP(14) savings for 2024/25. The 2024/25 savings plans were agreed by Council in February 2024 with a savings target of £8.083 million included in the budgets for the current year. This brings the overall savings target for the period from 2011/12 to 2024/25 to circa £270 million. Significant progress has been made towards achieving these savings in year and an update on performance against the £8.083 million target is set out later in the report.

### **Costs outside the Cash limit - Inflationary and Capacity Pressures**

- 43 Energy prices continue to fall further and more quickly than originally forecast in the 2024/25 budget. They are presently forecast to be lower than the budget (net of a shortfall on the budgeted level of income from power generated from the Council's Joint Stocks) by £1.345 million. The forecasted energy costs have been supported by NEPO data and considers the forward purchasing strategy. Energy costs will continue to be monitored closely in conjunction with NEPO colleagues and the impact on MTFP(15) considered accordingly in future updates.
- 44 As in previous years, the reduction in income due to temporary closures whilst refurbishment works are undertaken as part of the Leisure Transformation Programme has been treated as outside of services cash limit and picked up corporately. The 2024/25 reduced income is forecast as £0.500 million.
- 45 The growth in the use of temporary accommodation, has continued into 2024/25. The Housing Benefit Subsidy Grant reclaimed from the Department for Works and Pensions, on whose behalf the Council administers the scheme (in line with nationally set criteria) does not allow for full recovery of payments linked to temporary and supported accommodation, which has also increased in recent years. Whilst the 2024/25 budget was adjusted to offset this this pressure (a £2.6 million cost to the council), the 2024/25 year-end forecast highlights a further net pressure of circa £0.900 million (increasing the subsidy loss position to £3.5 million) which will be funded corporately as outside of the

service cash limit. There are no further budget adjustments factored into the MTFP(15) forecasts at this stage, but this position will need to be reconsidered as we get closer to budget setting, if the current forecast materialises.

- 46 The increasing demand for statutory Education, Health and Care Plan Assessments over recent years has resulted in insufficient capacity within the council's Educational Psychology Service and the wider Early Help Team to support the volume of assessments coming through. In September 2023, a short-term contract to increase Educational Psychology capacity was agreed to enable a better response to current demand within timescales whilst further work in the associated action plan and the delivery of the Delivering Better Value Programme with DfE funding is undertaken. A forecast £0.960 million has been funded corporately to support this, with the MTFP(15) forecasts including provision for permanent budget growth in this area.
- 47 The following table summarises all items treated as outside the cash limit at quarter one:

<b>Service Grouping</b>	<b>Items treated outside the cash limit and funded corporately via General Reserves</b>	<b>Amount £million</b>
Resources	Housing benefit subsidy shortfall	0.932
Resources	Coroners service overspend	0.200
Resources CAC	Care leavers discount scheme	0.129
REG	Unachievable income re closure period during refurbishment of Leisure Centres	0.500
REG	Park and Ride Extension delay	-0.256
REG	DLI Museum & Art Gallery	-0.272
CYPS	EHCP backlog (Educational Psychologists capacity)	0.960
CYPS	Newton Europe Review	0.370
CYPS	LGPS 2023/24 charge reversal	-0.045
NCC	Depot Business Rates	0.102
<b>TOTAL</b>		<b>2.620</b>

## **Revenue Outturn Forecast – Based on Position to 30 June 2024**

48 Adjustments have been made to the original budget agreed by Council on 28 February 2024 for agreed budget transfers between service groupings (to reflect the transfer of functions to the Corporate Affairs Service within the Chief Executive's Office from Resources, REG and AHS).

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

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

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

	Original Budget 2024/25	Budget - incorporating adjustments	Service Groupings Forecast of Outturn	Forecasted Variance	Total Contribution to / (Use of) Contingencies, sums outside the cash limit, DSGAA and Reserves	Adjusted Variance	Total Adjustment for inflationary sums outside the cash limit	Cash Limit Position
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adult and Health Services	160,100	159,463	159,655	192	-2,051	-1,859	31	-1,828
Chief Executive's Office	4,613	18,032	18,525	493	-969	-476	8	-468
Children and Young People's Services	195,737	194,215	214,309	20,094	-12,592	7,502	107	7,609
Neighbourhoods and Climate Change	122,253	117,417	118,435	1,018	-1,261	-243	454	211
Regeneration, Economy and Growth	54,929	59,026	62,962	3,936	-4,031	-95	1,061	966
Resources	28,264	18,003	19,355	1,352	-2,044	-692	0	-692
<b>Cash Limit Position</b>	<b>565,896</b>	<b>566,156</b>	<b>593,241</b>	<b>27,085</b>	<b>-22,948</b>	<b>4,137</b>	<b>1,661</b>	<b>5,798</b>
Contingencies	13,473	13,213	11,566	-1,647	1,163	-484	-316	-800
Corporate Costs	4,059	4,059	4,088	29	-129	-100	0	-100
<b>NET COST OF SERVICES</b>	<b>583,428</b>	<b>583,428</b>	<b>608,895</b>	<b>25,467</b>	<b>-21,914</b>	<b>3,553</b>	<b>1,345</b>	<b>4,898</b>
Capital charges	-56,481	-56,481	-56,481	0	0	0	0	0
DSG deficit reserve adjustment	-6,546	-6,546	-7,873	-1,327	1,327	0	0	0
Interest and Investment income	-8,800	-8,800	-8,800	0	0	0	0	0
Interest payable and similar charges	39,470	39,470	35,233	-4,237	0	-4,237	0	-4,237
Levies	17,520	17,520	17,535	15	0	15	0	15
<b>Net Expenditure</b>	<b>568,591</b>	<b>568,591</b>	<b>588,509</b>	<b>19,918</b>	<b>-20,587</b>	<b>-669</b>	<b>1,345</b>	<b>676</b>
<b>Funded By:</b>								
Council tax	-283,639	-283,639	-283,639	0	0	0	0	0
Business Rates	-59,929	-59,929	-59,528	401	0	401	0	401
Top up grant	-78,907	-78,907	-78,907	0	0	0	0	0
Revenue Support Grant	-35,176	-35,176	-35,176	0	0	0	0	0
Estimated net surplus (-) / deficit on Collection Fund	-686	-686	-686	0	0	0	0	0
New Homes Bonus	-640	-640	-640	0	0	0	0	0
Section 31 Grant for business rates	-40,149	-40,149	-40,176	-27	0	-27	0	-27
Social Care Grant	-64,857	-64,857	-64,857	0	0	0	0	0
Services Grant	-888	-888	-889	-1	0	-1	0	-1
Levy Account Surplus Grant	0	0	0	0	0	0	0	0
Use of earmarked reserves	-3,720	-3,720	-20,739	-17,019	17,019	0	0	0
Forecast contribution to/from (-) Cash Limit Reserves	0	0	863	863	948	1,811	0	1,811
Forecast contribution to/from (-) General Reserves	0	0	-4,135	-4,135	2,620	-1,515	-1,345	-2,860
Total Funding	-568,591	-568,591	-588,509	-19,918	20,587	669	-1,345	-676
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Forecast of Revenue Outturn 2024/25

51 There is a net £5.798 million overspend forecast in cash limit budgets. This overspend is largely due to demand and cost pressures in

Children’s Social Care. CYPS do not hold a cash limit reserve and as such £7.609 million of the £5.798 million overspend will need to be met corporately. Once the CYPS overspend is adjusted for, there is a net £1.811 million underspend in the other services’ cash limit budgets forecast this year, with Adult and Health Services, Resources and the Chief Executives Office underspending by a combined £2.988 million, offset by forecast overspending in Neighbourhoods and Climate Change and Regeneration, Economy and Growth of £1.177 million.

- 52 It is forecast that the corporate position will be a net overspend of £4.135 million which will need to be funded from the General Reserve. This overspend is primarily due to the overspend in CYPS of £7.609 million, but is offset by forecast underspends in corporate costs (£0.900 million) and in capital financing budgets (£4.237 million) following a managed approach to borrowing.
- 53 Combining the cash limit net underspend and corporate overspend position the overall forecast is for a £2.324 million overspend (0.41%) in 2024/25 against a £568.591 million budget.
- 54 The following sums are deemed to be outside of service grouping cash limits and it is proposed that these are funded from general contingencies.

<b>Service Grouping</b>	<b>Proposal</b>	<b>Amount £million</b>
REG/ CEO	Premises dual running costs	-0.104
REG	Radon Monitoring	0.043
REG	Milburngate – Legal and Professional fees	0.210
REG	Catering Income reduction	0.154
CYPS	Surplus Property - R&M	0.320
CYPS	Secure unit backdated allowances	0.302
CYPS/ Resources	Loss of SLA Income	0.026
Resources	Essential H&S Training	0.100
Resources	Long Service Awards	0.010
Resources	Occupational Health Succession Planning	0.028
CEO	Legal Assistant support	0.074
<b>TOTAL</b>		<b>1.163</b>

- 55 Approval is being sought for the above sums to be funded from general contingencies during quarter one.

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

Type of Reserve	Opening Balance as at 1 April 2024	Movement during 2024/25 (including transfers)	Closing Balance as at 31 March 2025
	£million	£million	£million
<b>Service Grouping Cash Limit</b>			
Adult and Health Services	-5.833	-0.970	-6.803
Chief Executive's Office	-0.864	-0.736	-1.600
Children and Young People's Services	-	-	-
Neighbourhoods and Climate Change	-0.570	0.211	-0.359
Regeneration, Economy and Growth	-1.462	0.966	-0.496
Resources	-1.135	-0.494	-1.629
<b>Total Cash Limit Reserve</b>	<b>-9.864</b>	<b>-1.023</b>	<b>-10.887</b>

57 The forecast cash limit and general reserves position is still considered to be prudent given the significant ongoing financial uncertainties facing the council and local government beyond 2024/25. However, Cabinet should note that the cash limit reserves position for Regeneration, Economy & Growth and Neighbourhoods and Climate Change are forecast to reduce by 66% and 55% respectively in year and reflect a very low proportion of these service's net budgets.

