Durham County Council

Corporate Overview and Scrutiny Management Board

Date	**Friday 1 September 2023**
Time	**9.30 am**
Venue	**Committee Room 2, County Hall, Durham**

Business

Part A

Items during which the Press and Public are welcome to attend. Members of the Public can ask questions with the Chair's agreement.

1. Apologies for Absence
2. Substitute Members
3. Minutes of the meeting held on 16 June 2023 and of the special meeting held on 28 June 2023 (Pages 3 - 26)
4. Declarations of Interest
5. RIPA Q1 2023/24 - Report of the Corporate Director of Resources (Pages 27 - 30)
6. 2022-23 General Fund Revenue and Capital Outturn - Report of the Corporate Director of Resources (Pages 31 - 88)
7. 2022-23 Q4 Resources Revenue and Capital Budget - Report of the Corporate Director of Resources (Pages 89 - 100)
8. 2023-24 Q1 Resources Revenue and Capital Budget - Report of the Corporate Director of Resources (Pages 101 - 112)
9. 2023-24 Q1 Chief Executive's Revenue and Capital Budget - Report of the Corporate Director of Resources (Pages 113 - 120)

10. Medium Term Financial Plan (14) 2024/25 -2027/28, Review of Local Council Tax Reduction Scheme and Council Tax Discretionary Discounts and Premiums Policy - 2022-23 Q4 Resources Revenue and Capital Budget - Report of the Corporate Director of Resources (Pages 121 - 206)

11. Such other business as, in the opinion of the Chair of the meeting, is of sufficient urgency to warrant consideration

Helen Lynch
Head of Legal and Democratic Services

County Hall
Durham
23 August 2023

To: **The Members of the Corporate Overview and Scrutiny Management Board**

Councillor R Crute (Chair)
Councillor C Lines (Vice-Chair)

Councillors V Andrews, A Batey, J Charlton, J Cosslett, B Coult, S Deinali, J Elmer, K Hawley, P Heaviside, L Hovvels, M Johnson, P Jopling, L Maddison, C Marshall, C Martin, J Miller, B Moist, E Peeke, A Reed, K Shaw, M Stead, A Sterling, A Surtees and R Yorke

Contact: Jackie Graham **Tel: 03000 269 704**

DURHAM COUNTY COUNCIL

At a Meeting of **Corporate Overview and Scrutiny Management Board** held in Committee Room 2, County Hall, Durham on **Friday 16 June 2023 at 9.30 am**

Present:

Councillor R Crute (Chair)

Members of the Committee:
Councillors V Andrews, A Batey, J Charlton, I Cochrane (Substitute), J Cosslett, B Coult, S Deinali, J Elmer, P Heaviside, L Hovvels, P Jopling, C Lines (Vice-Chair), C Marshall, C Martin, J Miller, B Moist, E Peeke (Substitute), A Reed, I Roberts (Substitute), K Shaw, M Stead, A Sterling and A Surtees

1 Apologies for Absence

Apologies for absence were received from Councillors K Hawley, J Howey, M Johnson, L Maddison and R Yorke

2 Substitute Members

Councillor I Cochrane for K Hawley, Councillor E Peeke for J Howey and Councillor I Roberts for M Johnson

3 Minutes

The Minutes of the meeting held on 3 April 2023 were agreed and signed by the Chair as a correct record.

4 Declarations of Interest

There were no declarations of interest.

5 Q4 2022-23 RIPA

The Board considered a report of the Head of Legal and Democratic Services which informed Members of the Council’s use of its powers under the Regulation of Investigatory Powers Act 2000 (RIPA) during the period 1 January 2023 to 31 March 2023 (for copy see file of Minutes).

Resolved:

(i) That the quarterly report on the Council's use of RIPA for the period covering quarter 4 2022/23, be received.

(ii) That the powers were being used consistently with the Council's policy and that the policy remained fit for purpose.

6 Digital Strategy

The Board received a report of the Corporate Director of Resources that presented the proposed new and updated Digital Strategy (for copy see file of Minutes).

The Head of Digital Services reported that this was a refresh of the digital strategy adopted in 2019 which had built upon those strong foundations and had adapted to the changing environment we worked and lived in and the developing needs of our communities. She went on to highlight the five digital themes that the strategy was structured around:

- Digital Customer
- Digital Council
- Digital Community

These themes would be supported by two enabling themes:

- Digital Collaboration
- Digital Inclusion

The Head of Digital Services said that this strategy would be regularly reviewed and supported by a delivery plan.

The Chair was pleased to see that this would be subject to review. He asked about the impact of people who did not have access to Wi-Fi, computers or access points. The Head of Digital Services explained that customer channels were more diverse and that there were wider opportunities available and confirmed that they were not closing down ways to contact the council.

Councillor Deinali referred to the digital switchover planned for 2025 and was concerned about those living in rural areas where they did not have connectivity through broadband. She was also concerned about elderly and more vulnerable residents accessing information and other services not addressed within the report. She asked if there were any measurable targets in how we would support these people. The Head of Digital Services explained that there was a national programme for the switchover and a working group had been set up within the council to look at the impact this would have on some customers. She advised that work was taking place in rural areas and although not all problems have been solved there had been some procurement discussions in relation to bandwidth. This area of work presented a significant challenge but officers were working hard on it, and she would take away these points to discuss at the working group.

The Chair asked if performance indicators would be included and was advised that this would be included in the Performance Management Framework.

Councillor Elmer asked what would happen to older people who felt reluctant to take on new technology or who lacked skills and was advised that the work around developing skills and offering support already took place. The Durham programme of works had set up a new partnership that focused on digital inclusion and how to support skills development. There would be collaboration on the digital theme and how to bring agencies together to support the individual.

Councillor Batey asked if there would be any additional resources to support residents in outreach/library/one-point settings and was advised that the areas being discussed was about maximising opportunities to wrap around what we already had.

Councillor Surtees was concerned for the deprived communities where access was an issue and would like to see strengthened community structure in community centres and for this to be added to the poverty agenda.

Councillor Coult asked if no longer used kits could be donated.

Councillor Sterling referred to access issues to broadband and asked if there was a process in place to negotiate on behalf of residents. The Head of Digital Strategy explained that this was not always in our control but would discuss with the Durham Digital Team who would be able to advise.

She thanked the members for their questions and comments and would take back to the group for discussion.

The Chair thanked the officer for her report and highlighted the importance of not leaving anyone behind as we progressed.

Resolved:
That the report be noted, and adoption of the new strategy be supported.

7 Q4 2022/23 Performance Management Report

The Board considered a report of the Corporate Director Resources which presented an overview of progress towards achieving the key outcomes of the council’s corporate performance framework and highlighted key messages to inform strategic priorities and work programmes for Quarter 4, January to March 2023 (for copy see file of Minutes).

The Corporate Policy and Performance Manager highlighted key messages around the five thematic areas within the Council Plan: our economy, our environment, our people, our communities and our council. Areas covered included engagement with business, major planning applications being determined, levelling up discussions, contamination campaign, adults social care, apprenticeship social workers, education, health and care plans, anti-social behaviour, fly-tipping, licensed premises, sickness absence and recruitment and retention.

The Chair asked members to focus any comments/questions to corporate issues.

Councillor Surtees referred to the local level apprenticeship levy transfer policy and asked about support for local business and would this be offered to volunteer groups. The Corporate Policy and Performance Manager would find out details around this and report back.

Councillor Elmer said that contaminated levels were going in the right direction and that waste management was positive on the whole. Referring to regional energy from waste facilities on carbon neutrality and carbon capture and storage he advised that carbon dioxide out of an incinerator was compressed and liquified and stored under the sea. He asked about the scale of operations and for a commitment from the council that we would liquify carbon dioxide and not use it in the oil and natural gas extraction process. He had already asked the Corporate Director to explore this with BP.

The Chair suggested that Councillor Elmer speak to the relevant Cabinet Portfolio Holder and this to feed into the national issues around fuel extraction.

With reference to safeguarding Councillor Miller said that referrals currently stood at 6-8 weeks and asked if there was a priority to reduce this and if so when. He asked about the three surveys completed in relation to dog fouling and asked what areas they covered and the justification for that. He also asked about selective licensing whereby 28% of properties were deemed good but did not cover empty homes. He said that empty homes were a problem and should be brought back into use.

Councillor Moist joined the meeting at 10.15 am.

The Corporate Policy and Performance Manager explained that needed to be a deep dive into the data around safeguarding but would feed those points back to the service. With regards to the dog fouling surveys carried out he believed that it was a random sample to the areas selected but would ensure that the service circulate the national methodology used to members of the committee.

Councillor Deinali also mentioned the level of Education, Health and Care Plans (EHCPs) that were 71% higher than last year and asked that this be looked at in more detail to see if there were any related cases in areas of deprivation, the impact and demand in schools and what support was available to families while waiting to be assessed. The Corporate Policy and Performance Manager reported that this was the subject of a deep dive at the moment. The relationship between EHCPs and deprivation levels was being examined as part of this study. Councillor Deinali's comments would be fed back to the service.

Councillor Marshall said that the impact of Brexit and other challenges affecting the finances and the ability to deliver should be included within the report. How this was affecting the local economy and the decisions made on the capital programme should have a deeper dive and he asked that big hit items were put in the report.

With regards to safeguarding Councillor Hovvels was concerned about the rise in number and the assessment time. She went on to ask how many empty properties the council owned and also what the latest figures are regarding support provided to refugees from Ukraine. She was aware that the number of sponsors had dropped for families of refugees and there had been a reduction in funding. She asked how this money was still being spent and operated in order to support these families. The Corporate Policy and Performance Manager would ask the service to provide Councillor Hovvels the latest status report on the Ukrainian support schemes.

