

Cabinet

4 December 2024

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



Ordinary Decision

Report of Corporate Management Team

Paul Darby, Corporate Director of Resources

Councillor Richard Bell, Portfolio Holder for Finance

Electoral division(s) affected:

Countywide

Purpose of the Report

- 1 To provide Cabinet with:
 - (a) the forecast revenue and capital outturn for 2024/25, based on the position to 30 September 2024;
 - (b) an update on the dedicated schools' grants and forecast schools' outturn as at 31 March 2025, based upon the position to 30 September 2024;
 - (c) the forecast for the council tax and business rates collection fund outturn at 31 March 2025, based on the position to 30 September 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 Cabinet 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 Government has committed to providing multi-year settlements for local government from 2026/27, to provide greater certainty however, 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 the commitment given to providing three-year settlements and Comprehensive Spending Reviews occurring biannually thereafter. At this stage it remains assumed that the local government finance settlement for 2025/26 will be a 'roll over' settlement. The Budget / Autumn Statement took place on 30 October 2024, where the Government's spending and taxation plans were 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 September 2024 fell to 1.7%, down from the position in August 2024 when it was 2.2% but increased to 2.3% in the twelve months to October 2024. Whilst CPI is back to slightly above the Government's target level, it is significantly lower than the peak in October 2022 (where CPI was 11.1%), prices and the cost pressures the Council face in delivering services and the size of the capital programme are still significantly higher than three years ago and are still rising. There also remains some uncertainty regarding the direction of inflation over the longer term, which is in part compounded by rising global uncertainty due to the conflict in the Middle East and Ukraine.
- 7 In November, the Bank of England Monetary Policy Committee cut the base rate by 0.25% points to 4.75%, partly as a response to the reduction to CPI for the twelve months to September 2024.
- 8 The Council's challenging financial position is largely driven by financial pressures in Children and Young People's Budgets. The updated forecast position as at 30 September 2024, indicates a consolidated net

service grouping cash limit overspend of £7.441 million this year. The position at quarter one, presented to Cabinet in September was a net cash limit overspend of £5.798 million. The majority of the overspend relates to Children and Young People's Services where there is a forecast cash limit overspend of £9.517 million forecast related to Children Looked After placement costs and associated expenditure (a 4.8% overspend compared to the overall revised budget of the Directorate) – the position at quarter one for Children and Young People's Services was a forecast cash limit overspend of £7.609 million.

- 9 The Children and Young People's Services do not have a Cash Limit Reserve to offset the £9.517 million 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, was a flat £1,290 uplift on all NJC pay points 2 to 43. This was agreed by unions on 23 October 2024. The offer is broadly in line with 4% uplift in budgeted costs provided for in 2024/25.
- 11 The Chief Officer Pay award has also 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 arising from temporary closures whilst refurbishment works are undertaken as part of the Leisure Transformation Programme has been treated as outside of the Regeneration, Economy and Growth Service cash limit budget and charged against Corporate Contingencies. The 2024/25 reduced income is forecast as £0.459 million – slightly lower than the £0.500 million forecast at quarter one.
- 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 has been revised and now indicates a further net budget pressure of circa £0.683 million which will be funded corporately as outside of the service cash limit. The updated forecast is lower than the quarter one forecast of a circa £0.932 million overspend. A further budget

adjustment of £0.680 million has been 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, 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 and gas credit) by £1.956 million in the current year – this is £0.611 million more than the £1.345 million underspend forecast at quarter one. The welcome reduction in energy prices has been adjusted for in conjunction with NEPO colleagues, in the MTFP (15) position.
- 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 regulatory body communications continue to be closely monitored. Given the improved position on energy costs, a budget uplift of £0.110 million for water costs has been factored into the latest MTFP (15) position.
- 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 from 2025/26.
- 17 Having excluded the CYPS position, the other services' cash limit budgets are forecasting a net underspend of £2.076 million – which is slightly higher than the £1.811 million forecast at quarter one, with Adult and Health Services, Resources and the Chief Executives Office underspending by a combined £3.136 million (£0.148 million higher than quarter one), offset by forecast overspending in Neighbourhoods and Climate Change and Regeneration, Economy and Growth of £1.060 million (£0.117 million lower than quarter one).
- 18 It is forecast that the overall corporate position will be a net overspend of £5.334 million – an increase of £1.199 million compared to the quarter one forecast. 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 £3.258 million overspend for 2024/25 – consisting of a £5.334 million corporate overspend (including the CYPS cash limit overspend) less a £2.076 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 two forecasts would result in the General Reserve position reducing by £5.334 million to £26.727 million, which is below the minimum threshold. A transfer from the MTFP Support Reserve of £1.516 million would therefore be required to replenish to minimum requirement levels should these forecasts materialise - £1.199 million more than what was forecast at quarter one.
- 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 £12.888 million in 2024/25, from £176.307 million to £163.419 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. The updated forecasts of the reduction in earmarked and cash limit reserves are £0.490 million less than what was forecast at quarter one.
- 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 savings' gap highlighted in the MTFP (15) report to Cabinet on 4 December 2024 showed an increase in the savings shortfall to £69.788 million for the period 2025/26 to 2028/29, which will be partly offset by the implementation of proposed savings options of £15.836 million. However, a remaining shortfall of £53.952 million will remain, which will need to be addressed through options such as raising council tax by more than the assumed 2.99%, further transformational change driving savings and from additional funding arising from the Government's commitment to reform local government funding allocations.

- 25 The quarter two forecast position for all current maintained schools shows a forecast net use of reserves of £2.894 million in year - £1.611 million less than the budgeted position and an improvement on the quarter one forecasts where £5.458 million of reserves were forecast to be required. The forecast net retained maintained schools' balances at 31 March 2025 is £22.669 million - £1.934 million than what was forecast at quarter one.
- 26 The forecast position for Dedicated Schools Grant centrally retained block shows a £11.572 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 £22.167 million at 31 March 2025. The updated forecasts show a significant deterioration in the position reported in September as part of the Quarter 1 forecasts, where the deficit was forecast to be £7.873 million in year. Cabinet are reminded that this unfunded and increasing 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 £348.657 million against a revised budget of £363.260 million approved by Cabinet at its 18 September 2024 meeting.
- 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 £0.970 million, and a cumulative surplus of £1.806 million to 31 March 2025. Durham County Council's share of this forecast net surplus is £1.519 million.
- 30 The forecast outturn for the Business Rates Collection Fund is an in-year surplus of £3.568 million, and a cumulative surplus of £3.494 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 £1.713 million.
- 31 As at 30 September 2024 the council has delivered savings totalling £6.033 million, representing 74.6% of the £8.083 million savings target for the year, with circa £1 million of the savings (13%) 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 Cabinet:

- (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 Treasury Management 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 £7.441 million including the CYPs overspend of £9.517 million (£2.076 million underspend excluding CYPs) and the forecast cash limit reserves of £9.090 million;
- (g) note the forecast General Fund overspend of £5.334 million resulting in a forecast overall net council overspend in 2024/25 of £3.258 million (£5.334 million less a £2.076 million services cash-limit underspend);
- (h) note the forecast General Reserve position at 31 March 2025 (£26.727 million) and the requirement to utilise £1.516 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 September 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 The updated MTFP (15) forecasts, covering the period 2025/26 to 2028/29, which are reported to Cabinet on 4 December 2024, show a savings shortfall increasing to £69.788 million, with additional savings measures proposed of £15.836 million, which reduce the savings gap to £53.952 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 September 2024 fell to 1.7%, down from the position in August 2024 when it was 2.2% but increased to 2.3% in the twelve months to October 2024. Whilst CPI is back to slightly above the Government's target level, it is significantly lower than the peak in October 2022 (where CPI was 11.1%). However, the inflation rates linked to services and goods purchased by the Council remain higher than the underlying rate of CPI. There also remains some uncertainty regarding the direction of inflation over the longer term, which is in part compounded by rising global uncertainty due to the conflict in the Middle East and Ukraine.
- 38 Reducing and more stable levels of headline inflation has led the Bank of England to cutting interest rates. 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. On 7th November, the Bank of England announced that Interest Rates would be further reduced to 4.75%. However, Bank of England issued a warning that interest rates may not continue to drop as quickly as previously expected and the increase in CPI in October will be a material factor when the MPC next meet.
- 39 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. Given the improved position on energy costs, a budget uplift of £0.110 million for water costs has been factored into the latest MTFP (15) position.