### Cash Limit Position

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

### Adult and Health Services (AHS)

59 The 2024/25 projected outturn for AHS, based upon the position to 30 June 2024 is a cash limit underspend of £1.828 million to the year end, representing circa 1.15% of the total revised budget for AHS.

- 60 The forecast outturn considers adjustments for sums outside the cash limit including redundancy costs which are met from the corporate reserve, capital accounting entries and use of / contributions to earmarked reserves. Forecast reductions in energy costs of £31,000, have also been excluded from the cash limit outturn position.
- 61 The AHS forecast outturn is based on the following assumptions:
- (a) the net position on vacant posts and supplies and services budgets across the service together with uncommitted budgets, results in an estimated net under budget position for the year of £0.758 million;
  - (b) net spend on adult care packages is £1.070 million under 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 taken over recent years – the total care packages budget held by AHS is £237.248 million and this one of the largest budgets the council has;
  - (c) net expenditure on Public Health related activity is in line with grant allocations.
- 62 In addition to the above forecast, a net £2.051 million relating to contributions from reserves has been excluded from the cash limit outturn forecasts as follows:
- (a) £0.156 million net drawdown from the AHS Social Care Reserve to fund temporary staffing arrangements in year;
  - (b) £0.484 million drawdown from the AHS Integrated Care Reserve to fund temporary staffing arrangements and short-term projects agreed with the ICB;
  - (c) £0.567 million drawdown from the AHS cash limit reserve to fund temporary staffing arrangements in year;
  - (d) £10,000 use of CYPS short breaks reserve to fund temporary staffing arrangements in year;
  - (e) £0.834 million net use of Public Health reserves to fund Public Health related activity.

- 63 A £0.637 million base budget transfer of the Systems and Data Team to the Chief Executive's Office has been actioned during the first quarter.
- 64 Taking the projected outturn position into account, including the transfers to/from and between reserves in year, the estimated cash limit reserve balance for AHS is forecast to be £6.803 million at 31 March 2025.

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

- 65 The 2024/25 forecast revenue outturn for the Chief Executive's Office is a cash limit underspend of £0.468 million representing 2.59% of the revised total Budget for CEO.
- 66 The forecast outturn considers adjustments for sums outside the cash limit such as redundancy costs which are met from corporate reserves, capital accounting entries and use of / contributions to earmarked reserves. Forecast energy reductions have also been excluded from the service cash limit forecast outturn.
- 67 An overspend on the Coroners service of £0.200 million has been excluded from the cash limit outturn position. Also excluded is £73,000 from general contingencies in relation to staffing costs linked to temporary legal support.
- 68 The forecast outturn is based on the following issues:
- (a) Corporate Affairs is forecast to underspend by £0.505 million. The main reasons relate to an underspend of employee costs due to vacant posts held in advance of planned MTFP savings and a service restructure.
  - (b) Legal and Democratic Services is forecast to overspend by a net £30,000. This is mainly due an overspend of £0.172 million relating to childcare litigation Barrister fees, the under achievement of land charges income (£38,000) and under achievement of maintained school SLA income due to academisation (£39,000) – offset by vacancy savings on difficult to fill legal posts (£0.299 million).
- 69 In arriving at the forecast outturn position, a net £0.757 million relating to the use of reserves has also been excluded from the outturn, with the major items being:

- (a) £0.229 million drawdown from the Transformation reserves to fund employee costs in 2024/25 associated with the Transformation project activity;
- (b) £0.210 million drawdown from the CEO Cash Limit Reserve to fund employee and training costs for the Corporate Business Intelligence Project;
- (c) £83,000 drawdown from the CYPS – Project Support Integrated Steering Group reserve to fund employee costs in the Transformation Team; and
- (d) £73,000 drawdown from the Resources Cash Limit Reserve to fund Intelligent-1 support costs as part of the Corporate Business Intelligence Project.

70 The following base budget transfers have also been actioned in the first quarter:

- (a) £9.053 million transfer from Resources in relation to Legal and Democratic Services transferring to the Chief Executive's Office service area;
- (b) £0.947 million transfer from Resources in relation to digital services teams transferring to the Corporate Business Intelligence Team;
- (c) £0.637 million transfer from AHS in relation to data teams transferring to Corporate Business Intelligence Team;
- (d) £1.781 million transfer from CYPS in relation to data teams transferring to Corporate Business Intelligence Team; and
- (e) £1.001 million transfer from NCC in relation to Partnerships and Community Engagement transferring to Corporate Affairs.

71 Taking the outturn position into account, including items outside the cash limit and transfers to and from earmarked reserves, the cash limit reserve to be carried forward for CEO is forecast to be £1.600 million at 31 March 2025

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

72 The 2024/25 projected outturn for CYPS, based upon the position to 30 June 2024 is an overspend of £7.609 million, representing a 4% overspend against the total revised budget for CYPS.

73 The cash limit outturn projection excludes forecast use of / contributions to earmarked reserves.



- 74 Forecast net reductions in energy costs (£0.107 million), have been excluded from the cash limit outturn position. Also funded corporately is £0.960 million of expenditure in EHIVC relating to additional costs being incurred to tackle the backlog of Education, Health and Care Plans assessments and £0.370 million of expenditure relating to external consultancy support to review Children Looked After forecasts and a review of the Councils Sufficiency Strategy and mitigation measures to address these pressures. In addition, £0.320 million expenditure on surplus school sites and £0.302 million relating to backdated Community Homes Allowance payments to staff at Aycliffe Secure Centre are excluded and have been funded via corporate contingencies.
- 75 The forecast outturn position includes overspends within Social Care of £7.823 million and underspends within Early Help, Inclusion and Vulnerable Children of £0.167 million, Education and Skills of £34,000, and Operational Support of £19,000.
- (a) Children's Social Care is forecast to be a net £7.823 million over budget for the year, with the Service forecasting a net overspend of £6.033 million relating to the cost of placements for children looked after;
  - (b) The pressure on the budget in children's social care has been evident for several 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 2024/25 is £76.574 million, which is an increase of £14.674 million on the previous year.
  - (c) The quarter one forecast reflects the continuing upward trend for CLA numbers between now and March 2025, and that there will also be an increased need for more expensive residential placement options (current average cost of an external residential placement is £0.351 million per annum). However, some of this demand for residential placements can be managed through an expanded in-house residential provision, meaning numbers in high-cost external residential provision will remain at current levels.
  - (d) The forecast overspend is also driven by ongoing challenges in recruiting enough in-house foster carers and having to place an increased reliance on more expensive Independent Fostering Agency placements.
  - (e) In order to provide independent scrutiny of the forecasts developed for the MTFP(15) report, the council has engaged

Newton Europe , an external consultancy and data analyst to validate the various assumptions and test against national and regional trends. They are also reviewing the CLA Sufficiency Strategy and will make recommendations on options the council should consider in tackling this issue. The outcome of this work will be considered in the MTFP(15) report to Cabinet in December 2024.

- (f) Other areas of the Social Care budget are forecast to overspend by a net £1.790 million, largely reflecting associated pressures linked to increased CLA numbers, including legal and professional expenses, supporting family time services and independent visitors. These pressures, together with the updated forecasts of CLA placement budget pressures, have been recognised as part of the MTFP planning process and budgets will be increased accordingly for the 2025/26 financial year.
- (g) Early Help, Inclusion and Vulnerable Children is forecasting an underspend of £0.167 million after adjusting for inflation pressures to be funded corporately. This underspend is mainly attributable to underspends in employee and activity budgets in the One Point and SEND service areas.
- (h) Expenditure of £0.960 million is included in the forecasts relating to additional resources to tackle the backlog of EHCP requests. These costs fall largely in Educational Psychology and SEND Casework teams and associated corporate funding is also included, so there is a net nil impact from this on the service position. These ongoing pressures have been reflected in the MTFP(15) budget estimates so that the base budget can be uplifted to reflect this ongoing need.
- (i) Aycliffe Secure Centre is currently forecast to be in line with budget, although the medium-term plan indicates surpluses will be generated from this service. Occupancy rates are currently lower than planning assumptions at this stage, however, it has been anticipated that these will increase later in the year.
- (j) The Education Service is reporting a broadly breakeven position after taking account adjustments for inflationary pressures and estimated pay awards. Within Education there a number of over and underspends as follows:
  - (i) A forecast overspend of £0.500 million reflecting the anticipated shortfall against income budgets of £4.8 million for service level agreements with schools. This

reflects a continuing financial pressure for the service largely because of schools converting to academy status;

- (ii) A forecast overspend of £0.143 million relating to DCC run nursery provision across four settings.

These overspends are offset by the following underspends:

- (iii) £0.425 million due to underspends in the Early Years team relating to nursery outreach, sustainability and activity budgets.
  - (iv) £0.190 million against employee budgets, largely because of a staffing restructure in Education Durham and School Places and Admissions, to be implemented this summer.
  - (v) £0.159 million of underspends across the service against employee budgets.
- (k) The Home to School Transport budget was increased by £3.550 million in 2024/25, from £29.186 million in 2023/24 to £32.736 million in 2024/25. It is currently forecast that Home to School Transport expenditure will be in line with budget, however at the time the quarter one forecasts were prepared, a significant part of the tendering process for contracts for the 2024/25 academic year was in progress and the outcome of this will largely determine the position against budget. An updated forecast will be presented in the quarter two report to Cabinet in November, with work underway to forecast demand and cost pressures across the MTFP(15) planning period.