Referring to paragraph 49 of the report on empty properties Councillor Shaw asked for some context around this figure and which areas required attention and if those numbers were going up or down. He had concerns about the resources in place for the selective licensing scheme to be delivered and asked how many people had been prosecuted under the powers. Moving on to leisure centres he was concerned that visitor numbers were under target and asked for an update on works at Seaham and when this was expected to be open. This would be reported back.

The Chair advised that the leisure centres were on the work programmes for Environment and Economy OSCs and the transformation programme will be looked at.

Councillor Peeke was concerned about the number of people leaving the workplace within two years but asked if the remaining 80% of the workforce had been contacted to find out why they were staying. The Corporate Policy and Performance Manager explained that the information was available in the Staff Wellbeing Survey and the exit interviews were reviewed for those staff leaving the authority in a short space of time to identify the reasons. He advised that wellbeing was on the work programme.

With regards to EHCPs and SEND Councillor Batey said that young people who had experienced COVID symptoms had ended up with some vitamin deficiencies and attainment at school had decreased. She asked if the data could be looked at to see if there was any linkage.

Resolved:
That the content of the report be noted.

8 Q4 2022/23 Customer Feedback Report

The Board considered a report of the Corporate Director Resources which provided an overview of the wide range of information collected from our customers that describe their experiences of using our services, covering performance in quarter 4 2022/23 for the period January to March 2023 (for copy see file of Minutes).

The Head of Transactional and Customer Services reported that 2022/23 had been a challenging year with the cost of living crisis and increases in inflation which had impacted our residents and increased demand for services. She informed the Board that telephone contacts had risen by 5%, digital by 21% whilst face to face contact had continued to decline.

The Head of Transactional and Customer Services highlighted that 81% of customers were satisfied with overall service delivery. To continue to enhance service delivery she went on to explain about the introduction of Chatbot and 'what3words'. Customer satisfaction surveys had also been tested via text message.

Councillor Elmer asked if there was a poorer performance when people rang in rather than talking to a person. The Head of Transactional and Customer Services said that they were looking at how to receive feedback from the telephone callers as unless logged on the CRM this may not happen at present. One way to try and capture this was the text messaging previously referred to, and she was looking at other ways in which to engage with people to give a more holistic view.

Resolved:
That the content of the report be noted.

9 Overview and Scrutiny Annual Report 2022-23

The Board considered a report of the Corporate Director of Resources that presented the Overview and Scrutiny Annual report 2022/23 for comment and approval prior to submission to the County Council meeting in July 2023 (for copy see file of Minutes).

The Democratic Services Manager informed the Board that the report reflected and looked back on areas of scrutiny activity over the past year, whilst also setting out potential areas of activity moving forward in this coming year without prejudice. He added that a six-monthly update of scrutiny activity, due in January 2024, was also produced.

Members were advised that areas of activity within the Annual Report included a focus on partnership and policy development working and improving our role in developing emerging policies from a Council perspective. It was also recognised that Scrutiny's influence could be seen in the budget setting process, through policy development, performance monitoring and the drive for continuous service improvement.

The Democratic Services Manager explained that through the Board and the thematic committees, a wide range of topics had been subject to scrutiny, including County Durham GP Appointments and Access, Home to School Transport Services, Inclusive Economic Strategy, Ecological Emergency, Fly-tipping, Road Safety and Open Water Safety. More significantly last year there was an extended role in considering options for efficiencies and income generation opportunities with service area to support the budget. That deeper dive led to a number of recommendations put forward by Scrutiny to Cabinet earlier this year. He went on to advise that the annual report also focused on the key priority areas to move forward, aligning with the Council Plan, the Cabinet's Forward Plan of key decisions, the County Durham Vision 2035, partnership plans and strategies, performance management and were reflected in the various refresh of the work programmes.

The report also summarised the contributions made regionally through the North East Regional Employers Organisation Network where work programmes and priorities were shared and emerging issues that impacted across local authority boundaries and also the North East Combined Authority through its Overview and Scrutiny Committee and Joint Transport Overview and Scrutiny Committee were considered. Finally, at a regional level it was important to highlight the collaborative work around health scrutiny to ensure that the impact of changes to health services across local authority boundaries did not adversely impact upon residents of County Durham and more recently the emergence of the North East and North Cumbria Integrated Care system and associated integrated care partnerships had resulted in the establishment of two Integrated Care Systems/ Integrated Care Partnerships Overview and Scrutiny Committees within the region.

Councillor Deinali asked for some clarity for COSMB in relation to Cabinet and how decisions could be called in and what actions could be taken. The Democratic Services Manager explained of the process to follow.

Resolved:
That the report be noted, and be submitted to the County Council meeting in September 2023.

10 COSMB Refresh of Work Programme 2023/24

The Board received a report of the Corporate Director of Resources that provided an updated work programme for 2023/2024.

The Democratic Services Manager reported that the work programme had been framed around the shared County Durham Vision 2035 and based on the three strategic ambitions:

- More and better jobs
- Long and independent lives; and
- Connected communities.

He went on to advise that the work programme reflected the fourth ambition which captured our corporate initiatives and ambition to be an excellent council. The report set out the level of scrutiny activity within the remit of this Board for the past year and provided a draft programme of items coming forward for 2023/2024 including the HQ and Accommodation Strategy, Digital Solutions, staff wellbeing, devolution and the County Durham Pound. The work programme allowed for an element of flexibility to ensure that scrutiny could respond to any emerging issues and policy changes.

Councillor Marshall commented that information in the capital programme that dealt with town and villages funding, leisure transformation, highways works, was not available to non-Cabinet members but was important to the communities that members served. He expressed concern that there had been a lack of delivery over the last two years and would like to see a report to COSMB on a bi-monthly basis to give an update on the capital programme and when projects would be delivered. He believed COSMB should monitor the capital programme.

The Chair agreed that some elements were included in the individual work programmes as part of the MTFP.

Councillor Elmer commented that if the Council were spending money they should make sure the project was delivered.

Councillor Martin agreed that it was a good idea to have a deep dive and asked the Chair to outline his vision on how to scrutinise the MTFP.

The Chair said that individual OSCs would feed into the MTFP but that in his opinion scrutiny do not make cuts as it was up to the Executive to do that and for scrutiny to scrutinise those decisions.

Councillor Moist stated that some Cabinet decisions were made without any timeline or plan, for example the Leisure Transformation Programme. The new Leisure Centre proposals were made in 2020 and nothing had changed since then for Chester-le-Street. He asked that if projects were not going to be delivered then an explanation as to why would be expected.

Councillor Batey said that it would be helpful for scrutiny to know what consultations were taking place and timescales for reports coming back. She referred to results for a consultation that ended in January still not being published and asked that scrutiny had the opportunity to scrutinise before being published externally.

The Chair said that it was important to keep internal communication with officers and referred to the CRM spreadsheet that members could access to track progress. He said that it was often difficult to do that now. As the new CRM pilot was progressed how asked that there was guidance on how that should be done going forward.

Councillor Cosslett said that it had been frustrating for him to try and get a response from officers as he could not give residents an answer.

Councillor Elmer agreed and said that there was no reasoning behind the delays in receiving a response.

Councillor Martin pointed out that there was a member/officer protocol which should perhaps be strengthened.

The Democratic Services Manager said that the new CRM system would be rolled out to all councillors and in a recent Constitution Working Group report the process behind bringing that system in place and the resource implications had been discussed. He would take on the wider concerns and feed those back to the Head of Legal and Democratic Services.

Resolved:
That the report be noted.

11 Update in relation to Petitions

The Board considered a report of the Head of Legal and Democratic Services which provided for information the quarterly update in relation to the current situation regarding various petitions received by the Authority (for copy see file of Minutes).

The Democratic Services Manager advised that the schedule provided a list of those petitions that were active, and those that were to be closed and which would be removed from the list prior to the next update.

Since the last update one new e-petition had been submitted but was rejected as other procedures applied. Two e-petitions were currently ongoing and collecting signatures via the website. One new paper petition had been submitted and awaiting a response from the service. The schedule provided a list of those petitions that were active, and those that were to be closed which would be removed from the list prior to the next update.

Resolved:
That the report be noted.

12 Notice of Key Decisions

The Board considered a report of the Head of Legal and Democratic Services which listed key decisions which were scheduled to be considered by the Executive.

The Democratic Services Manager advised that new to the plan were the following:

- Customer Access Point Service Offer Reduction Proposals
- Review of the Local Council Tax Reduction Scheme 2024/25
- Office Accommodation Strategy Update (exempt report)

The Chair asked that the rules around call-in were circulated to the board for information.

Councillor Marshall referred to the accommodation strategy and asked if there were any immediate plans for Plot C and asked about costs for Plot D, the main civic and office space. He asked if a report could come to COSMB in September.

Resolved:
That the content of the report be noted.

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DURHAM COUNTY COUNCIL

At a Meeting of **Corporate Overview and Scrutiny Management Board** held in Committee Room 1A , County Hall, Durham on **Wednesday 28 June 2023 at 9.30 am**

Present:

Councillor R Crute (Chair)

Members of the Committee:
Councillors V Andrews, A Batey, J Cosslett, B Coult, S Deinali, K Hawley, P Heaviside, L Hovvels, M Johnson, P Jopling, C Lines (Vice-Chair), C Marshall, C Martin, J Miller, E Peeke, A Reed, K Robson (Substitute), K Shaw, M Stead, A Sterling, A Surtees and R Yorke

Also in attendance:
Councillor R Bell, T Henderson, E Scott and M Wilkes.