- 40 The Local Government Employers 2024/25 pay award offer for 'Green Book' employees, which covers the vast majority of the Council's workforce, was a flat £1,290 uplift on all NJC pay points 2 to 43 inclusive. This was agreed on 23 October 2024. The pay award is broadly in line with 4% uplift in budgeted costs in 2024/25.
- 41 The Chief Officer Pay award has also been agreed at 2.5%, which is in line with 2024/25 budget assumptions for this cohort.
- 42 This report provides a forecast of the revenue and capital outturn for 2024/25, based upon expenditure and income up to 30 September 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.
- 43 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

- 44 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 and gas credits) by £1.956 million. The forecasted energy costs have been supported by NEPO data and considers the forward purchasing strategy and are £0.611 million less than the £1.345 million underspend forecast at quarter one. Energy costs will continue to be monitored closely in conjunction with NEPO colleagues and assumptions for a base budget reduction in energy costs have been applied to the MTFP (15) position.
- 45 As in previous years, the reduction in income arising from the 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 £0.459 million – slightly lower than the £0.500 million loss of income forecast at quarter one.

- 46 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 has been updated and shows a net pressure of circa £0.683 million (increasing the subsidy loss position to £3.5 million) which will be funded corporately as outside of the service cash limit. Whilst this forecast position has slightly improved since quarter one (when a £0.932 million overspend was forecast), a further adjustment has been made to the MTFP (15) position to reflect this as part of MTFP (15) updates to Cabinet on 4 December.
- 47 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 from 2025/26.
- 48 The following table summarises all items treated as outside the cash limit at quarter two – the debits relate to unbudgeted costs / overspends that have been excluded and picked up corporately, whereas the credits relate to additional income or budget underspends that have been excluded and transferred to the corporate centre:

Service Grouping	Items treated outside the cash limit and funded corporately via general reserves	Quarter 2 Position £million	Quarter 1 Position £million
Resources	Housing Benefit subsidy shortfall	0.683	0.932
Resources	Coroners Service overspend	0.216	0.200
Resources CAC	Care leavers discount scheme	0.169	0.129
REG	Unachievable Leisure transformation income re closure period during refurbishment	0.459	0.500
REG	Park and Ride Extension delay	-0.256	-0.256
REG	DLI Project	-0.272	-0.272
CYPS	EHCP backlog (Educational Psychologists capacity)	0.960	0.960
CYPS	Newton Europe Review	0.370	0.370
CYPS	LGPS and other charge 2023/24 charge reversal	-0.015	-0.045
NCC	Depot Business Rates	0.095	0.102
TOTAL		2.409	2.620

Revenue Outturn Forecast – Based on Position to 30 September 2024

- 49 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).
- 50 In addition, the forecasted outturn position takes into consideration:
- (a) items outside the cash limit to be funded by General Reserves (for Cabinet consideration and recommended approval);
 - (b) planned use /contribution to earmarked reserves (Appendix 4);
 - (c) planned use of general contingencies (for Cabinet consideration and recommended approval).
- 51 The following table compares the forecast of outturn with the revised budget. Further detail is provided in Appendices 2 and 3.

	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	159,497	160,487	990	-2,447	-1,457	83	-1,374
Chief Executive's Office	4,613	18,059	18,776	717	-1,432	-715	61	-654
Children and Young People's Services	195,737	194,257	217,867	23,610	-14,244	9,366	151	9,517
Neighbourhoods and Climate Change	122,253	117,461	119,559	2,098	-1,245	853	-438	415
Regeneration, Economy and Growth	54,929	58,990	62,462	3,472	-4,576	-1,104	1,749	645
Resources	28,264	18,044	18,148	104	-1,212	-1,108	0	-1,108
Cash Limit Position	565,896	566,308	597,299	30,991	-25,156	5,835	1,606	7,441
Contingencies	13,473	12,943	9,815	-3,128	1,978	-1,150	350	-800
Corporate Costs	4,059	4,059	3,997	-62	-62	-124	0	-124
NET COST OF SERVICES	583,428	583,310	611,111	27,801	-23,240	4,561	1,956	6,517
Capital charges	-56,481	-56,481	-56,481	0	0	0	0	0
DSG deficit reserve adjustment	-6,546	-6,546	-11,572	-5,026	5,026	0	0	0
Interest and Investment income	-8,800	-8,800	-8,669	131	0	131	0	131
Interest payable and similar charges	39,470	39,588	35,348	-4,240	0	-4,240	0	-4,240
Levies	17,520	17,520	17,535	15	0	15	0	15
Net Expenditure	568,591	568,591	587,272	18,681	-18,214	467	1,956	2,423
Funded By:								
Council tax	-283,639	-283,639	-283,639	0	0	0	0	0
Business Rates	-59,929	-59,929	-59,519	410	0	410	0	410
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	-18,110	-14,390	14,390	0	0	0
Forecast contribution to/from (-) Cash Limit Reserves	0	0	661	661	1,415	2,076	0	2,076
Forecast contribution to/from (-) General Reserves	0	0	-5,334	-5,334	2,409	-2,925	-1,956	-4,881
Total Funding	-568,591	-568,591	-587,272	-18,681	18,214	-467	-1,956	-2,423
TOTAL	0	0	0	0	0	0	0	0

Forecast of Revenue Outturn 2024/25

52 There is a net £7.441 million overspend forecast in cash limit budgets based on the quarter two projections - £1.643 million more than what was forecast at quarter one (£5.798 million cash limit overspend). 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 £9.517 million of the £7.411 million overspend will need to be met corporately. Once the CYPS overspend is adjusted for, there is a net £2.076 million underspend in the other services' cash limit budgets forecast this year (£1.811 million at quarter one), with Adult and Health Services, Resources and the Chief Executives Office underspending by a combined £3.136 million (£0.148 million higher than the £2.988 million underspend forecast at quarter one), offset by forecast overspending in Neighbourhoods and Climate Change and Regeneration, Economy and Growth of £1.060 million (£0.117 million lower than the £1.177 million overspend forecast at quarter one).

53 It is forecast that the corporate position will be a net overspend of £5.334 million – and increase of £1.199 million compared to the quarter one forecast - which will need to be funded from the General Reserve. This overspend is primarily due to the overspend in CYPS of £9.517 million but is offset by forecast underspends in corporate costs (£0.924

million) and in capital financing budgets (net £4.109 million) following a managed approach to borrowing.

- 54 Combining the cash limit net underspend and corporate overspend position the overall forecast is for a £3.258 million overspend (0.57%) in 2024/25 against a £568.591 million budget.
- 55 The following sums are deemed to be outside of service grouping cash limits and it is proposed that these are funded from general contingencies.

Service Grouping	Proposal	Quarter 2 £million	Quarter 1 £million
REG/ CEO	Premises dual running costs	0.081	-0.104
REG	Radon Monitoring	0.043	0.043
REG/ CEO	Milburngate – Legal and Professional fees	0.558	0.210
REG	Catering Income reduction	0.146	0.154
REG	External Valuation costs	0.013	-
CYPS	Surplus Property - R&M	0.530	0.320
CYPS	Secure unit backdated allowances	0.302	0.302
CYPS/ Resources	Loss of SLA Income	0.093	0.026
Resources	Essential H&S Training	0.100	0.100
Resources	Long Service Awards	0.010	0.010
Resources	Occupational Health Succession Planning	0.028	0.028
CEO	Legal Assistant Support	0.074	0.074
TOTAL		1.978	1.163

- 56 Approval is being sought for the above sums to be funded from general contingencies during quarter two.
- 57 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.

Cash Limit Reserves	Opening Balance as at 1 April 2024	Movement during 2024/25 (including transfers)	Closing Balance as at 31 March 2025
	£million	£million	£million
Adult and Health Services	-5.833	-1.467	-4.366
Chief Executive's Office	-0.864	-0.843	-1.707
Children and Young People's Services	-	-	-
Neighbourhoods and Climate Change	-0.570	0.415	-0.155
Regeneration, Economy and Growth	-1.462	0.645	-0.817
Resources	-1.135	-0.910	-2.045
Total Cash Limit Reserves	-9.864	0.774	-9.090

58 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 73% and 44% respectively in year and reflect a very low proportion of these service's net budgets.

Cash Limit Position

59 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)

60 The 2024/25 projected outturn for AHS, based upon the position to 30 September 2024 is a cash limit underspend of £1.374 million to the year end, representing circa 0.86% of the total revised budget for AHS. This compares to a forecast quarter one underspend of £1.828 million.

