



RECORD OF EXECUTIVE DECISIONS

The following is a record of the decisions taken at the meeting of **CABINET** held on **Wednesday 12 October 2022**. The decisions will come into force and may be implemented from **Monday 24 October 2022** unless the Corporate Overview and Scrutiny Management Committee or its Committees object to any such decision and call it in.

Medium Term Financial Plan(13) 2023/24 – 2026/27 **[Key Decision: CORP/R/22/01]**

Summary

The Cabinet considered a report of the Corporate Director of Resources which provided an update on the development of the 2023/24 budget and the Medium Term Financial Plan (MTFP(13)) covering the period 2023/24 to 2026/27.

When the 2022/23 budget was approved on 23 February 2022, the council was concerned about the ongoing and consequential impact of the pandemic and the uncertainty of future local government finance settlements. Whilst these concerns remain, they are now overshadowed by the forecast impact of high inflation, especially in relation to fuel and energy prices. The impact of inflation is being experienced across all council services with no part of the council's budget unaffected. Energy costs are significantly above original budget forecasts, despite a 40% increase being built into the base energy budgets this year, along with the majority of other major spend areas such as waste and transport.

On 8 September, 2022 the Government announced a package of measures to cap energy costs for households and businesses, with further detail published on 22 September, 2022. At the time of preparing this report more detail on how the support to businesses will work in practice was awaited. The support to business is only for six months and therefore will only help alleviate some of the pressure being experienced in 2022/23 and therefore is not expected to help offset the £9 million of budget growth that is required in 2023/24. The MTFP forecasts assumes that prices for gas and electricity return to 2022/23 budgeted levels over the following two years.

Inflation is also impacting upon bank base rates and expected pay settlements for our employees with future National Living Wage increases expected to exceed previous expectations, which will impact upon the cost of adult social care in particular.

In addition to the increase in costs highlighted above, there is concern that the outcome from the Fair Cost of Care exercise, being carried out in Adult and Health Services, could result in cost pressures that are significantly higher than the funding government has provided to cover the costs of implementation. It is not clear at this time if government will provide the additional funding required to close any shortfall in this regard.

Once again, the Looked After Children's budget is under pressure due to increased demand and, significantly, increased complexity of need as we emerge from the pandemic driving forecast overspends in the current year that are forecast to continue into next year which must be accommodated.

All these issues are making financial planning difficult and are resulting in adjustments to the relation to the forecast MTFP(13) financial position as compared to that reported to Cabinet on 13 July 2022, with significant additional pressure falling into 2023/24.

On 23 September, 2022 it was announced that the 1.25% increase in National Insurance & the Health and Social Care Levy, was being withdrawn from November 2022. This will produce both an in-year saving in 2022/23 (of circa £0.7 million) and a base budget reduction from 2023/24 of circa £1.5 million. It is unclear at this stage what, if any impact, the unwinding of this will have on funding for social care going forwards.

There still continues to be significant uncertainty in terms of future financial settlements for local government and how available funding will be shared between local authorities. Local authorities continue to be provided with one year financial settlements, which provide little financial certainty and security and given the timing of these announcements in late December, provides little time to react for local authorities.

Local authorities desperately need early notification of how much, if any, additional government support will be provided in 2023/24 to offset the significant financial pressures faced by the sector due to the present high levels of inflation. It appears at this stage however that there will not be early notification of funding levels for 2023/24, leaving local authorities to continue to plan for the worst i.e., no further funding being made available. Representations have been made to Government in this regard.

Although it was anticipated that in the 2022/23 local government finance settlement that the Fair Funding Review (FFR) would be implemented, it is now expected that the implementation of the findings from the FFR, may now be delayed until at least 2024/25 but more likely to be 2025/26.

The lack of clarity in relation to the quantum of future financial settlements and the FFR is exacerbated by uncertainties in relation to future council tax referendum levels, the distribution of the Improved Better Care Fund, the impact of the cost cap and fair cost of care requirements in adult social care, the future of short term funding provided to local authorities for adult and children social care pressures and the ongoing impact of the pandemic upon council services and especially council income.

This level of uncertainty is making financial planning extremely challenging and requires the council to be flexible and adaptable. In this regard the strong financial position of the council will ensure that the council is well placed to react effectively to any outcome. That said, without significant additional government funding the council will be placed in a challenging situation and will be required to make very difficult decisions to address these pressures in setting balanced budgets in 2023/24 and in future years.

Previously the council was prudently planning on the basis that the council would only receive additional core funding uplifts of £0.9 million in 2023/24 and that from 2024/25 the council will lose £8.8 million of funding due to the combined impact of the outcome of the FFR but also from the forecast impact of further government funding reductions for local government to contribute to the recovery required to the national finances.