76 The forecast cash limit outturn shows the position after a net £2.856 million transfer / drawdown from reserves, the major items being:

- (a) £0.899 million drawdown from Progression and Learning Reserves to fund various NEET and employment support initiatives in year;
- (b) £0.445 million drawdown from the Corporate ERVR reserve to fund Schools and Music Service forecasted redundancies;
- (c) £0.400 million drawdown from the Emotional Wellbeing reserve to fund service developments; and
- (d) £0.221 million drawdown from the Integrated Rapid Response reserve to fund the service;

- 77 No budget transfers have been actioned in the first quarter.
- 78 Taking the forecast outturn position into account, there is a £7.609 million forecast overspend / deficit to 31 March 2025. This will, as in previous years, need to be funded corporately from the General Reserve due to the fact this Service has exhausted its cash limit reserves in previous years.

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

- 79 The forecast revenue outturn for 2024/25, based on the position to 30 June 2024, for NCC is a cash limit overspend of £0.211 million, representing circa 0.18% of the revised budget for NCC.
- 80 The cash limit outturn projections exclude the forecast use of or contributions to earmarked reserves, and items treated as outside the cash limit, such as redundancy costs which are met from corporate reserves. Net inflationary reductions on energy (net underspend of £0.454 million) have been excluded from the cash limit outturn position along with £0.102 million in relation to Depot Business Rates.
- 81 The forecast outturn overspend is based on the following factors:
- (a) Environmental Services is forecast to be £0.612 million overspent. This is mainly due to overspends of £0.274 million associated with increased repairs and business rates costs for premises, £0.865 million on transport and supplies and services (with fuel and spot hire of vehicles being the most significant areas of overspend) and £0.374 million underachieved car parking income at Noses Point and Crimdon due to delays in implementation of the new charging regime linked to MTFP(14) savings. These overspends are partly offset by over-achieved income of £0.673 million in relation to fees and charges and contributions, along with an underspend of £0.330 million on employees due to ongoing vacancies.
  - (b) Highways is forecast to be underspent by £0.145 million. Maintenance work, including additional gulley cleansing costs, drainage and bridge works is forecast to overspend by £0.238 million, and there is a small overspend of £71,000 in the trading areas. This is more than offset by underspends on Strategic Highways of £0.454 million, due to managed staff savings in lieu of future MTFP savings, and, more significantly, the overachievement of income on enforcement and inspections, including defect inspections, and fixed penalty notices.
  - (c) Community Protection is forecast to be underspent by £0.164 million. This is due to an overachieved MTFP(13) saving,

vacancies within the service, and there is also funding within the base budget to accommodate future increment increases associated with career grades, which isn't required this year.

- 82 A net £1.1 million relating to movement to and from reserves has also been excluded from the outturn. The major items being:
- a) £0.728 million drawdown relating to Clean & Green, Low Carbon and environmental issues;
  - b) £0.516 million drawdown from the Horden Together Reserve to fund planned activity in the year; and
  - c) £0.100 million contribution to the Community Protection Workforce Reserve.
- 83 Taking the projected outturn position into account, including the transfers to/ from and between reserves in year, the forecasted cash limit reserve balance for NCC will be £0.359 million at 31 March 2025.

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

- 84 The forecast revenue outturn for 2024/25, based on the position to 30 June 2024, is a cash limit overspend of £0.966 million representing circa 1.6% of the revised budget for REG.
- 85 This considers adjustments for the forecast use of reserves and items outside the cash limit, including redundancy costs which are met from the corporate reserve, capital accounting entries and use of / contributions to earmarked reserves.
- 86 Net adjustments on energy cost reductions of £1.061 million have been excluded from the cash limit forecast outturn position, together with £0.500 million in respect of Leisure Centre income shortfalls due to Leisure Transformation closures that are being covered corporately.
- 87 Also excluded from the REG cash limit is a £0.257 million underspend in relation to the delayed Sniperley Park & Ride route extension, a £0.272 million underspend on the Aykley Heads Cultural Venue revenue budget due to the delayed opening date, and £0.364 million of costs which has been covered from central contingencies (Facilities Management dual running net costs (£43,000), under-achieved Catering income in relation to civic sites (£0.154 million), Health & Safety radon gas works (£43,000) and legal / professional fees relating to the Milburngate development (£0.210 million)).

- 88 The outturn is a managed position, and work is underway to ensure that appropriate plans can be put in place to rectify or reduce the forecast overspend position as the year progresses.
- 89 The main reasons accounting for the quarter one forecast outturn position are as follows:
- (a) Culture, Sport and Tourism is forecast to overspend by £1.385 million against budget. The main reasons are:
    - (i) Unrealised MTFP savings of £0.410 million relating to Culture for Clayport Library restructure and remodel (£0.200 million), Sevenhills recharge to CYPs (£75,000), Library Transformation co-location opportunities (£0.105 million) and dynamic ticketing on theatres (£30,000).
    - (ii) A £0.137 million overspend relating to library facility employee costs, contract cleaning and unachieved income for fines and fees.
    - (iii) A £0.436 million anticipated overspend at the two completed leisure transformation sites (Abbey and Peterlee) and the three sites expected to complete in year (Spennymoor, Louisa and Teesdale) due to cost and income pressures not being in line with the levels anticipated / forecast as part of the Leisure Transformation programme.
    - (iv) A £0.279 million overspend within Leisure & Wellbeing because of unachieved staff turnover savings and increased business rate costs.
    - (v) An overspend of £0.101 million relating to a previous service restructure relating to staff working in Theatres and Durham Town Hall.
  - (b) Transport and Contract Services is forecast to broadly breakeven against budget, with the following offsetting variances identified:
    - (i) Under-recovery of bus shelter advertising income of £0.153 million, which was a MTFP(13) saving, and an overspend on bus shelter repairs and maintenance of £81,000.
    - (ii) An overspend of £0.110 million on Bus Stations due to business rates and cleaning costs at Durham Bus Station (£96,000) and additional security costs at Peterlee and

Consett Bus Stations (£45,000), offset slightly by an underspend on Bishop Auckland Bus Station following its closure in year (£30,000).

- (iii) Increased business rate charges and contract costs on car parks of £0.477 million, offset by £0.460 million overachievement of parking income, £0.195 million underspends in Road Safety relating to employee and School Crossing Patrol vacancies and £0.186 million underspend on bus & rail contracts.
- (c) Planning and Housing is forecast to overspend by £80,000 against budget. The main reasons are:
- (i) Planning - anticipated overspend of £0.208 million, largely due to under-achieved of planning fee income targets, which were a MTFP13/14 saving;
  - (ii) Strategy & Delivery – anticipated underspend of £20,000 on staffing;
  - (iii) Building Safety & Standards - anticipated underspend of £49,000 on staffing and additional Building Control income;
  - (iv) Housing Access and Independent Living – anticipated underspend of £39,000, comprised of an overspend of £75,000 on Temporary Accommodation, offset by underspends on staffing, along with additional income in Care Connect/CCTV of £114,000.
- (d) Economic Development is forecast to overspend by £29,000 against budget, which is predominantly attributed to overspends against employee's for unachieved staff turnover savings in the Area Action Partnerships team.
- (e) Corporate Property and Land is forecast to underspend by £0.323 million against budget. The main reasons are:
- (i) Building & Facilities Management – anticipated overspend of £0.155 million due to under-achieved income in public-facing catering venues (£43,000), an unrealised MTFP saving (also Catering, of £71,000) and increased contract cleaning costs in Facilities Management (£43,000);

- (ii) Business Development – anticipated underspend of £83,000 on staffing and supplies & services;
  - (iii) Head of Service – anticipated underspend of £0.102 million on supplies & services;
  - (iv) Strategy & Property Management – anticipated underspend of £0.323 million in relation to an ongoing re-structure, partially offset by additional costs in relation to Freemans Reach energy centre and unbudgeted business rates (Priory House);
  - (v) Strategic Programmes – anticipated overspend of £91,000 due to unachieved capital recharge income of £0.170 million, partially offset by underspends on staffing and supplies & services.
- (f) REG Central is forecast to underspend by £0.161 million against budget, which is predominantly a result of unallocated price inflation which is being held as a contingency sum in the service.

90 In arriving at the forecast outturn position, a net £3.474 million relating to movement on reserves has also been excluded from the outturn. The major items being:

- (a) £1.762 million contribution to Transport reserves relating to the projected underspend in Concessionary Fares to support the future provision of bus services and routes;
- (b) £1.586 million drawdown from Culture Reserves to fund various initiatives in year;
- (c) £0.363 million drawdown from Planning & Housing reserves to support work on Affordable Housing projects in year;
- (d) £1.719 million drawdown from Economic Development Reserves relating to Area Action Partnerships – members neighbourhood budgets primarily;
- (e) £1.568 million drawdown from Corporate Property and Land reserves relating to property repairs & maintenance;

91 Taking the projected outturn position into account, including the transfers to/from and between reserves in year, the forecasted cash limit reserve to be carried forward for Regeneration, Economy and Growth is £0.496 million at 31 March 2025 (a reduction of £0.966 million).