61 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 £83,000 have also been excluded from the cash limit outturn position.

62 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 £0.912 million;
- (b) net spend on adult care packages is £0.462 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 is one of the largest budgets the council has;
- (c) net expenditure on Public Health related activity is in line with grant allocations.

63 In addition to the above forecast, a net £2.447 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) £0.703 million net use of Public Health reserves to fund Public Health related activity.

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 £4.366 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 £0.654 million representing 3.62% of the

revised total Budget for CEO. This compares to a forecast £0.468 million underspend at quarter one.

- 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 Net adjustments on energy costs of £61,000 and an overspend on the Coroners service of £0.216 million has been excluded from the cash limit outturn position. Also excluded is £34,000 from general contingencies in relation to £74,000 staffing costs linked to temporary legal support, £10,000 for the Milburngate development communications and an underspend of £50,000 for the Registrar's office accommodation.
- 68 The forecast outturn is based on the following issues:
- (a) Corporate Affairs is forecast to underspend by £0.515 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 underspend by £0.147 million. 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 £0.209 million and £0.148 million overachieved Registrar service income.
- 69 In arriving at the forecast outturn position, a net £1.183 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) £0.198 million drawdown from the CEO Cash Limit Reserve to fund employee and training costs for the Corporate Business Intelligence Project;
 - (c) £0.214 million drawdown from the Corporate Early Retirement and Voluntary Redundancy Reserve to fund redundancies;

- (d) £0.128 million drawdown from the CYPS – Project Support Integrated Steering Group Reserve to fund employee costs in the Transformation Team; and
- (e) £73,000 drawdown from the Resources Cash Limit Reserve to fund Intelligent-1 support costs as part of the Corporate Business Intelligence Project.

70 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 £1.707 million at 31 March 2025.

Children and Young People’s Service (CYPS)

71 The 2024/25 projected outturn for CYPS, based upon the position to the end of September 2024 is a cash limit overspend of £9.517 million, representing a 4.8% overspend against the total revised budget for CYPS. This compares to a forecast overspend of £7.609 million at quarter one.

72 The projection excludes forecast use of / contributions to earmarked reserves and items outside the cash limit such as redundancy costs which are met from corporate reserves along with capital accounting entries.

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

74 Forecast net reductions in energy costs (£0.151 million), have been excluded from the cash limit outturn position. Also funded corporately is £0.960 million of expenditure 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 Council’s Sufficiency Strategy and mitigation measures to address these pressures. In addition, £0.530 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 factors in forecast overspends within Social Care of £10.220 million and underspends within Education and Skills of £0.493 million and Early Help, Inclusion and Vulnerable Children of £0.223 million.

- (a) Social Care is forecast to be £10.220 million over budget for the year. This compares to a forecast overspend of £7.823 million at

quarter one. The largest part of the overspend relates to the budget for Children in Care (CiC) where an overspend of £7.475 million is forecast, up from £6.033 million at quarter one.

- (b) The pressure on the budget in children's social care has been evident for a number of years as the number of children in the care system has increased significantly and their needs have continued to become more complex. The budget for this area in 2024/25 is £76.574 million, which is an increase of £14.674 million on the previous year.
- (c) Between quarter one and quarter two the number of CiC in an external residential placement has remained stable, resulting in a relatively modest increase of £0.230 million in the forecast for this area of the CiC budget from £34.948 million at quarter one to £35.178 million at quarter two.
- (d) The main area of pressure on the CiC budget is in relation to placements providing crisis intervention and intensive support. The budget for this area was estimated on the basis of an average of 10 placements with an average cost of £0.686 million per placement per annum.
- (e) The evidence from the first half of the year is that both the number and average cost of these placements is running higher than the budgeted level and therefore the forecast has been amended to assume for the remainder of 2024/25 there will be an average of 12 placements at an average cost of £0.707 million per placement per annum. Significant work is being undertaken by the Service to reduce the reliance on these unregistered placements as part of a refreshed Placement Sufficiency Strategy.
- (f) As a result, the forecast for crisis intervention placements is £9.141 million against a budget of £6.860 million, resulting in a forecast overspend of £2.281 million. The forecast overspend on this part of the Children in Care budget has increased by £1.685 million since quarter one and is the major reason behind the increased overspend forecast against the CiC budget.
- (g) The Council has received a detailed diagnostic assessment of its medium-term financial forecasts of this position and is developing a number of plans to manage these budget pressures. These plans include investment in more edge of care provision, measures to enhance the number and resilience of foster care provision and more effective market intervention in external placements.

- (h) Other areas of the Social Care budget are forecast to overspend by a net £2.745 million, largely reflecting associated pressures linked to increased Children in Care numbers, including legal and professional expenses, supporting family time services and independent visitors. These pressures have been recognised as part of the MTFP planning process and budgets will be increased accordingly for the 2025/26 financial year.
- (i) Education is reporting an underspend of £0.493 million after taking account of adjustments for inflationary pressures and estimated pay awards.
- (j) The main reasons for the underspend position are highlighted below:
 - (i) £0.892 million due to underspends against Early Years activity budgets.
 - (ii) £0.349 million against employee budgets, largely as a result of a staffing restructure in Education Durham and School Places and Admissions, to be implemented this summer.
 - (iii) £97,000 underspend against the budget for Further Education Pension Liabilities
 - (iv) These underspends are offset by the following overspends:
 - (v) A forecast overspends 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 as a result of schools converting to academy status.
 - (vi) A forecast overspends of £0.187 million relating to DCC-run nursery provision across four settings.
 - (vii) A forecast overspends of £0.140 million for the Progression and Learning service relating to the anticipated clawback of grant funding in relation to the provision of Adult Learning services.
- (k) The Home to School Transport budget has increased by £3.550 million, from £29.186 million in 2023/24 to £32.736 million in 2024/25 and it is forecast that net expenditure will be in line with budget at this stage.

- (l) Early Help, Inclusion and Vulnerable Children is reporting an underspend of £0.223 million after adjusting for inflation pressures to be funded corporately.
- (m) This underspend is mainly attributable to underspends in employee and activity budgets in the One Point and SEND service areas.
- (n) Expenditure of £0.960 million is included in the forecast for 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. Increased budgetary provision for these costs has been reflected in MTFP (15) updates.
- (o) Aycliffe Secure Centre is forecast to generate a surplus of £0.169 million, which will contribute to their reserves position. Occupancy levels are currently lower than previous planning assumptions however it is anticipated these will increase later in the year.
- (p) Expenditure of £0.302 million has been included in the forecast for backdated costs associated with Community Homes Allowance payments for staff at Aycliffe Secure Centre and this is funded from corporate resources, so there is a net nil impact on the service position.

76 The forecast cash limit outturn shows the position after a net £2.484 million transfer / drawdown from reserves, the major items being:

- (a) £0.838 million drawdown from Progression and Learning reserves to fund various NEET and employment support initiatives;
- (b) £0.471 million drawdown from the Corporate Early Retirement and Voluntary Redundancy Reserve to fund Schools and Music Service forecasted redundancies;
- (c) £0.399 million drawdown from the Family Hubs Reserve to fund the programme;
- (d) £0.243 million drawdown from the Integrated Rapid Response Reserve to fund the service;
- (e) £0.200 million contribution to the Social Inclusion Reserve for future service delivery

77 Taking the forecast outturn position into account, there is a £9.517 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)

- 78 The forecast revenue outturn for 2024/25, based on the position to 30 September 2024, for NCC is a cash limit overspend of £0.415 million, representing circa 0.35% of the revised budget for NCC. This compares to a £0.211 million forecast overspend at quarter one.
- 79 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 along with capital accounting entries. Net inflationary reductions on energy (net underspend of £0.438 million) have been excluded from the cash limit outturn position along with £95,000 in relation to Depot Business Rates.
- 80 The forecast outturn overspend is based on the following factors:
- (a) Environmental Services is forecast to be £0.859 million overspent. This is mainly due to overspends of £0.237 million on waste disposal contracts, £2.096 million on transport and supplies and services (with fuel and spot hire of vehicles being the most significant areas of overspend) and £0.417 million underachieved car parking income at Noses Point and Crimdon due to delays in implementation and lower than projected usage. These overspends are partly offset by over-achieved income of £1.890 million in relation to fees and charges and contributions.
 - (b) Highways is forecast to be underspent by £0.145 million. There is an expected underspend of £0.569 million due to early achievement of staff savings in lieu of future MTFP savings, and overachievement of income on enforcement and inspections, including defect inspections and fixed penalty notices. Trading areas are also expected to overachieve by £0.192 million due to higher levels of activity, but this is offset by a forecast overspend of £0.616 million on highways maintenance work, mainly on gully emptying cyclic works, drainage, and bridge works.
 - (c) Community Protection is forecast to be underspent by £0.311 million. This is due to vacancies not yet filled and difficulties recruiting into roles arising from leavers, along with an overachieved MTFP 13 saving. There is also funding within the base budget to accommodate future increment increases associated with career grades, which isn't required this year.