1 Apologies for Absence

Apologies for absence were received from Councillors J Charlton and B Moist.

2 Substitute Members

Councillor K Robson for Councillor J Charlton.

3 Declarations of Interest

There were no declarations of interest.

4 Home to School Transport Services - Consultation Outcomes - Request for Call-in

The Board were informed that a request for call-in on the Home to School Transport Services – Consultation Outcomes had been agreed by the Chair of Corporate Overview and Scrutiny Management Board. The statement of request for call-in, the executive decisions of 14 June 2023, the Cabinet report of 14 June 2023 and the procedure for call-in were circulated (for copy see file of minutes).

The Chair invited one of the members who had requested the call-in to explain their reasons for the request and what they felt should be reviewed.

Councillor Miller explained that the £2 per day, per child, would have a massive impact on families who were already struggling. Those living in more rural areas where footpaths were inappropriate and unsafe would suffer and public transport was less reliable with routes being cut. Buses would often run late or not at all. He added that Cabinet had not considered the wellbeing of families across the whole county.

The Chair stated that as this issue had a countywide impact and therefore affected all members he would move to the next step of the procedure and ask the Cabinet Portfolio Holder to respond.

Councillor Henderson, Cabinet Portfolio Holder for Children and Young People's Services said that Cabinet were concerned and aware that this was a big issue affecting families. There had been a huge rise in costs and fuel had gone up a lot in the last 12-18 months which affected what we were paying out. He added that there would still be free travel for those children that needed it and that they would not expect a child to walk or cycle to school along an unsafe route.

Councillor Scott, Cabinet Portfolio Holder for Economy and Partnerships explained that to alleviate the rise in costs Cabinet had reduced the proposed £2.80 fare in line with Go North East, to £2. This would be in line with the £1 per journey for all under 20 year olds. She appreciated that it was not an ideal scenario and an emotive area of concern. Children with a disability or special educational needs would still be eligible for transport however it should be noted that the mode of transport may change. The consultation had referenced active travel modes as an option for accessing schools and that 56% of respondents supported this approach with 20% disagreeing. Making routes safer would be looked at and would help to empower young people to take journeys as independent young people. Councillor Scott added that these changes would be kept under constant review and would be based on the needs of the child. She explained that individualised transport for children with SEND was not an entitlement and that shared transport for this group was common prior to COVID however each child would be assessed according to their individual needs.

The Chair highlighted that most of the Cabinet decisions recommended further consultation and engagement and he looked forward to reports coming back to Cabinet and scrutiny on these issues.

Councillor R Bell, Deputy Leader and Portfolio Holder for Finance gave some financial context to the decision. He referred to the July Cabinet report on the Medium Term Financial Plan(14) which gave an update on the budgetary position. He indicated that the Council was facing a budget deficit over the life of MTFP 14 of £56m of which £12.1m fell in 2024/25. Children and Young People's Services had an overspend on their budget every year due to the increase in looked after children, social care issues and home to school transport. In 2022/23 the overspend doubled over a four year period to £22 million, and additional increase had also been forecast for 2023/24 taking the total to £29.1 million. Diesel costs had gone up to 139p per litre and the sums were unsustainable. Councillor Bell said that the provision was generous compared to that of the statutory provision and in similar local authority areas.

The Chair thanked the portfolio holders and invited the Corporate Director of Children and Young People's Services to provide some background and context to the report.

The Corporate Director of Children and Young People's Services explained that a review of Home to School Transport was undertaken in 2021 to better understand the increase in those accessing transport and the escalation of take up and cost during COVID. The long term and financial sustainability was looked at in more detail highlighting any issues in terms of equity and mainstream travel options. Free entitlements for school children across the county would still be available for those meeting the criteria and the Council looked at how to develop children to make them more independent, be in a social environment and prepare them for adulthood. He went on to advise that the key components of the review were financial, the inequitable nature of the charging arrangements, and the need to focus on children's development to transport to school and the way we did it. There was a statutory duty on the Local Authority to provide Home to School Transport to children who met circumstances prescribed in legislation and distance and eligibility formed part of that model. The consultation process had been extended for a 6 week period rather than the statutory 4 week period and multiple channels were covered. He referred to the June Cabinet report which set out all of the detail and responses received. Children and Young People's Overview and Scrutiny Committee had been provided with the opportunity to comment on the consultation response and their response was included with the papers. The Corporate Director went on to explain that 253 schools did not have the opportunity to be subsidised through a concessionary scheme that highlighted the inequity across the county.

Moving on to unsafe walking routes the Corporate Director explained that there was a cohort of children who receive free transport as the route to school is deemed an unsafe walking route. Where possible capital investments would be made to routes to make them safe. However, if the route remained unsafe transport would still be provided. A report would come back to Cabinet about the concessionary scheme as further work would need to be undertaken to look at the inequity of the scheme across the county.

The development of the young person moving to secondary school was another important point and the Corporate Director said that he was keen to introduce pick up points across the county to promote independent travel and give valuable skills for life. He added that this could add a financial benefit as we invested in our young people for the future. Although he recognised the complexities around this proposal he referred members to the recommendations in the Cabinet report.

The Chair thanked the Corporate Director and asked members of the board for comment/questions.

Councillor Surtees referred to the consultation results and the percentage in agreement with the proposals and was concerned by the results. 324 people had responded with children which was less than a 5% response rate and she had concerns that a review to change this policy was being made by such a small percentage. She was concerned about the affected families as not only did they have to contend with a rise in travel but also in school dinner costs and we should not push our need to make savings onto the community.

Councillor Hovvels recognised that we lived in a diverse county but was concerned about those rural villages with transport issues and asked had a rural impact assessment been carried out.

Councillor Coult was supportive of the travel hubs trial to pick up children at certain points on their way to school which would give children the opportunity to become more independent. She believed this would benefit a lot of children but those children who still needed extra support would be supported and she agreed with the recommendations Cabinet had made.

In response the Corporate Director advised that 450 pupils would be affected and he believed that the consultation was robust on two key issues and that it was not right to say that only a small number responded. He confirmed that an impact assessment had been carried out. The 450 children who received concessionary transport attended 4 schools in the county which were all in urban areas. 262 schools operated different arrangements and the council needed to provide a more equitable way of providing transport at a subsidised rate.

Councillor Jopling said that no one wanted children to be disadvantaged but that members needed to look at the overall picture and get back to normality after COVID. She liked the idea of pick up points and how this would help with climate change and the targets required to be met and how unsafe walking routes would be looked at as no one would allow a child to walk along an unsafe route. With regards to the consultation she was not surprised at the number of respondents. She said that the council needed to be cost effective and use money wisely and these changes resulted in an increase of 37 pence per day and for those who still need help it would be there.

Councillor Peeke said that consultation had been circulated to every resident and school and shows that we should have had more replies. She believed that we gave over and above and help people in smaller villages by introducing these pick up points.

Councillor Miller referred to the Corporate Director stating 4 mainstream schools and asked which schools they were. He mentioned that 400 children were going to these mainstream schools and asked where they were living. He also asked how children would get to the pick up points mentioned. In response the Corporate Director said that mapping had been carried out and all live within walking distance. It had been agreed to run a small scale trail for the pick-up points to a special school and had been discussed with the school and parents. The 4 schools mentioned were Belmont, Durham Johnston, Shotton Hall and Easington.

Councillor Scott said that Cabinet had deliberated and had not underestimated the financial impact to families of the proposals but that the council did not have an infinite amount of money. She added that being equitable was paramount and that they had not underestimated the difficulty which was why the fares were not matched and a reduced fare was being proposed.

Councillor Reed explained that Home to School Transport had been discussed at Children and Young People's Overview and Scrutiny Committee in 2021 before going out to consultation. The costs and overspend had been considered and following the results of the consultation a reduction to the proposed £2.80 fare had been reduced to £2. Those children with over 2 miles to primary school and 3 miles to secondary school would still be eligible for transport. She referred to a bag of chips being £1.85 and that she would rather pay for travel than that. She had worked in the children and young people sector for a number of years and was aware of the stigma around single point pick up to transport children to school, however recognised that where there was a need this would still be provided based on the individual needs. Public transport had always been used as a way to get to school and was an opportunity for young people to gain independence. She agreed that Cabinet had made the right decision.

The Chair commented that public transport had changed over the years in certain wards.

Councillor Andrews referenced a Government report into Child absences from school which had identified the region as the worst in the country and she had concerns that any increase in costs could result in more absences. She suggested that the overspends being experienced by the Council could be as a result of year on year underfunding by Government..

Councillor Stead asked why he was here today at the meeting as could not understand why this had been called in. He thanked the Corporate Director for answering all questions and had read the report so asked if the people who had signed the call-in letter had read it beforehand. He said that no alarm bells had been raised at Children and Young People's Overview and Scrutiny Committee and that there would be monitoring throughout and a trial pick up scheme. He had worked with the North East Autism Society for a number of years and understood how home to school transport worked and could not foresee a problem with shared buses. He believed the letter was a red letter signed by members who were hitting the button.

The Chair said that this process was about accountability and that members had concerns so had the right to call it in.

Councillor Hovvels said that she knew exactly why she had signed the letter as was aware of a family who had 3 children who would have an increased cost to transport her children to school. She felt very strongly about this issue.