With the unlikelihood of the FFR not now being implemented until 2025/26 and the expectation that in the current financial climate government will find it very difficult to reduce the funding of local government, it is assumed that there will be small inflation uplifts in the Revenue Support Grant over the next four years but no reduction in funding from government relating to the FFR outcomes. This position will be closely monitored in the coming months especially once the next local government finance settlement is received in the autumn.

As the council continues budget planning for 2023/24, in line with previous practice, the MTFP Model has been reviewed and the financial forecasts for the next four years updated. Financial plans have been updated to consider the impact of inflation upon council costs with the consumer price index forecast to peak at 10% by the end of 2022, the forward forecasts of energy costs and the Low Pay Commission's latest forecast for the 2023/24 increase in the National Living Wage of 8.6%.

The latest forecasts indicate a funding gap / savings requirement of £52.569 million will be required to balance the budget over the 2023/24 to 2026/27 period. This assumes that the Fair Cost of Care outcomes can be accommodated from the grant funding provided.

Savings are forecast to be required in all years of MTFP(13) as budget pressures and the impact of funding reductions outstrip the council's ability to generate additional income from business rates and council tax.

The forecasts assume the council will apply the maximum increases in its Council Tax it is allowed to across each of the next four years, in line with government guidance.

The achievement of an additional £52.569 million of savings over the next four years would be extremely challenging and should not be under-estimated, more so given the savings that the council has been required to achieve in the last ten years. The emphasis since 2011/12 has been to minimise savings from front line services by protecting them wherever possible whilst maximising savings in management and support functions and by targeting increased income from charging. This is becoming much more difficult however, as the scope for further savings in managerial and back office efficiencies is becoming exhausted following the delivery of £250 million of savings up to 31 March 2023.

The total savings required at this stage for 2023/24 to balance the budget amount to £37.389 million, although it must be recognised that this figure could change significantly depending on whether the government provide much needed additional resources to the sector in 2023/24 and whether the council experiences further additional financial pressures due to demand, loss of income or due to the impact of inflation especially in relation to energy.

The previous forecasts, presented to Cabinet on 13 July 2022, identified a forecast funding shortfall of £21.9 million for 2023/24 and an overall funding gap of £54.845 million across the period 2023/24 to 2026/27. The updated forecasts show that overall savings requirements across the next four years are not too dissimilar, but the challenge in setting a balanced budget next year is significantly more difficult.

Based on the previous forecasts service groupings have been working on saving plans to help close this funding shortfall. This report provides details of savings plans amounting to £17.731 million over the next four years, with £11.853 million of these savings in 2023/24 which, if approved, will assist in reducing the forecast £37.389 million shortfall in that year to £25.536 million. The savings plans have been assured in terms of delivery with every attempt made to seek to protect front line services.

Work will continue over the coming months to identify additional savings options to help to balance next years and future years budgets. In this regard however local government requires confirmation of funding settlements for the future to ensure there is a clear understanding of the financial challenges faced.

To ensure budgets can be balanced whilst clarity is provided and to provide time to work up proposals to reduce expenditure to address the underlying budget position, a thorough review of all earmarked reserves is being undertaken to ensure that corporate reserves are in place to ensure the council can set balanced budgets.

This review will result in options to re-prioritise earmarked reserves and transfer funding to the ER/VR reserve and increase the MTFP Support Reserve, which is currently £15.2 million and would be insufficient to balance the budget next year based upon latest forecasts highlighting a £25.536 million funding shortfall. The application of reserves in this way is not a sustainable solution to the financial challenges we face. Until there is greater clarity, the programmes and projects funded from earmarked reserves are being paused at this time.

The MTFP(13) forecasts continue to assume that there will be a 2.99% council tax increase in 2023/24 and 2024/25, in line with MTFP(12) planning assumptions, and 1.99% increases per annum thereafter. The 2.99% increases for the next two years include an assumed 1.99% council tax referendum limit core increase and 1% for the adult social care precept. It may well be that Government provide additional flexibility in terms of council tax going forward, though there is no indication on whether this will be the case at this stage.

The MTFP(13) forecasts include provision for £3 million of prudential borrowing in 2025/26 to fund new capital expenditure in MTFP(13). Given the increase in base rates in recent months and forward forecasts for the cost of borrowing, the £3 million budget will only fund circa £60 million of new capital expenditure. This position may need to be reviewed in line with increases in base rates in recent months and potential for further increases, which could reduce the scope of new capital expenditure that could be funded from the prudential borrowing provision factored into the plans at present. In previous MTFP planning, when interest rates were lower and much more stable, £3 million of prudential borrowing provision would have serviced circa £75 million of new capital expenditure.