## Resources

- 92 The 2024/25 forecast revenue outturn for Resources is a cash limit underspend of £0.692 million, which is 2.45% of the revised budget and considers adjustments for sums outside the cash limit such as redundancy costs which are met from corporate reserves and use of / contributions to earmarked reserves.
- 93 £0.932 million in relation to a forecast Housing Benefit Subsidy grant claim shortfall will be covered from corporately and has been excluded from the cash limit outturn position. Also excluded is £0.157 million of costs to be met from general contingencies in relation to staffing costs linked to succession planning in the Occupational Health team, Health and Safety training, long service awards and loss of maintained school SLA income.
- 94 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 is forecast to be under budget by £90,000, primarily due to underspends on employee costs of £85,000, which have been identified as potential MTFP 15 savings.
  - (b) Transactional and Customer Services is forecast to be under budget by £0.480 million, primarily due to underspends on employee costs of £0.269 million identified as potential MTFP(15) savings, £85,000 underspend on supplies and services and £69,000 over achievement of income.
  - (c) Digital Services is forecast to be over budget by £84,000. Within this area underachievement of income is forecast to be £0.423 million, but this has been largely by forecast underspends on employees of £0.339 million.
  - (d) Internal Audit, Risk and Corporate Fraud is forecast to be under budget by £41,000, primarily due to a managed underspend on employee related expenditure.
  - (e) HR and Employee Services is forecast to be over budget by £0.180 million, primarily due to unachievable SLA income.
  - (f) Procurement, Sales and Business Services is forecast to be under budget by £0.369 million. This is mainly due to vacant posts held in advance of further planned MTFP savings.

- 95 A net £0.954 million relating to movement to and from reserves has also been excluded from the outturn. The major items being:
- (a) £0.180 million drawdown from the Business Support Reserve to fund temporary posts to support the workload of the team in year;
  - (b) £68,000 drawdown from the HR Reserve to fund temporary posts to support the workload of the team in year;
  - (c) £92,000 drawdown from the Assessment Support Admin Scheme Reserve to fund service packages;
  - (d) £0.459 million drawdown from the Procurement Development Reserve which will be used to finance various procurement initiatives; and
  - (e) £72,000 drawdown from the ICT Reserve to replace equipment in schools.
- 96 The following base budget transfers have also been actioned in the first quarter:
- (a) £9.053 million transfer to CEO in relation to the transfer of Legal and Democratic Services;
  - (b) £0.947 million transfer to CEO in relation to digital services teams transferring to the Corporate Business Intelligence Team within Corporate Affairs; and.
  - (c) £0.262 million transfer to REG in relation to the transfer of Parking Services Admin staff which have been decentralised due to the technical nature of these roles.
- 97 Taking the outturn position into account, including items outside the cash limit and transfers to and from earmarked reserves, the cash limit reserve to be carried forward for Resources is forecast to be £1.629 million at 31 March 2025.

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

- 98 The forecast revenue outturn for 2024/25 for Corporate Costs is a cash limit underspend of £0.100 million. This considers adjustments for sums outside the cash limit such as the use of / contribution to earmarked reserves.
- 99 The forecast outturn position is mainly due to the 2023/24 Redmond Review Grant received during 2024/25 which was not budgeted for.

## Central Budgets

- 100 There is £0.800 million of corporate contingencies budget not committed at this stage which is being reported as an underspend. This considers all known / forecast drawdown requirements as set out in this report. This position may change during the remainder of the year, and if so, this will impact on the overall General Fund corporate outturn position.
- 101 The Interest Payable and Similar Charges - Capital Financing budgets are forecast to be lower than the £39.470 million budget by £4.237 million. The forecast underspend reflects the council's ability to delay actual borrowing whilst interest rates remain high. The level of cash balances currently held allows the council to use these funds to manage cash flow requirements in the short term but does not negate the underlying need to borrow to fund capital expenditure already incurred and planned to be incurred over the current and next year. Once the under-borrowed position is addressed, the underlying base budget underspend will be removed.
- 102 The interest and investment income budgets are forecast to be in line with the £8.800 million budget agreed in February. However, this outturn forecast would be improved by around £0.750 million if the Council did not have to cash-flow a c. £16m forecast dedicated schools high needs grant deficit which has accumulated over recent years. The bank rate had risen from 0.10% in November 2021 to 5.25% by August 2023. At its meeting in August 2024, the Bank of England Monetary Policy Committee agreed to cut the base rate to 5.00%, but in doing so stated that we should not expect regular or significant further in the coming months, with CPI forecast to increase to 2.75% this autumn before reducing back down to 2% in the New Year.
- 103 The table below highlights the change in borrowing and investments at the end of quarter one, compared to the position at 31 March:

	<b>Actual 31.03.24 £million</b>	<b>Average Interest Rate</b>	<b>Actual 30.06.24 £million</b>	<b>Average Interest Rate</b>
Borrowing (exc leasing & PFI)	412	3.12%	410	3.02%
Investments	217	5.65%	245	5.49%
<b>Net Debt</b>	<b>195</b>		<b>165</b>	

## Council Earmarked Reserves Forecast

- 104 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 2024, the forecast movement on reserves during the year and the forecast closing balance as at 31 March 2025.
- 105 A summary of the forecast of council reserves (excluding school reserves) is shown below. Earmarked reserves can be categorised as sums held for corporate purposes, sums held on behalf of partner organisations / external grants and other sums earmarked for specific purposes. The summary highlights that the total earmarked and cash limit reserves are forecast to reduce by £13.378 million in 2024/25, from £176.307 million to £162.929 million. The movement in earmarked reserves is explained in the service grouping commentaries.
- 106 A summary of the expected movement in these reserves for each category is set out in the table below:

Type	Actual Balance at 1 April 2024 £ million	Adjusted for increase (-) / use of Earmarked Reserves £ million	Transfers Between Reserves £ million	Net Forecast Change in Year £ million	Forecast Balance at 31 March 2025 £ million
Earmarked – Corporate Reserves	-71.127	4.791	0.000	4.791	-66.336
Earmarked – Partner / External Grant	-22.880	2.076	0.550	2.626	-20.254
Earmarked - Other	-72.436	7.374	-0.390	6.984	-65.452
<b>Sub-Total</b>	<b>-166.443</b>	<b>14.241</b>	<b>0.160</b>	<b>14.401</b>	<b>-152.042</b>
Earmarked - Cash Limit	-9.864	-0.863	-0.160	-1.023	-10.887
<b>Total Earmarked Reserves</b>	<b>-176.307</b>	<b>13.378</b>	<b>0.000</b>	<b>13.378</b>	<b>-162,929</b>

- 107 Based on the quarter one position, cash limit reserve balances of £10.887 million are forecast at the year end, an in-year increase of £1.023 million.
- 108 The forecast cash limit and general reserves position is considered to be sufficient and prudent given the financial commitments and uncertainties facing the council and local government beyond 2024/25. The MTFP 2024/25 to 2027/28 and Revenue and Capital Budget Report to Council on 28 February 2024 highlighted the ongoing budget concerns for the council with a forecast savings requirement of £37.833

million over the 2024/25 to 2027/28 period (following £16.360 million savings identified in 2024/25).

- 109 The latest forecasts show that the scale of the challenge the Council will face in balancing its budgets across the next four years is now £64.130 million, with details set out in the MTFP(15) update report to Cabinet on 18 September 2024.
- 110 The council's current reserves policy aims to maintain a general reserve balance of between 5% (£28.2 million) and 7.5% (£42.4 million) of net budget requirement in the medium term. The quarter one forecast general reserve balance at 31 March 2025 is £27.926 million which is £0.317 million below the minimum 5% threshold and should this occur, would require a transfer from the MTFP Support Reserve at year end.

## Dedicated Schools Grant

### Schools Block

- 111 The council currently maintains 143 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.
- 112 The forecast position for these maintained schools at quarter one is shown in the table below:

Subjective Budget Heading	Original Budget £million	Quarter 1 Forecast £million	Forecast to Budget Variance £million
Employees	203.112	208.625	5.513
Premises	14.054	14.516	0.462
Transport	3.066	4.188	1.122
Supplies	34.018	35.887	1.869
Central Support & DRF	0.162	0.203	0.041
<b>Gross expenditure</b>	<b>254.412</b>	<b>263.419</b>	<b>9.007</b>
Income	-63.785	-69.418	-5.633
<b>Net expenditure</b>	<b>190.627</b>	<b>194.001</b>	<b>3.374</b>
School funding allocation	186.178	188.543	2.365
<b>Use of reserves</b>	<b>4.449</b>	<b>5.458</b>	<b>1.009</b>
Balance at 31 March 2024	26.192	26.192	-
<b>Balance at 31 March 2025</b>	<b>21.744</b>	<b>20.735</b>	<b>-1.009</b>

- 113 At quarter one, maintained schools are forecasting the use of £5.458 million of reserves to balance the in year financial position. the required use of reserves has increased by £1.009 million from the initial planned use of reserves which were assumed for budget setting purposes.
- 114 The main reason for this is the proposed flat rate pay award of £1,290 for non-teaching staff, which is agreed would be higher than the sums included within budgets where a planning assumption of 4% was included. The proposed flat rate award would equate to an increase in non-teaching pay related costs above 5% for many schools.
- 115 On 29 July 2024 the Chancellor of the exchequer announced that the Government were minded to accept the Pay Review body recommendations for a 5.5% pay award to teachers and committed to fully funding the impact. The Trade Unions are yet to agree this and will be putting this to their members over the coming weeks. The impact of this pay award and additional funding will be factored into future forecasts.
- 116 The forecast position at individual school level indicates that a small number of schools may be in deficit at the end of the current financial year and a more significant number of schools may not have sufficient reserves available to set a balanced budget in 2025/26.
- 117 The council will work closely with schools over autumn term to support the financial planning process to set balanced budgets for 2025/26.