- 81 A net £1.146 million relating to movement to and from reserves has also been excluded from the outturn. The major items being:
- (a) £1.245 million drawdown relating to Clean & Green, Low Carbon and environmental issues;
 - (b) £0.458 million contribution to Highways Permits and Adoption Reserve;
 - (c) £0.200 million contribution to the Community Protection ICT Reserve;
 - (d) £0.394 million drawdown from the Horden Together Reserve;
 - (e) £0.188 million drawdown from the Community Protection Workforce Reserve.
- 82 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 £0.155 million at 31 March 2025.

Regeneration, Economy, and Growth (REG)

- 83 The forecast revenue outturn for 2024/25, based on the position to 30 September 2024, is a cash limit overspend of £0.645 million representing circa 1.1% of the revised budget for REG. This is an improved forecast and compares to a £0.966 million forecast overspend at quarter one.
- 84 This forecast considers adjustments for the expected 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.
- 85 Net adjustments on energy cost reductions of £1.749 million have been excluded from the cash limit forecast outturn position, together with £0.460 million in respect of Leisure Centre income shortfalls due to Leisure Transformation closures that are being covered corporately.
- 86 Also excluded from the REG cash limit is a £0.256 million underspend in relation to the delayed Sniperley Park & Ride route extension, a £0.272 million underspend on the Aykley Heads DLI / Cultural Venue revenue budget due to the delayed opening date, and £0.881 million of costs which has been covered from central contingencies (Facilities Management dual running net costs £0.131 million, under-achieved Catering income in relation to civic sites £0.146 million, Health & Safety radon gas works £43,000, external valuation costs £13,000 and legal /

professional fees relating to the Milburngate development (£0.548 million).

87 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.

88 The main reasons accounting for the quarter two forecast outturn position are as follows:

- (a) Culture, Sport and Tourism is forecast to overspend by £1.356 million against budget. The main reasons are:
 - (i) Unrealised MTFP savings of £0.423 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) dynamic ticketing on theatres (£30,000) and asset transfer of Blackhill Park Lodge (£13,000).
 - (ii) A £0.255 million overspend relating to unachieved theatre income and overspends at library facilities relating to employee costs, contract cleaning and unachieved income for fines and fees.
 - (iii) A £0.475 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 £0.102 million overspend within Leisure & Wellbeing because of unachieved staff turnover savings.
 - (v) An overspend of £0.102 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 underspend by £0.153 million against budget. The main reasons are:
 - (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 £80,000.

- (ii) An overspend of £0.152 million on Bus Stations due to business rates and cleaning costs at Durham Bus Station and additional security costs at Peterlee and Consett Bus Stations.
 - (iii) Increased business rate charges and contract costs on car parks of £0.517 million, offset by £0.590 million overachievement of parking income, £0.138 million underspends in Road Safety relating to employee and School Crossing Patrol vacancies and £0.334 million underspend on bus & rail contracts.
- (c) Planning and Housing is forecast to underspend by £0.121 million against budget. The main reasons are:
- (i) Planning - anticipated underspend of £69,000, due to £0.178 million underspend on staffing vacancies offset by overspends on external legal fees £60,000, subscriptions and postage £33,000 and compensation relating to Trinity Meadows of £50,000. Planning fee income is forecast to under achieve by £0.184 million, however this is offset by a reduction of £0.220 million in the agreed planning investment to other service areas;
 - (ii) Chapter Homes – anticipated underspend of £66,000 mainly due to a vacant post;
 - (iii) Strategy & Delivery – anticipated underspend of £8,000 on staffing;
 - (iv) Building Safety & Standards - anticipated overspend of £30,000 largely in relation to under-achieved building control income £93,000, £78,000 dangerous structures, £34,000 HUG2 scheme and £22,000 LAD scheme, partially offset by staffing vacancies of £0.176 million;
 - (v) Housing Access and Independent Living – anticipated overspend of £4,000, comprised of an overspend of £0.175 million on Temporary Accommodation, offset by £87,000 overachieved income relating to CCTV monitoring and staffing vacancies in Homeless Prevention.
- (d) Economic Development is forecast to broadly break even against budget.

- (e) Corporate Property and Land is forecast to underspend by £0.318 million against budget. The main reasons are:
- (i) Building & Facilities Management – anticipated overspend of £0.151 million due to under-achieved income in public-facing catering venues £42,000, an unrealised MTFP saving (also Catering, of £71,000) and increased contract cleaning costs in Facilities Management £29,000;
 - (ii) Business Development – anticipated underspend of £94,000 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 £0.318 million in relation to ongoing re-structure and staffing underspends, partially offset by additional costs in relation to Freemans Reach energy centre, unbudgeted business rates costs (Priory House), underachieved income on vacant properties and underachieved income for surveyor fees;
 - (v) Strategic Programmes – anticipated overspend of £52,000 due to unachieved capital recharge income of £0.133 million, partially offset by underspends on staffing and supplies & services.
- (f) REG Central is forecast to underspend by £0.146 million against budget, which is predominantly a result of unallocated price inflation which is being held as a contingency sum in the service.

89 In arriving at the forecast outturn position, a net £3.764 million relating to movement on reserves has also been excluded from the outturn. The major items being:

- (a) £1.213 million contribution to Transport reserves relating to the projected underspend in Concessionary Fares to support the future provision of bus services and routes;
- (b) £1.296 million drawdown from Culture reserves to fund various initiatives in year;
- (c) £0.164 million contribution to Planning & Housing reserves to support work on Affordable Housing and Humanitarian projects in future years;

- (d) £1.811 million drawdown from Economic Development reserves relating to Area Action Partnerships – primarily members neighbourhood budgets;
 - (e) £1.554 million drawdown from Corporate Property and Land reserves relating to property repairs & maintenance;
- 90 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 £0.817 million at 31 March 2025.

Resources

- 91 The 2024/25 forecast revenue outturn for Resources is a cash limit underspend of £1.108 million, which is 6.14% of the revised budget. This compares to a £0.692 million forecast underspend at quarter one.
- 92 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 the use of / contributions to earmarked reserves.
- 93 £0.683 million in relation to a forecast Housing Benefit Subsidy grant claim shortfall will be covered from corporate contingencies and has been excluded from the cash limit outturn position. Also excluded is £0.203 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 £91,000, primarily due to underspends on employee costs of £85,000, which have been identified as future MTFP (15) savings.
 - (b) Transactional and Customer Services is forecast to be under budget by £0.521 million, primarily due to underspends on employee costs of £0.295 million identified as future MTFP (15) savings, £0.130 million underspend on supplies and services and £30,000 over achievement of income.
 - (c) Digital Services is forecast to be under budget by £0.173 million. Within this area there are forecast underspends on employees of

£0.357 million but this has been largely offset by underachievement of income, forecast to be £0.230 million.

- (d) Internal Audit, Risk and Corporate Fraud is forecast to be under budget by £49,000, primarily due to a managed underspend on employee related expenditure.
 - (e) HR and Employee Services is forecast to be over budget by £0.141 million, primarily due to unachievable SLA income.
 - (f) Procurement, Sales and Business Services is forecast to be under budget by £0.438 million. This is mainly due to vacant posts held in advance of further planned MTFP savings.
- 95 A net £0.326 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) £0.191 million drawdown from the Corporate Early Retirement and Voluntary Redundancy Reserve to fund redundancies;
 - (c) £92,000 drawdown from the Assessment Support Admin Scheme Reserve to fund service packages;
- 96 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 £2.045 million at 31 March 2025.

Resources – Centrally Administered Costs (Corporate Costs)

- 97 The forecast revenue outturn for 2024/25 for Corporate Costs is a cash limit underspend of £0.124 million. This considers adjustments for sums outside the cash limit such as the use of / contribution to earmarked reserves.
- 98 The forecast outturn position is also improved due to the receipt of a Redmond Review Grant, to support local authorities with increased burdens of financial reporting and external audit costs, received during 2024/25.