Pre-commitments to existing programmes and business as usual requests are expected to well exceed capital resource availability in MTFP(13), which together with the impact of construction price inflation, will lead to some difficult choices to be made around re-prioritising existing commitments and scaling back or increasing the pressure on the MTFP by requiring greater provision for prudential borrowing, which would increase the savings targets in MTFP(13).

Although the position beyond 2023/24 appears to be not as challenging as in 2023/24, this is mainly due to revised assumptions in terms of the outcome of the Fair Funding Review and an assumption that energy prices fall back to 2022/23 budget assumptions across 2024/25 and 2025/26, plus an assumption that provision for new prudential borrowing remains unaltered once the capital bids are assessed. This position will need to be closely monitored to ensure plans are in place for any eventuality.

Decision

The Cabinet:

- (a) noted the updated MTFP forecasts and the requirement to identify additional savings of £52.569 million for the period 2023/24 to 2026/27, but also note that this forecast could change significantly based upon outcome of future government funding settlements, the ongoing impact of the pandemic, demand for services and inflationary pressures upon the council;
- (b) noted that at this stage a forecast £37.389 million of savings are required to balance the 2023/24 budget;
- (c) noted the expected challenges in balancing the capital programme in light of increased cost of borrowing and construction price inflation;
- (d) agreed the savings included at Appendix 3 of the report to support MTFP(13) are consulted on;
- (e) noted the planned review of earmarked reserves and the need to replenish corporate reserves should these forecasts prevail; and
- (f) agreed the MTFP(13) consultation process as outlined in the report.

Concessionary Fares (ENCTS) Budget [Key Decision: REG/09/22]

Summary

The Cabinet considered a report of the Corporate Director of Regeneration, Economy and Growth which set out the proposal to redirect funding during 2023/24 to sustain public transport services, subject to annual review.

In March 2022, Cabinet was advised of the uncertainty of the continued Government support which had previously been offered through the pandemic support packages, which had sustained bus services during the reduced passenger numbers which were drastically reduced during the pandemic. At that time, Cabinet agreed additional support for financial year 2022/2023 for bus services in County Durham, this additional supported was delivered by redirecting funding from the ENCTS budget, which at that time was forecast to be under claimed by £1.934 million due to the reduction in passengers travelling.

At that time, it was envisaged that with an increasing return to more normal life, bus patronage would continue to recover closer to pre-pandemic levels. The current position however is that passenger numbers remain subdued and temporary Government financial support for the industry is set to end in October 2022. This report is therefore being presented in order to ensure bus services can be secured for 2023/24.

Against this backdrop, bus companies across our region are responding to the new patronage and financial position that they face. As a result, without intervention by the County Council, we currently expect cuts to bus services across the county of approaching 20% compared to the pre-pandemic network, which would impact directly on people accessing employment, education, and other essential services. The commercial cuts that have emerged to date have varied significantly across the County subject to patronage on different routes. Some places have seen a reduction in frequencies, others a loss of evening services, and a minority have seen entire services ceasing to be provided commercially. By contrast some communities have so far seen no change at all.

However, to mitigate the impacts, action has been taken by the County Council to support replacements for key services and parts of services, using the savings within the ENCTS budget in 2022/23. In reflecting the commercial context for the operation of bus services and the benefits of public transport to our communities, it is now necessary to determine medium term arrangements into 2023/2024.

Decision

The Cabinet agreed:

- a) that the forecast savings from the ENCTS budget to be redirected during 2023/24 to support bus services across the county, and subsequently reviewed annually;
- b) that the County Council transfer to the local bus services the revenue support to procure the previously commercial services, wherever resources allow;
- c) to delegate authority to the Corporate Director of Regeneration, Economy and Growth, in consultation with the Cabinet Portfolio Holder for Economy and Partnerships to finalise the service proposals.

Director of Public Health Annual Report 2022

Summary

The Cabinet considered a joint report of the Corporate Director of Adult and Health Services and the Director of Public Health County Durham which presented the 2022 Annual Report of the Director of Public Health for County Durham. One of the statutory requirements of Directors of Public Health under the Health & Social Care Act 2012 is to produce an annual report about the health of the local population. In addition, the local authority has a duty to publish the report.

Decision

The Cabinet agreed:

- a) to receive the Director of Public Health Annual Report 2022;
- b) to publish the annual report.