### Centrally Retained Blocks

- 118 The forecast outturn position for the centrally retained DSG budgets shows a projected overspend of £7.873 million, as detailed below:

<b>DSG Block</b>	<b>Budget £ million</b>	<b>Outturn £ million</b>	<b>Over / (Under) Spend £ million</b>
High Needs	89.882	97.755	7.873
Early Years	54.318	54.318	-
Central Schools Services	3.319	3.319	-
<b>TOTAL</b>	<b>147.519</b>	<b>155.392</b>	<b>7.873</b>

- 119 The High Needs Block (HNB) budget for 2024/25 was set with a planned forecast deficit of £6.547 million, due to the significant

recognised gaps between high needs funding levels and demand for high need educational placements and additional financial top-up funding to schools to manage such demand.

- 120 The quarter one forecast indicates that the overspend will be £7.873 million, £1.326 million higher, reflecting pressures across most areas of the HNB budget as demand continues to increase. The position at quarter two will include an early assessment of the impact of pupils needs in the 2024/25 academic year, which could increase pressure further on this budget.
- 121 An updated HNB Sustainability Plan was reported to Cabinet in December 2023. This report set out the implications of lower increases to HNB grant over the period 2024/25 to 2027/28 than have been received in recent years, set against continuing increases in cost and demand, resulting in an increasing cumulative deficit position that is forecast to reach £67 million by the end of 2027/28.
- 122 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, from which point thereafter, the cumulative HNB deficit would need to be funded by Council revenue reserves.
- 123 Phase one of the HNB Sustainability Programme which came to an end in the summer of 2023, focussed on nine key areas as agreed by Cabinet in 2019 and reported previously.
- 124 Phase two of our HNB Sustainability Programme commenced in September 2023, with a major part of it 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.
- 125 Planning is currently underway for engagement with all schools and settings in Durham in the first term of the new academic year to consider all areas of expenditure across the high needs block to determine where it may be possible to make savings and / or prioritise spending. However, despite all this work, it is becoming increasingly clear that without additional central government funding, there will be recurring overspends for High Needs Education Services due to continued increased demand.
- 126 For the Early Years Block, indications are that there is likely to be an underspend against grant allocation, however it is difficult to predict as the new entitlements are rolled out during the year.

127 The impact of the current forecast 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 £million</b>
<b>Balance as at 1 April 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>
2023/24 Early Years Block Adjustment	-	-	-	-
Forecast Use - / Contribution in 2024/25	-7.873	-	-	-7.873
<b>Forecast Balance as at 31 March 2025</b>	<b>-18.468</b>	<b>0.797</b>	<b>1.111</b>	<b>-16.560</b>

128 The overall DSG reserve was in a deficit of £8.687 million at the start of the financial year, largely because of the accumulated deficit position of £10.595 million in relation to the high needs block. The overall deficit position is now forecast to increase to £16.560 million to the year end, however this is prior to any clawback of Early Years funding that is anticipated.

129 The HNB cumulative deficit is forecast to increase to £18.468 million to 31 March 2025. This deficit will be held in an unusable reserve, in line with the exceptional statutory override, which was introduced and continued by the previous government, and will run until 31 March 2026.

## **Capital**

130 On 10 July 2024 Cabinet received a report which provided details of the final outturn position of the 2023/24 capital programme. This included a reprofiling exercise where £47.307 million of capital expenditure was reprofiled from 2023/24 into future years. Additions of £48.198 million to the 2024/25 budget were also actioned. These changes resulted in an original revised budget of £361.901 million for 2024/25, which is shown in the table below.

131 Throughout the year, the Capital Member Officer Working Group (MOWG) continually reviews progress in delivering the capital



programme to consider changes in planning and delivery timescales and analysis of changes in demands on resources. This report sets out further details on revisions to the capital programme, considering additional resources received by the authority and further requests for reprofiling as Service Management Teams continue to monitor and review their capital schemes. These amendments need to be agreed by Cabinet.

- 132 The following table summarises the latest capital budget alongside the original budget. The table also shows the actual capital spend as at 30 June 2024.

<b>Service Grouping</b>	<b>Original Budget 2024/25</b>	<b>Amendments recommended by MOWG</b>	<b>Revised Budget 2024/25 Quarter 1</b>	<b>Actual spend to 30 June 2024</b>
	<b>£million</b>	<b>£million</b>	<b>£million</b>	<b>£million</b>
Adult and Health Services	0.740	-	0.740	0.309
Children and Young People's Services	98.275	-0.071	98.204	13.362
Neighbourhoods and Climate Change	84.828	0.459	85.287	3.838
Regeneration, Economy and Growth	169.396	0.971	170.367	35.270
Resources	8.662	-	8.662	1.239
<b>TOTAL</b>	<b>361.901</b>	<b>1.359</b>	<b>363.260</b>	<b>54.016</b>

- 133 Since the original 2024/25 budget was agreed, there have been a number of variations to the capital programme, which are a result of additions and reductions in resources received by the council. Variations of note are detailed below.

- (a) **CYPS** – the service has the following additions and reductions:
- (i) **School Devolved Capital.** This includes a reduction of £15,028 for Devolved Formula Capital to match the revised grant allocation from DfE.
  - (ii) **School Related.** This includes a reduction of £94,539 for School Condition Allocation to match the revised grant allocation from DfE.

- (iii) **Planning and Service Strategy.** This includes an addition of £23,505 for Family Hubs Programme to match the revised grant allocation from DfE.
- (b) **NCC** – the service has the following additions and reductions:
  - (i) **Partnership and Community Engagement.** This includes an addition of £29,490 for various AAP capital budgets and Members Neighbourhood Fund, funded from earmarked reserves.
  - (ii) **Environmental Services.** This includes £0.305 million Sport England Swimming Pool Support grant for Louisa Centre, £0.141 million Salix grant for Cotsford Primary School PSDS and £0.138 million Salix grant for Durham Pathways Decarbonisation.
- (c) **REG** – the service has the following additions and reductions:
  - (i) **Economic Development.** This includes an addition of £31,500 for Seaham Garden Village, funded from a revenue contribution. It also includes an addition of £0.535 million for Beamish Capital Project in 2024/25 and £0.173 million in 2025/26, funded from contributions from Beamish Museum.
  - (ii) **Economic Development.** An additional £1.065 million in 2025/26 has been added for the former Rookhope Primary School Building, funded from corporate capital contingencies (£0.665 million) and UK Shared Prosperity Funding (£0.400 million), to enable the conversion of the school building into a rural business hub to provide small offices and craft workshops for local businesses following the closure of the school on 31 August.
  - (iii) **Planning and Housing.** This includes an addition of £0.690 million for Disabled Facilities Grant scheme, funded partly from an increase in MHCLG grant (£0.634 million) and partly from earmarked reserves (£56,235). The other significant addition is £1.104 million for Green Homes Phase 2, funded from a BEIS grant.
  - (iv) **Culture and Sport.** An additional budget allocation of £2.6 million in 2025/26 for the DLI Art Museum and Gallery, funded from corporate capital contingencies, which is required to meet rising construction price inflation and the outcome of value engineering works impacts on the scheme.

134 Budget managers continue to challenge and review the phasing and programming of capital works, which has resulted in the reprofiling of the following budgets in line with anticipated activity in 2024/25:

(a) **CYPS**

(i) **School Related.** This consists of a reprofiling of £0.348 million for Chester-le-Street CE Primary School Roof Repairs from 2025/26 to 2024/25 (£2,000) and from 2025/26 to 2026/27 (£0.346 million), due to the work on the infant building commencing in 2025/26 and work on the junior building not due to commence until 2026/27. The other major amount is a reprofiling of £0.680 million from 2025/26 to 2026/27 for Dean Bank Primary School damp/water ingress works to reflect the revised programme of works.

(b) **NCC**

(i) **Environmental Services.** This includes reprofiling of £0.450 million from 2024/25 to 2025/26 for Joint Stocks New Gas Engine, as the scheme is due to last around 18 months from July 2024 to March 2026. Also included is an acceleration of £0.350 million from 2025/26 to 2024/25 for LED Lighting self-financing scheme for Louisa Centre, as this will contribute to the works on Louisa Leisure Centre Refurbishment scheme in REG.

(ii) **Highways.** This includes reprofiling of £0.420 million from 2024/25 to future years for CSIA-South Moor and Stanley Resilience Innovation Scheme to reflect revised expenditure profile. It also includes an acceleration of £0.740 million for Street Lighting Unprogrammed works, as it is expected that more schemes will be carried out in 2024/25 than originally anticipated.

(c) **REG.** This service covers many schemes and project managers undertook a thorough review of the capital programme. The result is a net reprofiling of £1.751 million from 2024/25 to future years and other rephasing of budgets across the period 2025/26 to 2027/28, with significant amounts detailed below.

(i) **Economic Development.** This includes an acceleration of £0.180 million from 2025/26 to 2024/25 for T&VC Walking and Cycling Routes, as there is a potential to deliver more elements of the scheme in 2024/25.

(ii) **Culture and Sport.** The major amounts include rephasing of £2.298 million from 2024/25 to 2026/27 for Woodhouse

Close Leisure Centre New Build, as due to value engineering, redesign and Northern Power Grid delays for diversion work, meaning that the main construction package will start later than original plan. The other significant reprofiling is £0.110 million for Louisa Leisure Centre Refurbishment, as the retention payment is now expected in 2025/26.