Councillor Stead asked how the procurement process was carried out for home to school transport as everyone has had an increase in fuel costs but that there seemed to be some disparities across the county. He supported the consultation numbers as felt they were good but was concerned about the procurement process.

Councillor Batey stood by her decision to 'hit the button' and confirmed that she was using scrutiny in the right way. She added to the debate by saying that it was not just about the £2 per day costs but also about looking at parental choice. In her ward the nearest secondary school was in the Gateshead ward and she would prefer if residents had a choice of a County Durham school but transport was an issue with a cost implication. She asked if parents would choose to send their children to Durham Johnston, Belmont, Shotton Hall and Easington if they understood the transport implications. With regards to school transport she said that it had been shown that people were using public transport rather than designated school transport.

Councillor Scott said that she welcomed parental choice and that the current home to school transport policy was not serving the wider residents across the county.

The Corporate Director explained that procurement workstreams were detailed in the report and had been led by the Head of Procurement. The allocation of school places was carried out in line with the School Admissions Code and parental preference was applied. He added that the report was clear in terms of responsibility and methodology used in how we transported children to school.

Councillor Marshall disagreed with the views of the Corporate Director as there was a big problem with transport. He believed that cost had been looked at in isolation and access to services and that the wider transport issue should be looked into. Child poverty levels were the highest on record due to national political decisions and that placed more burdens on families already in crisis. He said that there was inequality across the county and that the report does not pick up on that. He asked that individual children's circumstances were looked at and how this was impacting their families. He said that this was a 'blue sky' way of looking at resources and felt that Cabinet had it wrong by bottoming out inequality. He asked that they looked at this again and considered the inequality, the isolated communities and poverty and not pushing the fees and charges onto these communities to combat financial pressures. He felt that the Council were creating a Ryanair Council in that if you could afford a better service then you would get one.

Councillor Scott clarified that she had been talking about equity and not equality.

Councillor Hawley said that a lot of money had been spent on the consultation and asked if we were using this in the right way.

Councillor Sterling said that the council went above and beyond the statutory provision in respect of Home to School transport by looking after families but was concerned about the rising costs. She asked if local companies were being used through the procurement process and the County Durham Pound ethos was promoted.

The Corporate Director said that 253 school did not access the scheme at present and it was about making sure any future scheme was equitable across the whole county. With regards to the consultation he advised that we went beyond the statutory duties with the extended consultation period. Referring to free school transport he advised that all children who were eligible would still receive it and that this has been looked at in detail. He believed the consultation response was reasonable and that it had gone beyond the statutory guidance. He confirmed that there were interactions with public transport and the bus network but that not all changes in public transport could be mitigated. In terms of procurement he would feed back the comments made to the Head of Procurement. He understood that there were not only increases to fuel but also issues with the availability of drivers and other workforce issues.

Councillor Heaviside was concerned at how far some children had to travel and when schools were over subscribed they had to travel into Sunderland area. He welcomed the review of single use taxis and looking at unsafe walking routes. He understood that those families who required help and support would still receive it but was concerned about those families who did not meet the threshold but were still struggling financially.

Councillor Yorke commented that all departments were under pressure and he understood the need to set a balanced budget but was more concerned about those families who were the poorest in society. He said we should concentrate on residents and families and asked what would be done to increase the extended school transport grant.

Councillor Robson said that he received many complaints on a regular basis in a deprived area but that not one was about this issue. He asked if all the people who had signed the letters were Labour members.

The Chair confirmed that other members had signed the letter, not just Labour members.

Councillor Deinali said that those families on low income would suffer the most. She asked if there had been any impact on attendance so far or had any problems been predicted in the near future because of these proposed changes. With regards to savings she asked if any consideration had been given to supporting families with mental health, health and wellbeing and those struggling with food and transport. She asked if Cabinet had considered families being able to manage their own budgets and if they had the right skills to do so. Some families had mobility cars but may have had multiple children with more complex needs that need transporting children to school in different ways, and asked Cabinet to consider the impact that this had.

Councillor Jopling said that procurement had been carried out and that as a council a balanced budget needed to be set. She did agree that we should come back to scrutiny every time there was a small increase and did not feel that it met the criteria for call in. The Head of Legal and Democratic Services clarified that the decision was made by the Chair of Corporate Overview and Scrutiny Management Board, not officers.

Councillor Jopling further commented that she believed the report to be balanced and fair and officers had done their best. She added that the most vulnerable would be looked after and that further scrutiny would be carried out.

The Chair indicated that this was the first call-in for many years and with circumstances changes the council's ability to re-act and pick up the pieces had to be prioritised. He asked the Corporate Director and portfolio holders for any final comments.

The Corporate Director said that extended grants formed a small part of the overall budget and did involve lobbying the County Council's Network with every council being affected. He advised that a lot of money had been spent on concessionary travel and the overall position would save a significant amount. With regards to attendance, he stated that there was no evidence to support a drop in numbers but that this would be monitored. He added that the vast majority of schools did not receive wrap around support but that individual cases were looked at. With regards to mobility cars the statutory guidance as clear that this could not be taken into account in the decision making process.

Councillor Scott asked members to look at the whole paper as this was not just about savings but also about promoting independence and developing skills. She understood the unfairness in the system but welcomed the opportunity to clear up any misunderstandings at this meeting.

Councillor Henderson had listened to the conversations in this meeting and pointed out that children would meet at a pick up point, which already happened in his area and worked well. For those families that needed support this would still be provided and that all children would be transported to school. He said that the council had no control over public transport or the costs of fuel going up. He said his main concern was that all children could get to school in the safest way possible, with free transport when required.

Councillor Bell had nothing further to add.

Councillor Martin said that call-in was about the process of why Cabinet had come to a decision and that it had been done in the correct manner, not necessarily the decision itself. He asked that the members who had requested call-in come up with some alternatives to be considered. He suggested that Children and Young People's Services Overview and Scrutiny Committee be tasked with looking more closely at some of the issues raised.

The Chair pointed out that the reason for call-in was about the decision and the consultation process and about what this management board did next.

Councillor Deinali said that a lot of things in terms of the numbers had been looked at but the long term costs and the impact of that and the impact on families should be considered. Low earning families and those who had children with additional needs should be considered and this as this specific decision impacted the whole of the county then the whole council should have the opportunity to debate it. Cllr Deinali suggested that the following areas should be subject to this further debate including:-

i) Whether to undertake a detailed review of the procurement of Home to School transport provision to establish the potential to reduce budget costs before any changes to the existing scheme are made;

ii) To undertake a full review of the sustainability of the Home to School Transport services budget in the medium to long term;

iii) To consider that the proposed increase in the charge for the Standard and Maintained Concessionary scheme to £2.00 will place additional pressures to families who are already facing severe financial pressures under the current cost of living crisis;

iv) To consider that the proposals will adversely impact on those more disadvantaged areas of the County, especially rural areas where public transport services are already being reduced or in some cases removed;

v) To fully examine and identify the impact of the proposals on those children with complex and Special Educational Needs and Disabilities.

Councillor Miller seconded Cllr Deinali’s recommendation.

Councillor Martin said that it would be more helpful to have a COSMB sub group look at this and that the statement of a £2 uplift was factually incorrect.

Councillor Stead seconded Cllr Martin’s recommendation..

The Head of Legal and Democratic Services clarified that full Council could debate the matter but had no powers to overturn or make a different decision to Cabinet. If Council disagreed with the decision, it could only refer the matter back to the Executive for re-consideration.

Upon taking a vote to debate at full Council:

12 members were in favour and 10 against.

Resolved that the Cabinet decision taken on 14 July 2023 in respect of Home to School Transport Services – Consultation Outcomes be referred to full Council for further consideration.

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Corporate Overview and Scrutiny Management Board

01 September 2023

Report on the Council's use of powers under the Regulation of Investigatory Powers Act 2000 - Quarter 1 - 2023/24

Report of Helen Lynch, Head of Legal and Democratic Services

Purpose of the Report

1. To inform members about the Council's use of powers under the Regulation of Investigatory Powers Act 2000 ('RIPA') during the period 01 April 2023 and 30 June 2023 (quarter 1) to ensure that it is being used consistently with the Council's policy and that the policy remains fit for purpose.

Executive summary

2. This report provides an update of the activity for quarter 1 of 2023/24 for Durham County Council in exercising its use of powers under RIPA for Directed Surveillance (DS) and Covert Human Intelligence Surveillance (CHIS).

3. The Council's Senior Responsible Officer is satisfied that the Council's use of its powers under RIPA during quarter 1 is consistent with the Council's policy and that the policy remains fit for purpose.

Recommendation

4. It is recommended that Members:

    i. Receive the quarterly report on the Council's use of RIPA for the period covering quarter 1 2023/24.

    ii. Resolve that the powers are being used consistently with the Council's policy and that the policy remains fit for purpose.

Background

5. The Regulation of Investigatory Powers Act 2000 (RIPA) enables local authorities to carry out certain types of surveillance activity provided that specified procedures are followed.

6. Directed surveillance is covert surveillance that is not intrusive and is carried out in relation to a specific investigation or operation in such a manner as is likely to result in the obtaining of private information about any person (other than by way of an immediate response to events or circumstances such that it is not reasonably practicable to seek authorisation under the 2000 Act).

7. The Local Authority is able to rely upon the information obtained from those surveillance activities within court proceedings.

8. This report gives details of RIPA applications that have been authorised during the quarter 1.

Quarter 1 Activity

9 During quarter 1 there were two applications for directed surveillance and one CHIS application presented to the Court.