Road Safety Strategy 2022-2032

Summary

The Cabinet considered a report of the Corporate Director of Regeneration, Economy and Growth which sought approval to adopt a Road Safety Strategy 2022-2032 embedding a strategic partnership approach to engage with all road user groups to promote safer use on roads to better safeguard the county's road users.

The strategy was produced to assist in the coordination of all road safety related activities to assist in the aims and objectives of the County Durham Vision 2035 and the Safer Durham Plan 2025 and to establish a framework for the recording of all interventions that address casualty reduction and to provide partners with an annual performance plan linked to a County Durham and Darlington delivery plan.

Decision

The Cabinet noted the report and authorised the implementation of the new Road Safety Strategy.

Health and Wellbeing Board Annual Report 2021-22

Summary

The Cabinet considered a joint report of the Corporate Director of Adult and Health Services, the Corporate Director of Children and Young People's Services and the Director of Public Health which presented the Health and Wellbeing Board Annual Report 2021-22 for endorsement.

The annual report outlines the work carried out which has been led and supported by the HWB during 2021-22 which has impacted positively on the strategic priorities detailed in the Joint Health and Wellbeing Strategy 2021-25 (JHWS). The priorities, based on evidence from the Joint Strategic Needs Assessment (JSNA), informs partners planning, policy and commissioning decisions, which enables the council to continue to work to improve health and wellbeing services to all sections of the population countywide.

Decision

The Cabinet:

- (a) noted the work that has taken place in 2021-22 by the Health and Wellbeing Board;
- (b) endorsed the Health and Wellbeing Annual Report 2021-22.

Humanitarian Support in County Durham

Summary

The Cabinet considered a report of the Corporate Director of Neighbourhoods and Climate Change which provided an update on County Durham's support for vulnerable individuals and families under Government schemes to assist refugee resettlement, unaccompanied asylum-seeking children, Afghan resettlement and relocation programmes and the Homes for Ukraine Sponsorship Scheme and to confirm the Council's future approach.

Following significant developments globally and nationally, the county is now engaged in five different programmes delivering refugee and asylum support, some developed at speed in response to global emergencies. The Council's support structure has developed to provide capacity to deliver the increasing number of Government schemes, including two new programmes to assist individuals arriving from Afghanistan, the Homes for Ukraine sponsorship scheme, as well as the UK's global resettlement scheme which provides aid to the world's most vulnerable refugees and a national transfer scheme for unaccompanied asylum-seeking children (UASC).

The UK's asylum system is also under significant pressure, with thousands of asylum seekers in contingency accommodation, including hotels. As a result, earlier this year, the Government confirmed that all local authority areas in England, Scotland and Wales will be expected to participate in a new system of full dispersal to enable a move from hotels to less expensive, more suitable dispersed accommodation.

The scale and global challenge of providing appropriate humanitarian support to those in need is recognised and has recently been emphasised by the compassionate response of County Durham residents in offering refuge to individuals and families fleeing the war in Ukraine. The UK's response significantly increases pressures on local authorities and partners and work is ongoing within Government to assess the burdens being placed on areas. As migration and asylum programmes develop further in response to Government pressures and expectations, key decisions are required to confirm the Council's approach.

Decision

The Cabinet:

- (a) agreed the establishment of two partnership working groups; County Durham Migration and Cohesion Multi Agency Group, to act as the forum for asylum support in the county; and a Refugee and Resettlement Working Group, to focus on relevant programmes;
- (b) noted the challenges in providing placements for unaccompanied asylum seeking children, particularly given the increased threshold that the county could be requested to accommodate, and a reduction in the transfer deadline for unaccompanied children accommodated in hotels;
- (c) agreed expansion of the county's resettlement programme to accommodate three phases each year when capacity allows;
- (d) agreed that future phases of resettlement support should, where possible, continue to focus on working with social landlords and aim to resettle refugees in main towns;
- (e) agreed that the Council should not opt into the Afghan Find Your Own Accommodation pathway at this time;
- (f) agreed the introduction of a private sector incentive scheme for Homes for Ukraine arrivals, to reduce the impact on the Council's homeless service and overcome barriers in offering accommodation;
- (g) noted the update on Hong Kong British National (Overseas) status holders;

- (h) noted that Mears has commenced efforts to secure properties in County Durham to accommodate asylum seekers as part of the Government's efforts to disperse asylum seekers in a more proportionate way across the country;
- (i) agreed that the first priority for utilisation of the funding allocated to support the asylum accommodation programme should be targeted at developing the community and voluntary sector infrastructure to assist asylum seekers dispersed to accommodation in County Durham.

Helen Lynch
Head of Legal and Democratic Services
14 October 2022