- (iii) **Transport and Contracted Services.** The major amounts include acceleration of £1 million for Newton Aycliffe Housing Infrastructure Fund, as it is expected that all funding will be utilised in 2024/25 and a further LTP contribution is expected once final value of works required is confirmed; acceleration of £1.598 million for Jade Business Park Infrastructure, as it is expected that all funding will be utilised in 2024/25; and reprofiling of £1.191 million to 2025/26 for Safer Roads Fund - A690 Corridor, due to the development of individual elements resulting in a revised delivery programme and timescales. Other amounts include acceleration of £0.245 million for LTP Unprogrammed scheme, to allow distribution of budget to other LTP schemes; and acceleration of £0.200 million for Traffic Signal Obsolescence Grant, as currently it is programmed that most of the funding will be utilised in the current financial year, however the service is currently in early stages of ordering. The total also includes reprofiling of £0.100 million for AAP Unprogrammed Schemes, as following outline design and consultation for a package of works, part of the revised programme moves into 2025/2026.
- (iv) **Corporate Property and Land.** This includes reprofiling of £0.263 million from 2024/25 to 2026/27 for Aykley Heads – Rivergreen scheme, as works pause following submission of the planning application.
- (v) **Planning and Housing.** This includes reprofiling of £0.814 million from 2024/25 to 2026/27 for DCC House Building Programme, as the proposed property acquisitions are now not progressing from this budget.

135 The review of the capital programme also resulted in a number of internal transfers between and within services, which have a net nil impact on the overall capital programme. The major virements are summarised below.

- (a) **Transfers within NCC.** AAPs and Members have requested budget transfers totalling £0.142 million to schemes in Environmental Services and Highways.
- (b) **Transfers within CYPS.** £0.625 million was transferred from CYPS Sufficiency Strategy – New Homes for redevelopment of Framwellgate Moor Children’s Home. Once the new homes proposals are finalised, it is anticipated that any shortfalls will be requested to be funded from corporate capital contingencies. In addition, £6.750 million was transferred from High Needs Capital Provision Fund to a new scheme to allow an acquisition of the Construction Centre site at Merrington Lane Spennymoor, to create additional places for The Woodlands whilst simultaneously providing a safe and inspiring environment for the children. A further £4.8 million was transferred from the unallocated High Needs Capital funding budget to a scheme to convert the former Cotsford Infants school for additional special school provision.
- (c) **Transfers within REG.** The major transfers within REG include a net transfer of £0.746 million from Shildon Coal Drops to Toft Hill A68 Bypass, which is the net effect of actioning a transfer of £1 million from the Coal Drops scheme to Toft Hill. Subsequently, following a revised forecast for the Coal Drops works, £0.254 million was transferred back into the Coal Drops scheme.
- (d) **NCC to REG.** £0.338 million was transferred from Environmental Services to Culture and Sport for LED Lighting in Louisa Leisure Centre.
- (e) **REG to NCC.** £0.800 million was transferred between two LUF schemes (Shildon Coal Drops and Whorlton Suspension Bridge).

136 Considering the above amendments, which include the reprofiling of capital budgets from 2024/25 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.

<b>Service Grouping</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>TOTAL</b>
	<b>£million</b>	<b>£million</b>	<b>£million</b>	<b>£million</b>	<b>£million</b>
Adult and Health Services	0.740	-	-	-	0.740
Children and Young People's Services	98.204	20.836	3.201	-	122.240
Neighbourhoods and Climate Change	85.287	36.896	1.463	0.100	123.746
Regeneration, Economy and Growth	170.367	170.155	46.190	4.492	391.204
Resources	8.662	4.877	-	-	13.539
<b>TOTAL</b>	<b>363.260</b>	<b>232.764</b>	<b>50.854</b>	<b>4.592</b>	<b>651.470</b>

137 The capital programme is financed from various funding sources which include grants, capital receipts, revenue contributions, contributions from earmarked reserves and prudential borrowing. The following table summarises the financing of the 2024/25 capital programme.

<b>Financed By:</b>	<b>Original Budget 2024/25</b>	<b>Amendments recommended by MOWG</b>	<b>Revised Budget 2024/25 Quarter 1</b>
	<b>£million</b>	<b>£million</b>	<b>£million</b>
Grants and Contributions	125.995	0.732	126.727
Revenue and Reserves	3.991	1.769	5.760
Capital Receipts	3.446	-	3.446
Borrowing	228.469	-1.142	227.328
<b>TOTAL</b>	<b>361.901</b>	<b>1.359</b>	<b>363.260</b>

138 Financing of the 2024/25 to 2027/28 Capital Programme is detailed in the table below.

<b>Financed By:</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>TOTAL</b>
	<b>£million</b>	<b>£million</b>	<b>£million</b>	<b>£million</b>	<b>£million</b>
Grants and Contributions	126.727	85.689	2.723	-	215.138
Revenue and Reserves	5.760	2.384	0.455	0.450	9.049
Capital Receipts	3.446	3.661	2.274	-	9.380
Borrowing	227.328	141.030	45.402	4.142	417.902
<b>TOTAL</b>	<b>363.260</b>	<b>232.764</b>	<b>50.854</b>	<b>4.592</b>	<b>651.470</b>

### **Prudential Indicators**

- 139 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.
- 140 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)**

- 141 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.
- 142 In the table below, the original CFR estimate for 2024/25 is the position reported to Council on 28 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 was reported to Council on 17 July 2024 as part of the Treasury Management Outturn Report. Updated estimates based on the forecasts as at 30 June 2024 are as follows:

	<b>2024/25 Original £million</b>	<b>2024/25 Estimate £million</b>	<b>2024/25 Variance £million</b>	<b>2025/26 Estimate £million</b>	<b>2026/27 Estimate £million</b>
Opening CFR	618.392	586.318	-32.074	810.452	934.306
Add net borrowing requirement for the year	255.331	227.327	-28.004	137.778	45.403
Add leasing & PFI requirement for the year	9.657	16.871	7.214	7.854	12.083
Deduct MRP/VRP and other financing movements	-19.586	-20.064	-0.478	-21.778	-24.476
<b>Closing CFR</b>	<b>863.793</b>	<b>810.452</b>	<b>-53.341</b>	<b>934.306</b>	<b>967.316</b>

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

143 To ensure that debt held will only be for capital purposes, the council should ensure debt does not exceed the CFR. This is a key indicator of prudence – in terms of ensuring the council does not borrow in excess of need for short or prolonged periods and maintains a suitable level of cash and solvency. The table below shows how the council plans to comply with this requirement, which shows gross borrowing continues to be less than the CFR:

	<b>2023/24 Actual £million</b>	<b>2024/25 Estimate £million</b>	<b>2025/26 Estimate £million</b>	<b>2026/27 Estimate £million</b>
Borrowing	411.632	374.770	370.320	365.813
Finance leases	48.760	56.033	54.188	55.363
PFI liabilities	33.887	32.995	32.104	31.212
<b>Total Gross Debt</b>	<b>494.279</b>	<b>463.798</b>	<b>456.612</b>	<b>452.388</b>
<b>Capital Financing Requirement</b>	<b>586.318</b>	<b>810.452</b>	<b>934.306</b>	<b>967.316</b>
<b>Headroom</b>	<b>92.039</b>	<b>346.654</b>	<b>477.694</b>	<b>514.928</b>

### **Operational Boundary**

144 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>2024/25 £million</b>
<b>Operational Boundary Limit</b>	864.000
<b>Estimated Gross Debt 31 March 2025</b>	463.798
<b>Headroom</b>	400.202

### Authorised Limit

145 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>2024/25 £million</b>
<b>Authorised Limit</b>	919.000
<b>Estimated Gross Debt 31 March 2024</b>	463.798
<b>Headroom</b>	455.202

### Maturity Structure of Borrowing

146 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 2024/25 are shown in the table below alongside estimated figures at 31 March 2025:

	<b>Lower Limit</b>	<b>Upper Limit</b>	<b>2024/25 Estimated</b>
Under 12 months	0%	20%	1%
12 months to 2 years	0%	40%	1%
2 years to 5 years	0%	60%	10%
5 years to 10 years	0%	80%	18%
10 years and above	0%	100%	70%

## Council Tax and Business Rates Collection Funds

### Council Tax

- 147 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.
- 148 The in-year collection rate at 30 June 2024 was 27.61%, a 0.16% point reduction on the position as at 30 June 2023 (27.77%).
- 149 The in-year collection rates at the end of quarter one for the current and last two financial years, are detailed below:

Billing Year	Position at 30 June each year %
2024/25	27.61
2023/24	27.77
2022/23	27.81

- 150 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.
- 151 Actual cash collected as at 30 June 2024 was £99.905 million compared with £93.465 million as at 30 June 2023. When the council tax increases for 2024/25 are factored in this represents a year-on-year real terms increase of £1.079 million in terms of council tax income received.
- 152 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 these adjustments mean that the actual amounts collected will always differ from the original budget.