Central Budgets

- 99 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.

- 100 The Interest Payable and Similar Charges - Capital Financing budgets are forecast to be underspent by £4.240 million compared to a budget of £39.470 million. The forecast underspend reflects the decision to delay required borrowing from the Public Works Loan Board, 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.
- 101 The interest and investment income budgets are forecast to be £0.131 million lower than the £8.800 million budget agreed in February. This compares to a quarter one breakeven position. The updated forecast reflects cash balances reducing more quickly than initially anticipated, thus leaving less scope to invest surplus cash balances. The outturn forecast would be improved by around £0.750 million if the Council did not have to cash-flow the c. £22m forecast dedicated schools high needs grant deficit which has accumulated over recent years.
- 102 The table below highlights the change in borrowing and investments at the end of quarter two, compared to the position at 31 March:

	Actual 31.03.24 £million	Average Interest Rate	Actual 30.09.24 £million	Average Interest Rate
Borrowing (exc leasing & PFI)	412	3.12%	409	3.02%
Investments	217	5.65%	156	5.35%
Net Debt	195		253	

Council Earmarked Reserves Forecast

- 103 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.
- 104 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 £12.888 million in 2024/25, from £176.307 million as at 1 April 2024, to £163.419 million by 31 March 2025. The movement in earmarked reserves is explained in the service grouping commentaries and the reduction in earmarked reserves is £0.490 million less than what was forecast at quarter one.

- 105 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	5.514	-	5.514	-65.613
Earmarked – Partner / External Grant	-22.880	2.416	0.841	3.257	-19.623
Earmarked - Other	-72.436	5.620	-2.277	3.343	-69.093
Sub-Total	-166.443	13.550	-1.436	12.114	-154.329
Earmarked - Cash Limit	-9.864	-0.662	1.436	0.774	-9.090
Total Earmarked Reserves	-176.307	12.888	-	12.888	-163.419

- 106 Based on the quarter two position, cash limit reserve balances of £9.090 million are forecast at the year end, an in-year reduction of £0.774 million. This compares to quarter one forecast where it was reported that the cash limit reserves would increase during the year by £1.023 million.
- 107 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).
- 108 The updated MTFP (15) position presented to Cabinet on 4 December 2024 highlights that the updated scale of the challenge the Council will face in balancing its budgets across the next four years is now £69.788

million. Additional savings presented on 4 December 2024 to Cabinet of £15.836 million reduce this savings gap to £53.952 million.

- 109 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 two forecast general reserve balance at 31 March 2025 is £26.727 million which is £1.516 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

- 110 The council currently maintains 137 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.
- 111 The council had 143 maintained schools at the time of budget 5 schools have converted to academy status and 1 maintained nursery has amalgamated with a primary school.
- 112 The forecast position for the 137 maintained schools at quarter two is shown in the table below:

	Original Budget	Quarter 2 Forecast	Forecast to Budget Variance
	£million	£million	£million
Employees	198.222	205.381	7.159
Premises	13.682	11.837	-1.845
Transport	3.050	3.592	0.542
Supplies	33.289	36.111	2.822
Central Support & DRF	0.162	0.412	0.250
Gross expenditure	248.405	257.333	8.928
Income	-58.519	-73.891	-15.372
Net expenditure	189.886	183.442	-6.444
School funding allocation	185.381	180.548	4.833
Use of reserves	4.505	2.894	-1.611
Balance at 31 March 2024	26.192	26.192	-
Balance at 31 March 2025	21.687	23.298	-1.611

- 113 At quarter two, maintained schools are forecasting the use of £2.894 million of reserves to balance the in-year financial position. The required

use of reserves has reduced by £1.611 million from the initial planned use of reserves which were assumed for budget setting purposes and is an improvement on the quarter one forecasts when £5.458 million of reserves were forecast as being required in year.

- 114 The main reason for this is additional grant income which has been received since the original budget setting process. This includes the Teachers' Pension Grant and the Core Schools Additional Grant.
- 115 The budget share has also changed as Business Rates costs have been removed as these will not be allocated through the school's budget going forward.
- 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 that 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 the autumn term to support the financial planning process to set balanced budgets for 2025/26, however it is likely that consideration will need to be given to approving licensed deficits for several schools next year due to cost challenges in schools and falling pupil roll numbers in some rural-based schools.

Centrally Retained Blocks

- 118 The forecast outturn position for the centrally retained DSG budgets shows a projected overspend of £11.572 million as detailed below:

DSG Block	Budget £million	Outturn £million	Over / (Under) Spend £million
High Needs	89.703	101.275	11.572
Early Years	53.402	53.402	-
Central Schools Services	3.319	3.319	-
TOTAL	146.424	157.996	11.572

- 119 The High Needs Block (HNB) budget for 2024/25 was set with a deficit of £6.547 million, due to the significant gap between high needs funding levels and high needs financial pressures.
- 120 The forecast at quarter two is for an overspend of £11.572 million against grant allocation for 2024-25. This compares to a forecast overspend of £7.873 million at quarter one.

121 This forecast overspend position will increase the HNB cumulative deficit position from £10.595 million at 31 March 2024 to £22.167 million at year end (31 March 2025).

122 The main reasons for forecast overspend of £5.025 million (over and above the budgeted deficit already assumed, of £6.547 million) are detailed below:

Budget Heading	Budget £million	Quarter 2 Forecast £million	Quarter 2 Over / (Under) Spend £million	Quarter 1 Over / (Under) Spend £million	Change Quarter 1 to Quarter 2 £million
Special Schools	39.334	41.684	2.350	0.299	2.051
Independent and Non-Maintained Special Schools	8.389	9.727	1.338	0.571	0.767
Mainstream provision (0-16)	28.101	28.592	0.491	0.402	0.089
Mainstream provision (post-16)	6.463	6.463	-	-	0.000
Central provision	4.395	4.364	-0.031	-0.174	0.143
Alternative Provision (including Pupil Referral Unit)	13.691	14.568	0.877	0.228	0.649
Total	100.373	105.398	5.025	1.326	3.699
Grant	93.826	93.826	-	-	-
Surplus / Deficit (-)	-6.547	-11.572	-5.025	-1.326	-3.699

123 The cost of provision for pupils in special schools in Durham is forecast to be £41.684 million against a budget of £39.334 million, resulting in a forecast overspend of £2.350 million in year.

124 Of this, £1.617 million relates to additional places in special schools over and above those planned for in the budget, and £0.674 million is for additional top up funding support for individual pupils (including £0.349 million of backdated support relating to 2023/24).

125 The budget for supporting pupils in Independent and Non-Maintained Special Schools (INMSS) for 2024/25 was set at £8.389 million based on the 2023/24 quarter three forecast, however final 2023/24 outturn position was significantly higher at £9.126 million. The budget for 2024/25 was therefore set at a level that is circa £0.750 million lower than it would have been if the final outturn was known.

126 Based on current placement register information, the updated forecast position is £9.727 million, resulting in a forecast overspend of £1.338 million over budget in year.

- 127 The Woodlands School is funded from the high needs budget and operates as a local authority Pupil Referral Unit (PRU) and also supports pupils with Education Health Needs (EHN). The budget for The Woodlands budget for 2024/25 is £11.835 million.
- 128 The forecast outturn for The Woodland is £12.712 million, resulting in a forecast overspend of £0.877 million. This net overspend reflects a larger overspend of £1.578 million on PRU activities, offset by an underspend of £0.701 million for EHN provision.
- 129 Expenditure on mainstream top up funding is forecast to be £24.381 million against a budget of £23.723 million, resulting in a forecast overspend of £0.658 million.
- 130 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 High Needs Block deficits from their main council general revenue funding position is due to end in 2025/26, from which point thereafter, the cumulative High Needs Block deficit could need to be funded by Council revenue reserves from 2026/27.
- 131 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.
- 132 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.
- 133 Engagement with all schools and settings in Durham is underway 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.
- 134 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.
- 135 The impact of the current forecast on the DSG reserves position is shown in the following table:

DSG Reserves	High Needs Block £million	Early Years Block £million	Schools Block £million	Total £million
Balance as at 1 April 2023	-8.635	0.722	0.781	-7.132
2022/23 Early Years Block Adjustment	-	-0.359	-	-0.359
Use-] / Contribution in 2023/24	-1.960	0.434	0.330	-1.196
Balance as at 1 April 2024	-10.595	0.797	1.111	-8.687
2023/24 Early Years Block Adjustment	-	-0.413	-	-0.413
Forecast Use - / Contribution in 2024/25	-11.572	-	-	-11.572
Forecast Balance as at 31 March 2025	-22.167	0.384	1.111	-20.672

136 The overall DSG Reserve was in deficit of £8.687 million at the start of the financial year, largely as a result 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 £20.672 million to the year end, which includes a clawback of £0.413 million relating to Early Years funding from 2023/24.