10 The two applications for directed surveillance were part of an operation relating to the sale of illicit tobacco products. The operation included ten premises. As a result of the surveillance operations, the service is considering two licence reviews, issuing four warnings and four potential prosecutions.

11 The CHIS authorisation was also in relation to the sale of illicit tobacco products. Whilst the authorisation has now been cancelled with all premises on the schedule visited, the investigation is still ongoing. Enforcement action has been taken against those subjected to the authorisation, the outcomes of which will be presented to COSMB at a later date.

12 For information the comparison for the previous year in quarter 1, there were no directed surveillance or CHIS authorisations.

Background papers

- None.

Contact: Lauren Smith Tel: 03000 267870

Appendix 1 - Implications

Legal Implications
The Council's objective is to make lawful and appropriate use of surveillance techniques where required whilst complying with the provisions of the Human Rights Act 1998, in particular the provisions of Article 8 of the ECHR securing respect for an individual's (qualified) right to privacy. Quarterly oversight by the board helps secure this objective.

Finance
Not applicable.

Consultation
Not applicable.

Equality and Diversity / Public Sector Equality Duty
Not applicable.

Climate Change
Not applicable.

Human Rights
Use of investigatory powers potentially engages the Human Rights Act 1998 and in particular the qualified right to private and family life under article 8 of the European Convention. This right may only be interfered with in circumstances where it is necessary and proportionate to do so in pursuit of the public interest. Oversight by the Board of the Council's RIPA operations is designed to facilitate compliance with the Human Rights Act.

Crime and Disorder
The appropriate use of an oversight of RIPA powers will enable the Council to provide evidence to support appropriate prosecutions and tackle crime.

Staffing
Not applicable.

Accommodation
Not applicable.

Risk
An individual may complain to Investigatory Powers Tribunal that surveillance has been unlawful and if found to be unlawful could result in financial penalties and reputational damage.

Procurement

Not applicable.

Cabinet

12 July 2023

2022/23 Final Outturn for the General Fund and Collection Fund

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 information on the:

(a) final revenue and capital outturn for the General Fund for 2022/23;

(b) final outturn for the Council's Council Tax and Business Rates Collection Fund for 2022/23;

(c) use of and contributions to earmarked, cash limit and general reserves in year and at year end together with the closing position regarding balances held at 31 March 2023; and

(d) achievement of Medium Term Financial Plan (MTFP) (12) savings targets in 2022/23.

Executive summary

2 During the last two financial years the council has faced unprecedented budget pressures as a consequence of the Covid-19 pandemic. Across that period the government provided significant additional funding to local authorities to ensure they were able to respond to and manage the financial challenges faced.

3 In County Durham, the funding received more than offset the costs incurred, net of Covid-19 related underspending, over the last two

years, but no further funding is available to the council to offset any legacy impacts arising from the pandemic.

4 In 2022/23 the council has faced further financial challenges, mainly resulting from the impact of the Ukraine conflict. Consumer Price Index inflation (CPI) in the UK economy peaked at 11.1% during 2022/23 and this has driven significant upward pressure across a range of expenditure budgets. Some specific areas of council spending have exceeded the in year CPI level, especially in relation to energy, fuel, and external contracts where energy and fuel are a major factor, such as waste disposal and home to school transport budgets.

5 During 2022/23 the Government announced the Energy Bill Relief Scheme to cap energy costs for households and businesses across the winter period (October 2022 to March 2023). The North East Purchasing Organisation (NEPO) provided regular updates throughout the year on energy purchasing strategies, which sought to provide secure energy at the most cost effective price.

6 The impact of escalating inflation, which also impacted household incomes, was recognised during the 2021/22 final outturn. At that time a £10 million earmarked budget support reserve was created to contribute to the high inflationary costs expected during 2022/23, which had manifest after the 2022/23 budget had been set.

7 The price fluctuation in the energy and fuel markets has been significant and complex across the year. There have been a series of bank interest rate changes (increases) across the year as the Government has sought to curb inflation. It is not clear at this stage when the volatility being experienced will fully dissipate, though the Chancellor of the Exchequer has set out that he expects CPI to steadily fall during 2023/24.

8 The Local Government Employers offer of £1,925 flat rate increase to ‘Green Book’ employees (covering the vast majority of council employees) was accepted on 1 November 2022. The increase equated to a 6.6% increase in the council’s 2022/23 pay budget, with those employees on the lowest grade receiving a 10.55% increase to keep parity with the National living Wage increase that was forecast for April 2023. After taking into consideration in year vacancies, this added circa £6.5 million to council costs in 2022/23 as the pay award was greater than the 3.25% budget provision.

9 The change in Government policy regarding the National Insurance and the Health and Social Care Levy announced during 2022/23 equated to an in year saving of circa £0.7 million.

10 Throughout the year it has been difficult to accurately forecast the outturn position for 2022/23 and a wide range of assumptions (as a

result of inflation uncertainty) were applied in formulating the in year quarterly forecast reports in relation to both expenditure and income.

11 In 2022/23 service grouping budgets overspent by £31.850 million. A sum of £7.294 million was specifically available in general contingencies to cover the forecast cost of the pay award resulting in a gross overspend across all service budgets of £24.556 million.

12 The inflationary pressures in relation in energy, waste disposal and transport, along with the shortfall on the pay award have been funded corporately and have been treated as outside of service cash limit budgets. The net inflationary costs covered corporately have totalled £9.530 million. In addition, other items funded as outside services cash limits or by earmarked reserves totalled a net £1.894 million, resulting in a net service year end cash limit overspend of £13.132 million for 2022/23

13 The recurrent inflationary pressures impacting upon the 2022/23 budget were taken into consideration within the 2023/24 Revenue Budget and MTFP (13) approved by Council on 22 February 2023, but the position will need to be kept under review as part of the 2023/24 in year monitoring process.

14 The MTFP (13) report to Council on 22 February 2023 highlighted further ongoing budget concerns for the council with a forecast savings shortfall of £23.177 million over the 2023/24 to 2026/27 period, and the delivery of further savings becoming ever more challenging to achieve. A separate report on the agenda today seeks to update those forecasts across the period 2023/24 to 2027/28.

15 The net service grouping cash limit overspend of £13.132 million includes an overspend within the Children and Young People's Services of £14.252 million. This service does not have a cash limit reserve to offset this overspend, so in line with previous practice, this overspend have been financed from the General Reserve at year end.

16 After taking into account movement within other corporate budgets and full utilisation of the £10 million budget support reserve, the council's budget has overspent by £5.366 million in 2022/23 representing 1.05% of the net expenditure budget of £510.986 million.

17 Total earmarked and cash limit reserves (excluding school reserves) reduced by a net £38.991 million in 2022/23, from £235,529 million at 31 March 2022 to £196.538 million at 31 March 2023.

18 At quarter three, members will recall approving transfers between earmarked and corporate reserves totalling £38.818 million to replenish a range of corporate reserves and support the council in setting balanced budgets and making savings in a timely manner.

19 The outturn has resulted in a general reserve balance at 31 March 2023 (prior to any transfers) of £20.532 million. In line with the Council's current reserves policy (which aims to maintain a general reserve balance of between 5% and 7.5% of the net budget requirement in the medium term), a transfer from the MTFP Support Reserve has been actioned at year end. £5.485 million has been transferred into the general reserve to replenish it to the policy minimum of £26 million as agreed by Council on 22 February 2023. This transfer has resulted in a reduction in the MTFP Support Reserve from £42.480 million to £36.995 million. £10.028 million of this reserve was utilised to set the 2023/24 budget, leaving £26.967 million available to support budget setting from 2024/25 onwards.

20 In terms of the capital programme, the final capital outturn position for 2022/23 is that expenditure was lower than that forecast at quarter 3, with capital expenditure totalling £143.05 million last year, £22.024 million (13%) lower than the revised capital budget of £165.074 million agreed by Cabinet in March 2023. Total capital expenditure in 2022/23 was broadly in line with the level of capital spending achieved in 2021/22 and capital spending over the last two financial years has been significantly higher than that in the years prior to 2021/22.

21 Performance against the various prudential indicators agreed by council in February 2022 are shown in paragraphs 144-150 of the report and show that the council has operated and continues to operate within the boundaries agreed.

22 The final outturn for the Council Tax Collection Fund is a deficit of £2.615 million after accounting for the deficit brought forward and the third and final instalment of the phasing of the 2020/21 deficit (£1.907 million). Durham County Council's share of this net deficit is £2.199 million. The outturn position is broadly in line with the quarter three forecast presented to Cabinet in March.

23 The final outturn for the Business Rates Collection Fund is an in year net deficit of £5.387 million. After taking into account the 2021/22 undeclared surplus, the cumulative deficit is £4.556 million of which Durham County Council's share (49%) is £2.238 million.

24 The council's share of the business rates deficit is offset in the General Fund by the receipt of additional Section 31 grants of £4.540 million.

25 In 2022/23 the council delivered 93.86% (£2.278 million) of the MTFP (12) savings factored into the 2022/23 budgets, which totalled £2.427 million. As at 31 March 2023, since 2011, the council has delivered over £250 million in savings / budget reductions to balance its budgets.