- 153 Such differences at the end of each accounting year, after considering 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.
- 154 In terms of the in-year position for the council tax element of the Collection Fund at 30 June 2024, the estimated outturn is a surplus of £0.121 million in year, with the council's share of the in-year surplus being £0.102 million.
- 155 The 2023/24 final outturn position showed an improved surplus, over and above the projected and declared surplus forecast for budget setting purposes, which was forecast during Autumn 2023. After considering the improved 2023/24 outturn position resulting in a £0.836 million reduction in declared deficit, and the forecast in year surplus of £0.121 million, the overall forecast for the council tax element of the Collection Fund is a £0.957 million surplus. The council's share of this overall surplus is £0.806 million.
- 156 The total position for the Council Tax element of the Collection Fund for 2024/25 is detailed in the following table:

	<b>£ Million</b>
Net Bills issued during Accounting Year 2024/25	426.489
LCTRS and previous years CTB adjustments	-66.272
Calculated change in provision for bad debts required and write offs	-3.574
<b>Net income receivable (a)</b>	<b>356.643</b>
<b>Precepts and Demands</b>	
Durham County Council	283.638
Parish and Town Councils	16.226
Durham Police Crime and Victim's Commissioner	39.336
County Durham and Darlington Fire and Rescue Authority	17.322
<b>Total Precepts and Demands (b)</b>	<b>356.522</b>
<b>Net Surplus / (-) Deficit for year (a) – (b)</b>	<b>0.121</b>
<b>Undeclared Surplus / (-) Deficit brought forward from 2023/24</b>	<b>0.836</b>
<b>Estimated year end surplus</b>	<b>0.957</b>

### ***Business Rates***

- 157 Business Rates Retention was implemented in 2013/14 and the council therefore has a vested budget interest and stake in the level of business rate yield due to the fact it can retain a share of any Business Rates Growth in the County (but is also exposed to any significant drops in the overall business rates liability).
- 158 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.
- 159 The in-year collection rate at 30 June 2024 was 31.32%, which is 2.02% point below the equivalent position last year of 33.34%. The in-year collection rates at the end of quarter one for the current and last two financial years, are as follows:

Billing year	Position at 30 June each year %
<b>2024/25</b>	<b>31.32</b>
2023/24	33.34
2022/23	32.88

- 160 In terms of the in-year position for the business rate element of the Collection Fund as at 30 June 2024, the estimated outturn for the year is an in-year surplus of £2.513 million of which the council's 49% share is £1.231 million.
- 161 After considering the revised undeclared 2023/24 deficit of £0.074 million and the forecast in year surplus of £2.513 million the overall forecast for the business rate element of the Collection Fund is a £2.439 million surplus, of which the council's share is £1.195 million.
- 162 The total position for the Business Rates element of the Collection Fund for 2024/25 is detailed in the following table:

	£ Million
Net rate yield for 2024/25 including previous year adjustments	127.097
Estimate of changes due to appeals lodged and future appeals	-0.190
Estimated losses in Collection – Provision for Bad Debts and Write-offs	-1.582
<b>Net income receivable (a)</b>	<b>125.325</b>
Agreed allocated shares:	
Central Government (50%)	60.836
Durham County Council (49%)	59.619
County Durham and Darlington Fire and Rescue Authority (1%)	1.217
Cost of Collection Allowance and Renewable Energy (paid to Durham County Council)	1.140
<b>Total fixed payments (b)</b>	<b>122.812</b>
<b>Net surplus for year (a) – (b)</b>	<b>2.513</b>
<b>Undeclared Surplus / (-) Deficit brought forward from 2023/24</b>	<b>-0.074</b>
<b>Estimated year end surplus</b>	<b>2.439</b>

- 163 Considering the forecast positions at the end of quarter one for council tax and business rates, the overarching position for the council in terms of the 2024/25 Collection Fund are as set out below, which is an overall £2.001 million surplus.

	<b>£ Million</b>
Council Tax Surplus	0.806
Business Rates Surplus	<u>1.195</u>
<b>NET SURPLUS</b>	<b><u>2.001</u></b>

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

- 164 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.
- 165 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%.
- 166 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.
- 167 At 30 June 2024, the gross small business relief awarded against the 2024/25 business rates bills and adjustments to 2013/14 to 2023/24 bills is £18.064 million, and the council will receive £6.054 million in Section 31 grant. At this stage, the Section 31 Grant relative to the small business rates relief is forecast as per budget.

#### *Other Section 31 Grants*

- 168 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.

169 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. Other collection fund related Section 31 grants are this stage forecast to be circa £58,000 lower than budget in relation to under-indexation. This has been considered within the overall outturn position.

### **Update on Progress towards achieving MTFP(14) savings.**

170 The delivery of the MTFP (14) 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.

171 MTFP (14) savings proposals for 2024/25, agreed by County Council on 28 February 2024 total £8.083 million.

172 At 30 June 2024, savings totalling £5.736 million, representing 71% of the £8.083 million total savings target have been delivered.

173 There are circa £1 million of MTFP savings that have been factored into budgets in 2024/25 (12.5% of the total savings agreed in 2024/25), that are forecast not to be achieved in year and which are therefore impacting on the cash limit outturns. The forecast undelivered savings are detailed below, with work underway to mitigate these within Neighbourhoods and Climate Change and Regeneration, Economy and Growth:

<b>Service</b>	<b>Savings Description</b>	<b>Total Savings Requirement in 2024/25 Budget £</b>	<b>Not Achieved in 2024/25 £</b>
NCC	Increased income in Highways – Increases would relate to licensing income and developer contributions	215,000	69,000

<b>Service</b>	<b>Savings Description</b>	<b>Total Savings Requirement in 2024/25 Budget £</b>	<b>Not Achieved in 2024/25 £</b>
NCC	Increase in Fees and Charges within Environmental Services – Increase would relate to Refuse & Recycling. Fixed Penalty Notices, and Durham Crematoria Surplus	235,000	40,000
NCC	Income generation at Coastal Destinations – Additional Income generation opportunities including introduction of car parking charges at Seaham and Crimdon	462,100	361,331
NCC	Review of Pest Control Charging – Review of the existing pricing for domestic and commercial treatments, including retention of support for households on council tax relief scheme	10,000	10,000
<b>TOTAL NCC</b>			<b>480,331</b>
REG	Review of AAPs – Savings to be identified following a review of accommodation and running costs of Area Action Partnership	61,250	11,250
REG	Theatre Ticketing – introduction of dynamic pricing. A revised approach to how and when tickets are sold to increase and offer greater customer choice	30,000	30,000
REG	Library transformation including Sevenhills lease – Review of built service offer with regard to co-location opportunities, delivery models and tech solutions	105,000	105,000
REG	Library transformation – Clayport Library Restructure and Remodel. Remodel and update the library to create high quality environment to meet modern public requirements	200,000	200,000
REG	Strategic Traffic – increase in advertising revenue	25,000	25,000
REG	Development Management and Spatial Policy – increased fee income	100,000	75,000
REG	Culture - Asset transfer of Blackhill Park Lodge	13,000	13,000
REG	Catering Review – review of service to ensure cost neutral	100,000	71,000
<b>TOTAL REG</b>			<b>530,250</b>
<b>TOTAL</b>			<b>1,010,581</b>

### *Consultation*

174 There were no public consultation reflecting the MTFP(14) initiatives which took place during this quarter.

### *HR implications*



- 175 Equality data relating to the six staff leaving through voluntary redundancy, early retirement, and ER/VR during quarter one of MTFP (14) showed that 50% were female and 50% were male. In terms of race, 16.67% of leavers had not disclosed their ethnicity, 83.33% of leavers declared their ethnicity, with all stating that they were white British or white English.
- 176 Regarding disability status no employees said they had a disability, 50% had no disability and 50% did not disclose their disability status.
- 177 During quarter one, three employees in total have left through compulsory redundancy. None of these are associated with the MTFP savings.
- 178 Equality data relating to the three staff leaving through compulsory redundancy, showed that 66.67% were female and 33.33% were male. In terms of race, 33.33% of leavers had not disclosed their ethnicity and the remaining 66.69% stated that they were white British. Regarding disability status no employees said they had a disability, 66.67% had no disability and 33.33% did not disclose their disability status.
- 179 Since 2011, equality data relating to staff leaving through voluntary redundancy, showed that 65.47% were female and 34.53% were male. The higher proportion of female leavers is likely due to the exercises which took place in previous years which focused on traditionally female occupied professions, (these included the closure of care homes, reduction in service in the Pathways and Youth service and a restructure and change of working pattern for Care Connect). This is also reflective of the council's overall gender balance in terms of employees.
- 180 In terms of race, since 2011, 45.33% of leavers had not disclosed their ethnicity, 0.46% had stated as other ethnicities and 54.21% stating that they were white British or white English.
- 181 Regarding disability status 2.89% said they had a disability, 14.33% had no disability and 82.79% did not disclose their disability status.

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

- 182 Services have completed EIA screenings and assessments where necessary as part of the decision-making process for 2024/25 MTFP (14) proposals.
- 183 Projects to deliver growth proposals will be supported to ensure robust planning and that EIA screening are also completed.

## **Other useful documents**

- County Council – 28 February 2024 – Medium Term Financial Plan 2024/25 to 2027/28 and Revenue and Capital Budget 2024/25
- Cabinet – 10 July 2024 – 2023/24 Final Outturn for the General Fund and Collection Fund

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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 forecast spend against budgets agreed by Council in February 2024 in relation to the 2024/25 financial year. The forecasts contained within this report have been prepared in accordance with standard accounting policies and procedures.

### **Finance**

The report details the forecast financial outturn for the council for 2024/25 for revenue and capital. The report covers general fund for revenue and capital and the outturn position for general and earmarked reserves at 31 March 2025, plus the Collection Fund outturn, covering council tax and business rates. The report also sets out details of proposed amendments to the Capital Programme agreed by Council in February 2024, along with details of sums to be treated as outside the cash limit and funded corporately through General Contingencies.

### **Consultation**

None.

### **Equality and Diversity / Public Sector Equality Duty**

None specific to this report. There is an overview of the protected characteristics of staffing leaving the council as a result early retirement, voluntary redundancy and compulsory redundancies as a result of MTFP(14) 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 (14) savings proposals that were factored into the 2024/25 budget.

## **Accommodation**

None.

## **Risk**

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

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

## **Procurement**

None.