137 The HNB cumulative deficit is forecast to increase to £22.167 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

138 The 2024/25 original budget of £361.901 million was revised at Cabinet on 18 September 2024 and a revised budget of £363.260 million, a net increase of £1.359 million was agreed. Details of the original and revised budget are shown in the table below.

139 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.

140 The following table summarises the latest capital budget alongside the original budget. The table also shows the actual capital spend as at 30 September 2024.

Service Grouping	Original Budget 2024/25 £million	Revised Budget 2024/25 Quarter 1 £million	Amendments recommended by MOWG During Quarter 2 £million	Revised Budget 2024/25 Quarter 2 £million	Actual spend to 30 September 2024 £million
Adult and Health Services	0.740	0.740	-	0.740	0.660
Children and Young People's Services	98.275	98.204	-7.170	91.034	27.844
Neighbourhoods and Climate Change	84.828	85.287	-14.347	70.940	17.138
Regeneration, Economy and Growth	169.396	170.367	7.843	178.210	71.136
Resources	8.662	8.662	-0.928	7.734	3.844
TOTAL	361.901	363.260	-14.603	348.657	120.622

141 Since the original 2024/25 budget was updated in quarter one, 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) **Children's Care.** This comprises £0.700 million for Short Breaks accommodation for children and young people with disabilities and complex behavioural needs and £0.800 million for the purchase of a building that will provide accommodation respite service for children and young people with complex mental health needs. Both additions will be funded from the Integrated Care Reserve.

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

(i) **Environmental Services.** This includes £0.190 million for Low Carbon Skills Decarbonisation Works funded from a Salix grant and, £59,784 for Land of Lead and Silver capital scheme, funded from Rural England Prosperity Fund (REPF) grant.

- (ii) **Highways.** This includes £45,000 for drainage and flood alleviation studies, funded from and Environment Agency grant
 - (c) **Resources** – this service has the following additions and reductions:
 - (i) **Transactional and Customer Services.** An addition of £0.150 million for The Bread-and-Butter Thing Refrigerated Van funded from UKSPF grant.
 - (d) **REG** – the service has the following additions and reductions:
 - (i) **Economic Development.** This includes an addition of £3.854 million for various schemes funded from Rural England Prosperity Fund (REPF) and UK Shared Prosperity Fund (UKSPF) grants. It also includes £0.146 million s106 contributions for various capital schemes within this service area.
 - (ii) **Planning and Housing.** This comprises £1.966 million for Local Authority Housing Fund Round 3 (LAHFR3), partly funded from a Home’s England grant and partly from self-financing; and £0.400 million for Disabled Facilities Grant capital scheme, funded from an earmarked reserve.
- 142 The following additional resources and reductions have been identified for future years, for which service groupings are proposing to amend the approved Capital programme.
- (a) **NCC Environmental Services.** An addition of £0.576 million for Bishop Auckland Town Hall Decarbonisation, funded from a Salix grant.
- 143 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) **Early Help, Inclusion and Vulnerable Children, including SEN Capital.** 8.702 million was reprofiled into 2025/26, as budgets for all projects to be delivered in 2024/25 have now been allocated to individual schemes and the remaining unprogrammed amount will not be required until 2025/26.

(b) **NCC**

(i) **Environmental Services.** Net reprofiling of £3.841 million from 2024/25 to 2025/26, which includes reprofiling of £3.0 million for Leachate Treatment at Coxhoe East Landfill due to the procurement to build the plant only being able to commence once the Environmental Permit for the new plant is approved by the Environment Agency. Other major reprofiling include £0.842 million for Hardwick Park One-off Investment Facility Improvements, as works are not due to commence until 2025/26; and £0.284 million for Solar PV Unprogrammed, as all projects for 2024/25 have now been allocated and it is anticipated that the remaining amount will be utilized in 2025/26. The net figure also includes an acceleration of £0.400 million for Joint Stocks New Gas Engine which has now been purchased.

(ii) **Highways.** Net reprofiling of £6.197 million from 2024/25 to 2025/26, which includes £3.868 million for A690 Landslip Kepier to reflect the forecast value of works to be completed in 2024/25. Other amounts include £0.250 million for PROW Unprogrammed; £0.260 million for Bridges Unprogrammed; £0.511 million for The Weirs Durham City; and £1.240 million for various other named bridge schemes, all to reflect the revised schedule of works in 2024/25 and 2025/26.

(iii) **Partnerships and Community Engagement.** Net reprofiling of £2.626 million from 2024/25 to 2025/26 of Members Neighbourhood budgets to reflect a revised forecast of spend in both financial years.

(c) **REG.** This service covers many schemes and project managers undertook a thorough review of the capital programme. The result is a net acceleration of £0.731 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.** Net acceleration of £4.677 million. This includes acceleration of £5.274 million from 2025/26 to 2024/25 for NETPark Phase 3. Also included is an acceleration of £0.550 million from 2025/26 to 2025/24 for Walking & Cycling Routes, as there is potential to deliver more elements of the scheme this year. Other major amounts include reprofiling of £0.550 million from 2024/25 into 2025/26 for Bishop Auckland Towns Deal-Newgate-Market Place as the service is awaiting programme sign off by Government; and a reprofiling of £0.491 million from

2024/25 to 2025/26 for Spennymoor Long Term Plan, as the service is awaiting Government confirmation of funding and programme.

- (ii) **Culture and Sport.** Net reprofiling of £1.852 million. The major amounts include reprofiling of £1.492 million from 2024/25 to 2026/27 for Woodhouse Close Leisure Centre, as due to value engineering, redesign and Northern Powergrid (NPG) delays for diversion work, main construction package will start later than original plan. The other significant amount is a reprofiling of £0.341 million from 2024/25 to 2025/26 for Weardale Railway to reflect a revised claim profile.
- (iii) **Transport and Contracted Services.** Net reprofiling of £3.324 million from 2024/25 to 2025/26. Major amounts include £2.370 million for two Future High Street Fund schemes (Bishop Auckland Bus Station and Car Park; and Road Junction Capacity Improvements) due to updated spend profile received from the contractor. Other reprofiling includes £0.400 million for Locomotion - Walking & Cycling due to Specific Statutory processes being required for certain sections of the route which are taking longer than anticipated; £0.250 million for Bishop Auckland Towns Deal-Heritage Walking & Cycling due to a slight delay to programme during Active Travel England Review and subsequent outcomes; and £0.170 million for Traffic Signal Obsolescence scheme, as the service is currently programming to utilise the majority of funding in 2024/25, but are currently in early stages of ordering.
- (iv) **Corporate Property and Land.** Net acceleration of £0.230 million from future years into 2024/25, comprising of £0.139 million for Demolition Programme due to demolitions that need to be undertaken in 2024/25 to prevent further deterioration and risk of anti-social behaviour; £0.195 million for Aykley Heads Plot C due to the receipt of the revised final accounts estimate; and a reprofiling of £0.104 million for Non-Highways Structures, as some works are delayed in design and hence impacting on commencing work in 2024/25 due to Highways resources issues. In addition, a total of £2.364 million was reprofiled from 2025/26 into future years for Milburngate Fit Out and Milburngate Specification Improvement, as the scheme is unlikely to proceed within the existing profile.

- (v) **Planning and Housing.** Total reprofiling of £1.0 million from 2025/26 to 2024/25 for Disabled Facilities Grant to meet the programme demand.

144 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 from NCC to REG.** £0.600 million will be transferred from NCC Highways to schemes in REG Transport and Contracted Services: £0.250 million to Newton Aycliffe Housing Infrastructure Fund; £0.200 million to Road Markings – Countywide; £0.100 million to Future High Street Fund Road Junction Capacity Improvements; and £50,000 to New Traffic Signs.

145 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.

Service Grouping	2024/25	2025/26	2026/27	2027/28	TOTAL
	£million	£million	£million	£million	£million
Adult and Health Services	0.740	-	-	-	0.740
Children and Young People's Services	91.034	29.538	3.201	-	123.772
Neighbourhoods and Climate Change	70.940	50.135	1.463	0.100	122.638
Regeneration, Economy and Growth	178.210	165.655	48.823	5.735	398.422
Resources	7.734	5.227	1.988	-	14.949
TOTAL	348.657	250.555	55.474	5.835	660.521

146 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.