Recommendations

26 It is recommended that Cabinet note:

(a) the final revenue outturn overspend of £5.366 million which represents 1.05% of the revised net expenditure budget of £510.986 million;

(b) the net decrease in the cash limit reserves of £3.509 million during 2022/23 with closing cash limit reserves of £8.056 million. These sums will continue to be held as earmarked reserves and be available for Service Groupings to manage their budgets effectively;

(c) the closing general reserve balance of £26.017 million (£20.532 million prior to transfer from MTFP Support Reserve), which is within the council's general reserves policy of retaining a balance of between 5% and 7.5% of the net budget requirement (£26 to £38 million);

(d) the closing balance on earmarked reserves (excluding cash limit and schools' reserves) of £188.482 million – an in year reduction of £35.482 million;

(e) the closing balance on DSG / schools related reserves of £28.463 million – an in year reduction of £2.756 million;

(f) the outturn position for the Collection Funds in respect of Council Tax and Business Rates.

(g) the amount of savings delivered during 2022/23 of the MTFP (12) period.

(h) the inflationary pressures that have been managed within contingencies and via the Budget Support Reserve during 2022/23 and the requirement to manage via reserves and service cash limits going forward.

27 It is recommended that Cabinet approve:

(a) that the capital budget underspend of £22.024 million be carried forward into 2023/24;

(b) that service groupings continue to regularly review capital profiles throughout 2023/24, reporting any proposed revisions to Cabinet as necessary.

Background

28 During the last two financial years the council has faced unprecedented budget pressures as a consequence of the Covid-19 pandemic. Across that period the government provided significant additional funding to local authorities to ensure they were able to respond and manage the financial challenges faced.

29 In County Durham, the funding received more than offset the costs incurred, net of Covid 19 related underspending, but no further funding is available to the council to offset any legacy impacts arising from the pandemic.

30 In 2022/23 the council has faced further financial challenges, mainly resulting from the impact of the Ukraine conflict. Consumer Price Index inflation (CPI) in the UK economy peaked at 11.1% during 2022/23 and this has driven significant upward pressure across a range of expenditure budgets.

31 Exceptionally high levels of inflation, especially for energy, waste, transport and for the pay award exceeded the budget provision. There have been a series of bank interest rate changes (increases) across the year as the Government has sought to curb inflation. It remains unclear when this volatility will fully dissipate, though the Chancellor of the Exchequer has set out that he expects Consumer Price Inflation to fall steadily across the coming year.

32 Energy costs started to escalate in late 2021 and have fluctuated ever since. The gross additional budget requirement for energy inflation was £1.364 million during 2022/23. These costs have, however been offset by forward purchasing of energy and increased power generation income from the Joint Stocks Landfill site (totalling £1.527 million).

33 The energy costs reported within the outturn position have been supported by NEPO data and include the impact of the government's Energy Bill Relief Scheme to cap energy costs for households and businesses. The outturn position is an improved position when compared to the previous quarter's forecast (circa £0.500 million).

34 A number of the council's major contracts have annual inflationary uplifts built in linked to CPI or RPI levels at specified points in time and sometimes linked to key materials inflation, e.g., diesel prices. The main contracts affected by these uplifts relate to waste and refuse collection, home to school transport and local bus subsidy contracts and ICT contracts. The additional net budget requirement for these contracts totalled £3.978 million during 2022/23.

35 The price fluctuation in these markets has been significant and complex which has made forecasting the council's outturn position during 2022/23 extremely challenging.

36 The National Employers for Local Government Services pay offer issued on 25 July 2022 set out proposals for a flat rate increase of £1,925 per annum. This offer was subsequently accepted on 1 November 2022 and resulted in a £14.808 million increased in employee budget requirement (equating to an average 6.6% increase) during 2022/23, with those employees on the lowest grade receiving a 10.55% increase to keep parity with the National living Wage increase that was forecast for April 2023. Vacancies during the year reduced the 2022/23 in year requirement to £13.710 million. General contingencies provided for funding of £7.294 million (in setting the budget the Council had anticipated a 3.25% pay award being applied in 2022/23), resulting in a shortfall of £6.416 million in year.

37 The government announcement regarding the withdrawal of the 1.25% increase in National Insurance & the Health and Social Care Levy from November 2022 equated to an in-year saving in 2022/23 of circa £0.7 million.

38 Overall, unavoidable, and unbudgeted inflationary pressures, together with post-Covid legacy impacts, totalling £9.530 million have required corporate funding support. These, along with other service pressures deemed to be outside of service cash limits (the most significant of which was the cash limit overspend within the Children and Young People's Services of £14.252 million) have been financed by the Budget Support Reserve approved for this purpose by Cabinet on 13 July 2022, general contingencies, and general reserves.

39 The longer-term inflationary impact on the Council's finances remains uncertain at this stage. The 2023/24 revenue budget and MTFP approved by Council on 22 February 2023 considered these inflationary implications however, this position will need to be kept under review. The 2023/24 pay award offer made in late February 2023 exceeds the budget provision and if agreed will result in a circa £3.711 million budget pressure in the current year that will impact on the budget setting for 2024/25 also. There may potentially be a range of further financing decisions needed by the council throughout the current MTFP (13) period.

40 A separate report on the agenda today seeks to update the financial forecasts across the period 2023/24 to 2027/28.

41 On 23 February 2022, County Council agreed a net revenue budget of £466.732 million for 2022/23. Factoring in any reductions in

government grant, inflation, and other budget pressures, £2.427 million of savings were required in 2022/23.

42 This report provides an update on the delivery of the £2.427 million MTFP (12) savings target included in the 2022/23 budgets, which brings the overall savings target for the period from 2011/12 to 2022/23 to circa £250 million. £2.278 million (93.68%) of the total savings requirement were achieved in 2022/23.

43 Quarterly forecast outturn reports have been considered by Cabinet throughout the 2022/23 financial year. Detailed reports on individual service groupings have also been considered by the various Overview and Scrutiny Committees on a quarterly basis.

44 This final outturn for 2022/23 has been prepared as part of the production of the Annual Statement of Accounts. During the process of finalising the Statement of Accounts, the Corporate Director of Resources is required to make a number of technical decisions in the best financial interests of the Council. Such decisions are fully disclosed in the Statement of Accounts.

General Fund Outturn

45 This section of the report details the following:

(a) cash limit outturn for service groupings;

(b) overall revenue outturn for the General Fund with summarised service grouping commentary;

(c) overall capital outturn of the General Fund with summarised service grouping commentary.

Cash Limit Outturn for Service Groupings

46 The overall outturn for the council is shown in Appendix 2 which details how the cash limit outturn for each service grouping is calculated. Two key elements have been excluded from the service grouping outturn when calculating the cash limit outturn, as detailed below:

(a) **Sums Outside the Cash Limit**

Certain expenditure and income items are excluded from the Cash Limit for a range of reasons. Examples of these are as follows:

(i) items not controlled by the service groupings e.g., technical accounting entries such as capital charges and central administration recharges processed at year end;

(ii) exceptional items and expenditure pressures which were not accounted for in the service grouping base budget build and which are funded from contingencies or earmarked reserves held corporately e.g., redundancy and early access costs linked to restructuring activity to achieve MTFP savings proposals, the outcome of the 2022/23 pay agreement and other significant inflationary pressures e.g., fuel and energy.

(b) **Use of or Contribution to Earmarked Reserves**

Sums that service groupings have utilised or contributed to earmarked reserves have been excluded from their outturn position in order to calculate the year end cash limit position.

47 After taking into account the above exclusions, service groupings generated a net cash limit underspend of £1.120 million in 2022/23. This excludes Children and Young People's Services (CYPS) which do not have a cash limit reserve balance to call on and which overspent in year by £14.252 million. To prevent a deficit cash limit reserve being carried forward, General Reserves have been utilised instead. Further details can be found within service grouping commentary.

48 Overall, in 2022/23 there was a net reduction to cash limit reserves of £3.059 million in year, with the balance carried forward at 31 March 2023 being £8.056 million. The cash limit position for each service grouping is detailed in the table below:

Type of Reserve	Opening Balance as at 1/4/22	Budgeted Use at 1/4/22	Movement during 22/23		Closing Balance as at 31/3/23
			Contribution to (-)/ Use of Approved Quarter 3	Year end Outturn as at 31/3/23	
	£million	**£million**	**£million**	**£million**	**£million**
Service Grouping Cash Limit					
Adult and Health Services	-6.149	0.131	2.539	-1.850	-5.329
Children and Young People's Services	-	-	-	14.252	14.252
Neighbourhoods & Climate Change	-1.457	0.705	0.063	0.599	-0.090
Regeneration, Economy & Growth	-2.868	-	0.797	0.698	-1.373
Resources	-1.090	0.232	0.162	-0.567	-1.264
Total Cash Limit Reserve	**-11.564**	**1.068**	**3.561**	**13.132**	**6.196**
CYPS Overspend funded by General Reserve					**-14.252**
Total Cash Limit Reserve					**-8.056**

49 During the year, a review of all reserves resulted in the realignment of £38.818 million of earmarked reserves to replenish a range of corporate reserves and support the Council in setting balanced budgets and making savings in a timely manner.

50 The net use of earmarked reserves (excluding schools) during 2022/23 was £35.482 million.

51 In 2022/23, the council received £4.540 million in Section 31 grants from central government to compensate for the lost business rate income which will impact the General Fund in future years. The grant has been transferred to the Collection Fund Deficit Reserve to be utilised to support the collection fund.

Revenue Outturn

52 Appendix 2 provides a more detailed outturn position for the council's General Fund by service grouping. In addition, Appendix 3 provides a detailed outturn position for the council by type of expenditure and

income. The following table provides a summary of the final outturn position.