## Appendix 3: Revenue Summary by Expenditure / Income 2024/25

	Original Budget 2024/25	Proposed Budget Revisions	Budget - incorporating adjustments	Service Groupings Forecast of Outturn	Forecasted Variance (including Corporate Costs)	Contribution to / (Use of) Contingencies , sums outside the cash limit, DSGAA	Contribution to / (Use of) Cash Limit Reserve	Contribution to / (Use of) Earmarked Reserves	Adjusted Variance	Adjustment for inflationary-related sums outside the cash limit included in Forecast of Outturn		Cash Limit Position
										Energy	Pay Inflation 24/25	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Employees	572,370	530	572,900	576,920	4,355	117	0	-5,510	-1,038	0	0	-1,038
Premises	53,003	733	53,736	55,695	1,959	-102	0	-398	1,459	1,818	0	3,277
Transport	69,567	526	70,093	72,124	2,031	0	0	-1,122	909	0	0	909
Supplies & Services	117,523	1,018	118,541	149,943	33,245	-1,330	0	-1,860	30,055	0	0	30,055
Agency & Contracted	610,915	13,368	624,283	627,477	5,116	0	0	0	5,116	0	0	5,116
Transfer Payments	167,936	19,637	187,573	195,255	7,983	-804	0	0	7,179	0	0	7,179
Central Costs	131,965	-524	131,441	135,219	3,902	-2,490	-948	-15,050	-14,586	0	0	-14,586
DRF	592	0	592	3,318	2,726	0	0	-41	2,685	0	0	2,685
Capital Charges	56,482	-2	56,480	56,480	0	0	0	0	0	0	0	0
Other	0	0	0	1,038	1,038	0	0	-1,038	0	0	0	0
<b>GROSS EXPENDITURE</b>	<b>1,780,353</b>	<b>35,286</b>	<b>1,815,639</b>	<b>1,873,469</b>	<b>62,355</b>	<b>-4,609</b>	<b>-948</b>	<b>-25,019</b>	<b>31,779</b>	<b>1,818</b>	<b>0</b>	<b>33,597</b>
<b>Income</b>												
Government Grants	638,984	27,678	666,662	696,940	30,370	0	0	-6,707	23,663	0	0	23,663
Other Grants and Contributions	103,855	3,021	106,876	111,135	4,605	0	0	-209	4,396	0	0	4,396
Sales	6,334	173	6,507	5,959	-513	0	0	-51	-564	0	0	-564
Fees and Charges	129,890	-1,073	128,817	136,364	7,511	501	0	-78	7,934	157	0	8,091
Rents	11,327	722	12,049	15,087	3,038	0	0	2	3,040	0	0	3,040
Recharges To Other Services	314,557	4,507	319,064	304,052	-15,012	0	0	-19	-15,031	0	0	-15,031
Other	5,451	-2	5,449	10,691	5,242	0	0	-938	4,304	0	0	4,304
<b>Total Income</b>	<b>1,210,398</b>	<b>35,026</b>	<b>1,245,424</b>	<b>1,280,228</b>	<b>35,241</b>	<b>501</b>	<b>0</b>	<b>-8,000</b>	<b>27,742</b>	<b>157</b>	<b>0</b>	<b>27,899</b>
<b>NET EXPENDITURE</b>	<b>569,955</b>	<b>260</b>	<b>570,215</b>	<b>593,241</b>	<b>27,114</b>	<b>-5,110</b>	<b>-948</b>	<b>-17,019</b>	<b>4,037</b>	<b>1,661</b>	<b>0</b>	<b>5,698</b>

## Appendix 4: Earmarked Reserves Position as at 30 June 2024

EARMARKED RESERVES AND CASH LIMIT RESERVES	SERVICE GROUPING	OPENING BALANCE £'000	USE OF RESERVES £'000	CONTRIBUTION TO RESERVES £'000	TRANSFERS BETWEEN RESERVES £'000	TOTAL MOVEMENT ON RESERVES £'000	FORECAST CLOSING BALANCE AT 31/03/25 £'000
<b>EARMARKED RESERVES</b>							
<b>Corporate Reserves</b>							
Business Support Reserve	Corporate	-667	186			186	-481
Cabinet Priorities Reserve	Corporate	-108	108			108	0
Commercialisation Support Reserve	Corporate	-14,094					-14,094
Equal Pay Reserve	Corporate	-2,479					-2,479
ER/VR Reserve	Corporate	-9,977	777			777	-9,200
Insurance Reserve	Corporate	-4,128					-4,128
MTFP Reserve	Corporate	-36,299	3,720			3,720	-32,579
Resources DWP Grant Reserve	Corporate	-1,167					-1,167
Resources Elections Reserve	Corporate	-2,208					-2,208
<b>Total Corporate Reserves</b>		<b>-71,127</b>	<b>4,791</b>	<b>0</b>	<b>0</b>	<b>4,791</b>	<b>-66,336</b>
<b>Sums held for other organisations/grants</b>							
North Pennines AONB Partnership Reserve	NCC	-3,170					-3,170
Resources Council Tax Hardship Reserve	Resources	-10					-10
Resources COVID-19 Support Grants	Resources	-507	92			92	-415
Social Care Reserve - Community Discharge Grant	AHS	-801					-801
Social Care Reserve - CCG	AHS	-18,392	1,984		550	2,534	-15,858
<b>Total Sums held for other organisations/grants</b>		<b>-22,880</b>	<b>2,076</b>	<b>0</b>	<b>550</b>	<b>2,626</b>	<b>-20,254</b>
<b>Other Specific Reserves</b>							
Business Growth Fund Reserve	REG	-270					-270
CEO Grant Reserve	CEO	-86	53			53	-33
CEO Operational Reserve	CEO	0			-29	-29	-29
CEO Transformation Reserve	CEO	-2,853	229			229	-2,624
Children's Services Reserve	CYPS	-1,202	637		-550	87	-1,115
Community Protection Reserve	NCC	-3,113	614	-206		408	-2,705
Corporate Property & Land Reserve	REG	-4,105	1,567	-1		1,566	-2,539
Culture and Sport Reserve	REG	-6,909	1,630	-44		1,586	-5,323
Economic Development Reserve	REG	-1,601	242			242	-1,359
Education Reserve	CYPS	-10,771	2,721	-2,414		307	-10,464
EHIVC Reserve	CYPS	-3,681	567	-569		-2	-3,683
Employability and Training Reserve	REG	-616		-52		-52	-668
Environmental Services Reserve	NCC	-3,278	648	-28		620	-2,658
Funding and Programmes Management Reserve	REG	-218					-218
Housing Regeneration Reserve	REG	-1,869		-239		-239	-2,108
Housing Solutions Reserve	REG	-4,607	947	-291		656	-3,951
Partnerships and Community Engagement Reserve	NCC	-9,772	1,487	-125		1,362	-8,410
Planning Reserve	REG	-320	71			71	-249
Public Health Reserves	AHS	-5,186	1,722	-888		834	-4,352
REG Match Fund Programme Reserve	REG	-64	17			17	-47
Resources Corporate Reserve	Resources	-477	459			459	-18
Resources Financial Services Reserve	Resources	0		-62		-62	-62
Resources Human Resources Reserves	Resources	-165	68			68	-97
Resources ICT Reserves	Resources	-421	72		189	261	-160
Resources Internal Audit & Corporate Fraud Reserve	Resources	-64	20			20	-44
Resources Legal Reserves	Resources	-147	52			52	-95
Resources Operations and Data Reserve	Resources	-50					-50
Resources Revenue and Benefits Reserve	Resources	-332	30			30	-302
Social Care Reserve - Specific Purpose	AHS	-1,190	156			156	-1,034
Technical Services Reserve	NCC	-2,615	21			21	-2,594
Town and Villages Regeneration Reserve	REG	-574	25			25	-549
Transport Reserve	REG	-5,880	125	-1,887		-1,762	-7,642
<b>Total Other Specific Reserves</b>		<b>-72,436</b>	<b>14,180</b>	<b>-6,806</b>	<b>-390</b>	<b>6,984</b>	<b>-65,452</b>
<b>TOTAL EARMARKED RESERVES</b>		<b>-166,443</b>	<b>21,047</b>	<b>-6,806</b>	<b>160</b>	<b>14,401</b>	<b>-152,042</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	FORECAST CLOSING BALANCE AT 31/03/25 £'000
<b>Cash Limit Reserves</b>							
Adult and Health Services		-5,833	613	-1,828	245	-970	-6,803
Chief Executive's Office		-864	210	-468	-478	-736	-1,600
Children and Young People's Services		0					0
Neighbourhoods and Climate Change		-570		211		211	-359
Regeneration, Economy and Growth		-1,462		966		966	-496
Resources		-1,135	125	-692	73	-494	-1,629
<b>Total Cash Limit Reserves</b>		<b>-9,864</b>	<b>948</b>	<b>-1,811</b>	<b>-160</b>	<b>-1,023</b>	<b>-10,887</b>
<b>Total Council Reserves</b>		<b>-176,307</b>	<b>21,995</b>	<b>-8,617</b>	<b>0</b>	<b>13,378</b>	<b>-162,929</b>
<b>Schools' Balances</b>							
Schools' Revenue Balance *	CYPS	-27,231	6,496			6,496	-20,735
DSG Reserve	CYPS	0					0
<b>Total Schools and DSG Reserves</b>		<b>-27,231</b>	<b>6,496</b>	<b>0</b>	<b>0</b>	<b>6,496</b>	<b>-20,735</b>
<b>Total Reserves</b>		<b>-203,538</b>	<b>28,491</b>	<b>-8,617</b>	<b>0</b>	<b>19,874</b>	<b>-183,664</b>

\* Academy transfers: the Schools' Revenue Balance in-year movement includes an adjustment of £1.038 million of surplus balances to be transferred to the new trusts