Financed By:	Original Budget 2024/25	Revised Budget 2024/25 Quarter 1	Amendments recommended by MOWG	Revised Budget 2024/25 Quarter 2
	£ million	£ million	£ million	£ million
Grants and Contributions	125.995	126.727	6.639	133.366
Revenue and Reserves	3.991	5.760	1.925	7.685
Capital Receipts	3.446	3.446	-	3.446
Borrowing	228.469	227.328	-23.168	204.160
TOTAL	361.901	363.260	-14.603	348.657

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

Financed By:	2024/25	2025/26	2026/27	2027/28	TOTAL
	£million	£million	£million	£million	£million
Grants and Contributions	133.366	82.996	6.257	-	222.619
Revenue and Reserves	7.685	2.387	0.458	0.454	10.984
Capital Receipts	3.446	3.661	2.273	-	9.380
Borrowing	204.160	161.511	46.486	5.381	417.538
TOTAL	348.657	250.555	55.474	5.835	660.521

Prudential Indicators

148 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.

149 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)

- 150 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.
- 151 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 September 2024 are as follows:

	2024/25 Original £million	2024/25 Estimate £million	2024/25 Variance £million	2025/26 Estimate £million	2026/27 Estimate £million
Opening CFR	618.392	586.326	-32.066	796.979	945.773
Add net borrowing requirement for the year	255.331	213.846	-41.485	162.681	82.815
Add leasing & PFI requirement for the year	9.657	16.871	7.214	7.855	12.083
Deduct MRP/VRP and other financing movements	-19.586	-20.063	-0.477	-21.741	-24.447
Closing CFR	863.793	796.979	-66.814	945.773	1,016.224

Gross Debt and the Capital Financing Requirement (CFR)

- 152 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 prudent management of the Council's debt position, 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:

	2023/24 Actual £million	2024/25 Estimate £million	2025/26 Estimate £million	2026/27 Estimate £million
Borrowing	411.632	374.770	570.320	715.813
Finance leases	48.760	56.033	54.188	55.363
PFI liabilities	33.887	32.995	32.104	31.212
Total Gross Debt	494.279	463.799	656.612	802.388
Capital Financing Requirement	586.318	796.979	945.773	1,016.224
Under/(Over) Borrowed	92.039	333.180	289.161	213.835

Operational Boundary

153 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:

	2024/25 £million
Operational Boundary Limit	797.000
Estimated Gross Debt 31 March 2025	463.799
Headroom	333.201

Authorised Limit

154 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:

	2024/25 £million
Authorised Limit	852.000
Estimated Gross Debt 31 March 2024	463.799
Headroom	388.201

Maturity Structure of Borrowing

- 155 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:

	Lower Limit	Upper Limit	2024/25 Estimated
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

- 156 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.
- 157 The in-year collection rate at 30 September 2024 was 54.08%, a 0.44%-point reduction on the position as at 30 September 2023 (54.52%).
- 158 The in-year collection rates at the end of quarter two for the current and last two financial years, are detailed below:

Billing Year	Position at 30 September each year %
2024/25	54.08
2023/24	54.52
2022/23	55.92

- 159 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.

- 160 Actual cash collected as at 30 September 2024 was £199.303 million compared with £197.184 million as at 30 September 2023. When the council tax increases for 2024/25 are factored in this represents a year-on-year real terms increase of £1.425 million in terms of council tax income received.
- 161 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.
- 162 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.
- 163 In terms of the in-year position for the council tax element of the Collection Fund at 30 September 2024, the estimated outturn is a surplus of £0.970 million in year, with the council's share of the in-year surplus being £0.816 million.
- 164 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 £0.970 million, the overall forecast for the council tax element of the Collection Fund is a £1.806 million surplus. The council's share of this overall surplus is £1.519 million.
- 165 The total position for the Council Tax element of the Collection Fund for 2024/25 is detailed in the following table:

	£ Million
Net Bills issued during Accounting Year 2024/25	427.140
LCTRS and previous years CTB adjustments	-66.037
Calculated change in provision for bad debts required and write offs	-3.611
Net income receivable (a)	357.492
Precepts and Demands	
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
Total Precepts and Demands (b)	356.522
Net Surplus / (-) Deficit for year (a) – (b)	0.970
Undeclared Surplus / (-) Deficit brought forward from 2023/24	0.836
Estimated year end surplus	1.806

Business Rates

- 166 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).
- 167 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.
- 168 The in-year collection rate at 30 September 2024 was 58.56%, which is 0.39% point above the equivalent position last year of 58.17%. The in-year collection rates at the end of quarter two for the current and last two financial years, are as follows:

Billing year	Position at 30 September each year %
2024/25	58.56
2023/24	58.17
2022/23	57.27

- 169 In terms of the in-year position for the business rate element of the Collection Fund as at 30 September 2024, the estimated outturn for the year is an in-year surplus of £3.568 million of which the council's 49% share is £1.749 million.
- 170 After considering the revised undeclared 2023/24 deficit of £0.074 million and the forecast in year surplus of £3.568 million the overall forecast for the business rate element of the Collection Fund is a £3.494 million surplus, of which the council's share is £1.713 million.
- 171 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	126.659
Estimate of changes due to appeals lodged and future appeals	1.300
Estimated losses in Collection – Provision for Bad Debts and Write-offs	-1.568
Net income receivable (a)	126.391
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)	1.151
Total payments (b)	122.823
Net surplus for year (a) – (b)	3.568
Undeclared Surplus / (-) Deficit brought forward from 2023/24	-0.074
Estimated year end surplus	3.494

- 172 Considering the forecast positions at the end of quarter two for council tax and business rates, the overarching position for the council in terms of the 2024/25 Collection Fund are as set out below, which is an overall £3.232 million surplus.

	£ Million
Council Tax Surplus	1.519
Business Rates Surplus	<u>1.713</u>
NET SURPLUS	<u>3.232</u>

Section 31 Grant - Small Business Rate Relief

- 173 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.
- 174 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%.
- 175 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.
- 176 At 30 September 2024, the gross small business relief awarded against the 2024/25 business rates bills and adjustments to 2013/14 to 2023/24 bills is £17.908 million, and the council will receive £6 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

- 177 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.

- 178 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 £0.184 million 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.

179 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.

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

181 At 30 September 2024, savings totalling £6.033 million, representing 74.6% of the £8.083 million total savings target have been delivered.

182 There are circa £1 million of MTFP savings that have been factored into budgets in 2024/25 (13% 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:

Service	Savings Description	Total Savings Requirement in 2024/25 Budget £	Not Achieved in 2024/25 £
NCC	Increased income in Highways – Increases would relate to licensing income and developer contributions	215,000	69,000
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	408,847
NCC	Review of Pest Control Charging – Review of the existing pricing for domestic ad commercial treatments, including retention of support for households on council tax relief scheme	10,000	10,000
TOTAL NCC			527,847
REG	Review of AAPs – Savings to be identified following a review of accommodation and running costs of Area Action Partnership	61,250	5,000
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
TOTAL REG			524,000
TOTAL			1,051,847

HR implications

183 Equality data relating to the two staff leaving through voluntary redundancy, early retirement, and ER/VR during quarter two of MTFP

(14) showed that 100% were female and 0% were male. In terms of race, 100% of leavers had not disclosed their ethnicity.

- 184 Regarding disability status 100% of leavers in quarter two did not disclose their disability status.
- 185 During quarter two, five employees in total have left through compulsory redundancy. All of these are associated with the MTFP savings.
- 186 Equality data relating to the five staff leaving through compulsory redundancy, showed that 80% were female and 20% were male. In terms of race, 60% of leavers had not disclosed their ethnicity and the remaining 40% stated that they were white British. Regarding disability status no employees said they had a disability, 0% had no disability and 100% did not disclose their disability status.
- 187 Since 2011, equality data relating to staff leaving through voluntary redundancy, showed that 65.48% were female and 34.52% 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.
- 188 In terms of race, since 2011, 45.36% of leavers had not disclosed their ethnicity with 54.17% stating that they were white British or white English.
- 189 Regarding disability status 2.89% said they had a disability, 14.27% had no disability and 82.85% did not disclose their disability status.