	£ million	£ million
Gross expenditure		1,801.159
Gross income		-1,289.752
Net Expenditure		**511.407**
Financed by:		
Council tax	-252.139	
Use of earmarked reserves	-32.757	
Estimated net surplus (-) / deficit on Collection Fund	9.788	
Business Rates	-52.827	
Top up grant	-72.780	
Revenue Support Grant	-29.101	
New Homes Bonus	-4.082	
Section 31 Grant	-22.493	
Section 31 Grant - Covid Additional Relief Fund	-4.540	
Social Care Grant	-30.955	
Lower Tier Services Grant	-0.802	
Services Grant	-8.776	
Levy Account Surplus grant	-1.068	
Forecast contribution to/from (-) Cash Limit Reserve	-3.509	
Forecast contribution to/from (-) General Reserves	-5.366	
		-511.407

53 The final outturn position for 2022/23 was an overspend of £5.366 million. The table below details the transfers to reserves:

	£ million
2022/23 overspend transferred to General Reserve	**6.486**
2022/23 underspend transferred to Cash Limit Reserves	-1.120
Total 2022/23 Overspend	**5.366**

54 The final outturn position for the Council's General Reserve is detailed below:

	£ million
Opening Balance as at 1 April 2022	-25.898
2022/23 Net Overspend to General Reserve	5.366
Add: Transfer from MTFP Support Reserve	-5.485
Closing General Reserve Balance at 31 March 2023	**-26.017**

55 The general reserve balance carried forward of £26.017 million is within the council's general reserves policy of retaining a balance of between 5% and 7.5% of the net budget requirement, which in cash terms is a balance of between £26 million and £38 million. The £26.017 million balance at 31 March 2023 equates to 5% of the 2023/24 net budget requirement.

56 The main reasons for the movement in the general reserve balance during 2022/23 are as follows:

(a) a transfer of £14.252 million to the CYPS Cash Limit Reserve at year end to eradicate the negative cash limit reserve balance in year. This negative cash limit reserve has resulted from continued pressure upon the CYPS revenue budget which is detailed later in the report;

(b) a net transfer from the MTFP Support Reserve totalling £5.485 million to replenish the General Reserve and bring back in line with the council's reserve strategy;

(c) underspends of £6.300 million in interest payable and similar charges against the budget due to delays in undertaking borrowing in line with the Councils Capital Financing Requirement;

(d) Additional interest and investment income of £7.372 million mainly generated from higher returns on loan investments, additional dividend income and higher levels of cash balances being held;

(e) Underspends within corporate contingencies and other corporate budgets of £2.912 million; and

(f) S31 grant and net other income being £3.043 million more than budgeted.

57 The following table shows that in 2022/23 the total non-schools reserves decreased by 14.87%, from £261.426 million to £222.554 million.

Total Non-School Reserves

	General Reserve	Earmarked Reserves	Cash Limits	TOTAL
	£ million	**£ million**	**£ million**	**£ million**
Opening Balance at 1 April 2022	-25.898	-223.964	-11.564	-261.426
Net Contribution to (-) / Use of Reserves	-0.119	35.482	3.509	38.872
Closing Balance at 31 March 2023	**-26.017**	**-188.482**	**-8.056**	**-222.554**

58 The total schools' balances and DSG reserves decreased from £34.276 million at 1 April 2022 to £28.463 million at 31 March 2023.

59 The DSG High Needs Block (HNB) cumulative deficit balance, which is held in the DSG unusable reserve decreased during the year by £1.711 million from £8.843 million to £7.132 million.

60 Statutory override regulations require local authority to assess the deficit across the schools' budget. Under these regulations, it is not permissible to split up the schools' budget into its component parts, and report a surplus on the schools, central services or early years block against the deficit on the high needs block. As, collectively there was an overspend on DSG, reserve balances in their totality require transfer to the DSG unusable reserve.

61 The main reason for the in-year overspend on the DSG is the planned use of £1.420 million of the Schools' reserve in the schools funding formula.

62 Plans to recover the accumulated deficit over the medium term are currently being reviewed as the Council works closely with the Department for Education (DfE) and partners on the Delivering Better Value (DBV) programme.

Schools Balances and Centrally Held DSG Reserves

	Schools Balances	Centrally Held DSG	TOTAL
	£ million	**£ million**	**£ million**
Opening Balance at 1 April 2022	-31.219	-3.056	-34.275
Contribution to (-) / use of Reserves	2.756	3.056	5.812
Balance at 31 March 2023	**-28.463**	**0.000**	**-28.463**

63 Appendix 4 details the movement on all earmarked reserves during 2022/23.

Service Grouping Commentary

64 A summary of the outturn for each service grouping is provided below. Detailed outturn reports will be provided to the relevant Overview and Scrutiny Committees.

Adult and Health Services (AHS)

65 The 2022/23 outturn for Adult and Health Services (AHS) was a cash limit underspend of £1.850 million, representing circa 1.34% of the total revised budget for AHS. This compares to the quarter three forecasted cash limit underspend of £1.608 million, which represented circa 1.17% of the total revised budget for AHS.

66 The outturn takes into account 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. Inflationary pressures on energy of £19,000 and the 2022/23 pay award costs of £1.911 million have been excluded from the cash limit outturn position. Also excluded are costs associated with the increase in the AHS bad debt provision of £2.407 million. Other costs outside the cash limit including central support and accommodation costs of £0.436 million have also been excluded.

67 The outturn is a managed position, reflecting the proactive management of activity by Heads of Service across AHS to remain within the cash limit. The outturn position is accounted for as follows:

(a) Careful management and control of vacant posts and supplies and services budgets across the service together with uncommitted budgets has created a net under budget position for the year of £2.690 million;

(b) Net spend on adult care packages was £0.160 million over budget. This area of spend is being closely monitored to assess the continuing impact of COVID-19, as well as ongoing demographic and procedural/operational changes, where significant MTFP savings have been taken over recent years;

(c) An increase in the AHS bad debt provision of £2.870 million and additional bad debt write off of £0.537 million, of which £1 million has been met by the AHS Cash limit;

(d) Net expenditure on Public Health-related activity is in line with grant allocations, following the transfer of under or overspending to earmarked Public Health grant reserves.

68 In arriving at the outturn position and further to the quarter three forecast of outturn report, a net £66,000 relating to contributions to and from reserves has been excluded from the cash limit outturn as follows:

(a) Contribution of £66,000 to the Adult Social Care Reserve to fund future activity in adult social care;

(b) Contribution of £3.245 million to the AHS Integrated Care Reserve to fund future activity;

(c) Contribution of £0.350 million to the Community Discharge Reserve for future projects;

(d) Contribution of £1.369 million to Regional Public Health reserves for future public health activity;

(e) Contribution of £0.255 million to the AHS Cash Limit Reserve to fund future activity;

(f) Contribution of £72,000 to the Corporate Recovery Reserve;

(g) Use of £4,000 from the Corporate Insurance Reserve;

69 The Public Health Regional Reserve of £5.287 million comprises regional funding rather than funding specific to the council. In line with standard accounting practice, this reserve balance has therefore been transferred to the council’s balance sheet

70 Taking the outturn position into account, including the transfers to/from reserves in year, the cash limit reserve carried forward for AHS is £5.329 million as at 31 March 2023.

Children and Young People's Services (CYPS)

71 The 2022/23 outturn for CYPS was a cash limit overspend of £14.252 million for the year, representing circa 9.8% of the total net revenue budget for CYPS. This compares to a forecast cash limit overspend at quarter three of £13.832 million (9.5%).

72 The outturn takes into account sums outside the cash limit limit including redundancy costs which are met from the corporate reserve, capital accounting entries and use of / contributions to earmarked reserves. Inflationary pressures on energy (£0.102 million) and transport contract prices (£3.000 million) have been excluded from the cash limit outturn. In addition, the 2022/23 pay award costs of £2.380 million have also been excluded from the cash limit outturn. Other costs outside the cash limit including central support, accommodation costs, capital entries and additional items funded via corporate contingencies totaling £18.751 million have also been excluded.

73 The outturn position includes overspends within the Head of Social Care (£13.930 million), Early Help, Inclusion and Vulnerable Children (£0.358 million) and Central Charges (£24,000) budgets and underspends within Education and Skills of £38,000 and Operational Support of £23,000. Further details are shown below:

(a) The final outturn against the Head of Social Care budget is an overspend of £13.930 million. The main factor being an overspend of £15.247 million against the budget for placements for children looked after, which compares to a forecast overspend of £13.786 million in this area at quarter three.

(b) As at 31 March 2023 there were 1,067 Children Looked After, which continues a trend of growth in demand in this area as illustrated in the table below:

Date	Number of CLA
March 2022	982
June 2022	983
September 2022	1,028
December 2022	1,034
March 2023	1,067

(c) 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.

(d) Underspends of circa £1.300 million across other Social Care budgets partially offset the overspend position on the placement budget and these relate mainly to employee budgets as a result of vacant posts within the service.

(e) Early Help, Inclusion and Vulnerable Children (EHIVC) had an overspend of £0.358 million against budget.

(f) The major factor relates to Aycliffe Secure Centre where there was a cash limit overspend of £1.448 million. This overspend is after full use of Aycliffe Secure Centre's earmarked reserve of £0.403 million.

(g) The overspend is largely attributable to a shortfall of £1.526 million against income budgets where it has not been possible to achieve the previously forecast level of occupancy due to difficulties with recruitment and retention of staff. An additional £1.013 million shortfall against income budget is attributable to Maple House, which could not be opened as scheduled due to delays in construction works and Ofsted registration.

(h) The shortfall against budgeted income is partially offset by reduced staffing costs, which were £0.434 million under budget for the main centre and £0.553 million under budget for Maple House.