Equality Impact Assessments (EIA)

- 190 Services have completed EIA screenings and assessments where necessary as part of the decision-making process for 2024/25 MTFP (14) proposals.
- 191 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.
- Cabinet – 18 September 2024 – Forecast of Revenue and Capital Outturn 2024/25 – Period to 30 June 2024 and update on progress towards MTFP(14) savings.

Author(s)

Jo McMahon

Tel: 03000 261968

Rob Davisworth

Tel: 07386 655960

Appendix 1: Implications

Legal Implications

The consideration of regular budgetary control reports is a key component of the council's Corporate and Financial Governance arrangements. This report shows the forecast spend against budgets agreed by Council in February 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	Revised Budget	Budget - incorporating adjustments	Service Groupings Forecast of Outturn	Forecast of Outturn (including Corporate Costs)	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
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	Energy £'000	£'000
Employees	572,370	572,900	573,166	571,181	571,716	-1,450	86	0	-2,266	-3,630	0	-3,630
Premises	53,003	53,736	53,602	53,422	53,422	-180	-95	0	2,281	2,006	1,754	3,760
Transport	69,567	70,093	70,140	72,426	72,426	2,286	0	0	-526	1,760	0	1,760
Supplies & Services	117,523	118,541	119,744	154,551	156,245	36,501	-1,346	0	-2,084	33,071	0	33,071
Agency & Contracted	610,915	624,283	624,112	643,241	645,163	21,051	0	0	0	21,051	0	21,051
Transfer Payments	167,936	187,573	186,799	192,369	192,710	5,911	-595	0	0	5,316	0	5,316
Central Costs	131,965	131,441	131,557	141,719	142,267	10,710	-7,001	-1,415	-14,384	-12,090	0	-12,090
DRF	592	592	592	4,645	4,645	4,053	0	0	-220	3,833	0	3,833
Capital Charges	56,482	56,480	56,480	56,478	56,478	-2	0	0	0	-2	0	-2
Other	0	0	0	1,668	1,668	1,668	0	0	-1,668	0	0	0
GROSS EXPENDITURE	1,780,353	1,815,639	1,816,192	1,891,700	1,896,740	80,548	-8,951	-1,415	-18,867	51,315	1,754	53,069
Income												
Government Grants	638,984	666,662	667,164	690,596	691,126	23,962	0	0	-2,770	21,192	0	21,192
Other Grants and Contributions	103,855	106,876	106,751	113,830	114,308	7,557	0	0	-446	7,111	0	7,111
Sales	6,334	6,507	6,507	5,920	5,955	-552	0	0	16	-536	0	-536
Fees and Charges	129,890	128,817	129,008	138,801	138,801	9,793	459	0	-140	10,112	148	10,260
Rents	11,327	12,049	11,975	15,011	15,011	3,036	0	0	20	3,056	0	3,056
Recharges To Other Services	314,557	319,064	318,970	318,141	318,141	-829	3	0	-79	-905	0	-905
Other	5,451	5,449	5,450	12,102	12,102	6,652	0	0	-1,078	5,574	0	5,574
Total Income	1,210,398	1,245,424	1,245,825	1,294,401	1,295,444	49,619	462	0	-4,477	45,604	148	45,752
NET EXPENDITURE	569,955	570,215	570,367	597,299	601,296	30,929	-9,413	-1,415	-14,390	5,711	1,606	7,317

Appendix 4: Earmarked Reserves Position as at 30 September 2024

EARMARKED RESERVES AND CASH LIMIT RESERVES	SERVICE GROUPING	OPENING BALANCE	USE OF RESERVES	CONTRIBUTION TO RESERVES	TRANSFERS BETWEEN RESERVES	TOTAL MOVEMENT ON RESERVES	FORECAST CLOSING BALANCE AT 31/03/25
		£'000	£'000	£'000	£'000	£'000	£'000
<u>EARMARKED RESERVES</u>							
Corporate Reserves							
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	1,607			1,607	-8,370
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		-107		-107	-1,274
Resources Elections Reserve	Corporate	-2,208					-2,208
Total Corporate Reserves		-71,127	5,621	-107	0	5,514	-65,613
Sums held for other organisations/grants							
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	-153		-61	-568
Social Care Reserve - Community Discharge Grant	AHS	-801					-801
Social Care Reserve - CCG	AHS	-18,392	2,477		841	3,318	-15,074
Total Sums held for other organisations/grants		-22,880	2,569	-153	841	3,257	-19,623
Other Specific Reserves							
Business Growth Fund Reserve	REG	-270					-270
CEO Grant Reserve	CEO	-86	36			36	-50
CEO Operational Reserve	CEO	0	51		-80	-29	-29
CEO Transformation Reserve	CEO	-2,853					-2,853
Children's Services Reserve	CYPS	-1,201	782	-60	-550	172	-1,029
Community Protection Reserve	NCC	-3,113	705	-441		264	-2,849
Corporate Property & Land Reserve	REG	-4,106	1,829	-275		1,554	-2,552
Culture and Sport Reserve	REG	-6,909	1,584	-288		1,296	-5,613
Economic Development Reserve	REG	-1,601	238			238	-1,363
Education Reserve	CYPS	-10,771	2,611	-2,411		200	-10,571
EHIVC Reserve	CYPS	-3,682	684	-1,020		-336	-4,018
Employability and Training Reserve	REG	-615					-615
Environmental Services Reserve	NCC	-3,279	900	-244		656	-2,623
Funding and Programmes Management Reserve	REG	-218					-218
Highways Reserve	NCC	-2,615	-116	-342		-458	-3,073
Housing Regeneration Reserve	REG	-1,869		-266		-266	-2,135
Housing Solutions Reserve	REG	-4,608	1,099	-466		633	-3,975
Partnerships and Community Engagement Reserve	NCC	-9,772	1,603	-643		960	-8,812
Planning Reserve	REG	-320	112			112	-208
Public Health Reserves	AHS	-5,185	2,017	-1,114		903	-4,282
REG Match Fund Programme Reserve	REG	-64	12			12	-52
Resources Corporate Reserve	Resources	-477	368	-283		85	-392
Resources Financial Services Reserve	Resources	0		-40		-40	-40
Resources Human Resources Reserves	Resources	-165	68			68	-97
Resources ICT Reserves	Resources	-421	101		189	290	-131
Resources Internal Audit & Corporate Fraud Reserve	Resources	-64	20			20	-44
Resources Legal Reserves	Resources	-147	32			32	-115
Resources Operations and Data Reserve	Resources	-50					-50
Resources Revenue and Benefits Reserve	Resources	-332	30			30	-302
Resources System Development Reserve	Resources	0		-300		-300	-300
Social Care Reserve - Specific Purpose	AHS	-1,190	191		-1,836	-1,645	-2,835
Town and Villages Regeneration Reserve	REG	-574	69			69	-505
Transport Reserve	REG	-5,879	494	-1,707		-1,213	-7,092
Total Other Specific Reserves		-72,436	15,520	-9,900	-2,277	3,343	-69,093
TOTAL EARMARKED RESERVES		-166,443	23,710	-10,160	-1,436	12,114	-154,329

EARMARKED RESERVES AND CASH LIMIT RESERVES	SERVICE GROUPING	OPENING BALANCE	USE OF RESERVES	CONTRIBUTION TO RESERVES / CASH LIMIT POSITION	TRANSFERS BETWEEN RESERVES	TOTAL MOVEMENT ON RESERVES	FORECAST CLOSING BALANCE AT 31/03/25
		£'000	£'000	£'000	£'000	£'000	£'000
Cash Limit Reserves							
Adult and Health Services		-5,833	658	-1,374	2,183	1,467	-4,366
Chief Executive's Office		-864	288	-654	-477	-843	-1,707
Children and Young People's Services		0					0
Neighbourhoods and Climate Change Regeneration, Economy and Growth Resources		-570	343	415	-343	415	-155
		-1,462		645		645	-817
		-1,135	-2,091	1,108	73	-910	-2,045
Total Cash Limit Reserves		-9,864	-802	140	1,436	774	-9,090
Total Council Reserves		-176,307	22,908	-10,020	0	12,888	-163,419
Schools' Balances							
Schools' Revenue Balance *	CYPS	-27,231	4,562			4,562	-22,669
DSG Reserve	CYPS	0					0
Total Schools and DSG Reserves		-27,231	4,562	0	0	4,562	-22,669
Total Earmarked Reserves		-203,538	27,470	-10,020	0	17,450	-186,088

* Academy transfers: the Schools' Revenue Balance in-year movement includes an adjustment of £1.667 million of surplus balances to be transferred to the new trusts