(i) There is also an overspend of £0.291 million against premises budgets as a result of a combination of high energy costs and repair work to buildings.

(j) The remaining service areas in EHIVC had an underspend of £1.040 million, mainly attributable to underspends against employee budgets of £1.240 million, due to the management of vacant posts, and £0.144 million as a result of low usage of remand beds. These underspends are partially offset by a shortfall against of SLA income budgets.

(k) Education had an underspend of £38,000 after taking account of inflationary pressures and the pay award adjustment of £3.118 million which was funded corporately.

(l) The Home to School Transport budget overspend was £3.846 million, which is an improvement on the £4.971 million overspend anticipated at quarter three, which has a CYPS cash limit impact of £0.846 million after taking account of £3.000 million as an agreed inflationary pressure to be funded corporately.

(m) There was a shortfall of £0.797 million against income budgets for Service Level Agreements with schools and a shortfall of £0.549

million against income budgets relating to various income streams, such as Durham Leadership Centre lettings and course fee income.

(n) These overspends were however offset by a saving of £1.104 million against employee budgets, which is largely as a result of staffing restructures in Support and Development and School Places and Admissions, implemented from 1 September 2022. There were also vacancies across the wider Education service that contributed to this underspend.

(o) Further savings against budget of £1.126 million have been achieved against various areas across the service, including in Early Years Service where there is an underspend of £0.504 million against activity and sustainability budgets, in Education Durham as a result of additional one-off income streams of £0.413 million and an underspend of £0.187 million against pension liability budgets across the service.

(p) Operational Support is reporting an underspend of £23,000 against employee budgets due to vacancies within the service.

(q) Central Charges is reporting an overspend of £24,000 relating to an increase in the provision for bad debt.

74 In arriving at the outturn position and further to the quarter three forecast of outturn report, a net £2.800 million relating to contributions to and from reserves has been excluded from the cash limit outturn as follows:

(a) £1.609 million use of Corporate ER/VR reserve to fund redundancies in relation to MTFP savings (relating to the Education Service);

(b) £0.875 million contribution to the Family Hubs grant reserve;

(c) £0.681 million contribution to the Progression and Learning 2015-18 reserve relating to the balance of unspent ESF grant funds;

(d) £0.627 million contribution to the Multiply Funding reserve relating to unspent grant funds;

(e) £0.656 million contribution to the Work Place Project reserve relating to unspent grant funds;

(f) £0.634 million contribution to the PFI Lifecycle reserve;

(g) £0.613 million contribution to the Homes for Ukraine reserve for use in 2023/24;

(h) £0.344 contribution to the Emotional Wellbeing reserve to fund future service developments;

(i) £0.318 million contribution to the Social Inclusion reserve for the Holidays Activities and Food programme;

(j) £0.299 million contribution to the Youth Futures Foundation reserve relating to unspent grant funds;

(k) £0.285 million contribution to the UASC reserve for future service improvements and delivery;

(l) £0.240 million contribution to the National Supporting Families Programme reserve;

(m) £0.196 million use of the Rapid Response reserve to fund the service;

(n) £0.172 million contribution to the EHIVC reserve to fund future service developments;

(o) £0.171 million contribution to the Recovery Premium Grant reserve relating to unspent grant funds;

(p) £0.154 million use of the PAUSE reserve to fund the service;

(q) £0.149 million contribution to the anxious about school/workforce development to fund the project in 2023/24;

(r) £0.135 million use of the Mental Health Support reserve to support the delivery of the Mental Health Support programme within the Progression and Learning service;

(s) £0.125 million use of the Progression and Learning 2018-21 reserve to support ESF employment projects; and

(t) £0.107 million use of the CPD reserve to cover expenditure linked to programmes such as Evidence Based Education, Educate and Celebrate and TDT Programme expenditure.

75 Taking the outturn position into account, including the transfers to/from reserves in year, the cash limit reserve balance for CYPS is a £14.252 million deficit as at 31 March 2023

76 The council's financial procedure rules state that where a service groupings cash limit reserve is in deficit, the relevant service is required to make savings/ underspends the following year to bring the reserve back into balance. In this case, given the financial pressures and issues facing CYPS a further transfer from general reserves has been actioned this year end to retain the CYPS Cash Limit Reserve balance at zero.

Dedicated Schools Grant and Schools

77 The council currently maintains 161 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.

78 As with the council, during 2022/23 schools faced a range of unfunded inflationary pressures, for pay awards and energy costs which have outstripped the initial budget planning assumptions.

79 The final position for all maintained schools for 2022/23 is shown in the following table:

Subjective Budget Heading	**Original Budget**	**Final Outturn Position**	**Variance**
	£ million	**£ million**	**£ million**
Employees	203.927	215.355	11.428
Premises	13.485	16.822	3.337
Transport	2.001	2.732	0.731
Supplies	35.948	38.624	2.676
Central Support & Other Recharges	0.000	0.325	0.325
DRF	0.000	0.512	0.512
Gross expenditure	**255.361**	**274.370**	**19.009**
Income	-62.014	-82.121	-20.107
Net expenditure	**193.347**	**192.249**	**-1.098**
Budget share	186.026	191.826	5.800
Use of reserves	**7.321**	**0.423**	**-6.898**
Balance at 31 March 2022	28.652	28.652	-
Balance at 31 March 2023	**21.331**	**28.229**	**-6.898**

80 The final position has improved since the quarter three forecasts, when schools were forecasting, they would need to use £7.746 million of their reserves. The final position has resulted in the use £0.423 million of reserves, which is an improvement on the original budget figure of £6.898 million.

81 The original budget included five schools which have academised during the financial year. One of these schools was The Durham Academy (formerly Durham Community Business College) which had a deficit of £0.662 million upon conversion. The other four schools converted with combined reserves totalling £0.790 million.

82 The use of £0.423 million reserves within the year relates to the 161 schools maintained as at 31 March 2023.

83 The positive change in the financial position between the quarter three forecast and final outturn reflects:

(a) Significant work carried out by council teams working closely with schools to provide advice and guidance on the management of budgets and to support action that schools have taken to balance their financial position in year;

(b) Energy cost being below previously forecasted amounts;

(c) Additional levels of income received by schools from fees and charges;

(d) Interest income of circa £0.700 million across all schools with a surplus balance. This income was higher than the level received in previous years due to higher interest rates;

(e) Additional grant income received by schools

84 The position at individual school level shows that 11 of the 161 maintained schools are in a deficit position at the end of the financial year. The cumulative deficit for these 11 schools is £3.371 million, of which £2.777 million relates to Wellfield School which is due to convert to academy status in June 2023 and was the subject of a Cabinet report in March 2023. The deficit at the point of transfer will be written off by utilising the earmarked Schools Reserve, which has a balance of £5.244 million at 31 March 2023.

85 Whilst the overall use of reserves for the 161 maintained schools was £0.423 million, the majority of schools needed to use some reserves to balance their financial position in 2022/23. This is illustrated in the tables below:

Number Schools	**Nursery**	**Primary**	**Secondary**	**Special**	**Total**
Use of reserves	8	81	2	3	94
Contribution to reserves	3	55	3	6	67
Total	**11**	**136**	**5**	**9**	**161**
Use of reserves	-0.174	-2.930	-0.368	-0.838	-4.309
Contribution to reserves	0.130	1.899	0.891	0.970	3.886
Net (Use) of or Contribution to Reserves	**-0.044**	**-1.031**	**0.523**	**0.132**	**-0.423**

86 Given that 94 schools (circa 60%) needed to cumulatively use £4.309 million of reserves during the 2022/23 financial year to balance their financial position, it is not surprising that the budget setting process for 2023/24 was challenging for many schools.

87 Schools can set a budget with an in-year deficit, providing that they have enough surplus retained balances (reserves) carried forward to do so without this resulting in the school having a net deficit balance at the end of the financial year.

88 Where a school cannot do this and therefore wishes to set a licensed deficit, it must have permission from the council's Corporate Director of Resources – the statutory Responsible Financial Officer (s.151 officer) to do so.

89 There are six schools that have set a licensed deficit budget for 2023/24 and a separate report on the agenda today provides further details.

Dedicated Schools Grant Centrally Retained block

90 The 2022/23 outturn for centrally retained DSG budgets was a net overspend of £1.346 million as shown in the table below:

DSG Block	Budget £ million	Outturn £ million	Over / (Under) Spend £ million
High Needs	76.418	76.210	-0.208
Early Years	31.847	31.781	-0.066
Central Schools Services	2.910	2.824	-0.086
De-delegated	0.283	0.569	0.286
Schools	-	1.420	1.420
TOTAL	**111.458**	**111.411**	**1.346**

91 The underspend on the High Needs Block is in contrast to the quarter three forecast, where a £0.798 million overspend was anticipated and relates to the following main areas:

(a) An overspend of £1.509 million against the budget for Special School provision, which reflects the provision of additional places across schools in Durham in excess of those provided for in the budget;

(b) An underspend of £0.898 million against central service budgets of £4.266 million, including an underspend of £0.709 million against the Investment Support Fund budget of £1.077 million;

(c) An underspend of £0.473 million against the budget of £10.723 million for provision in independent and non-maintained special schools and further education colleges; and

(d) An underspend of £0.364 million against the budget of £17.728 million for provision in mainstream settings.

92 This is the first year that there has been an underspend against the High Needs Block allocation in Durham since 2015/16. The underspend will be used to reduce the cumulative deficit position.

93 A five-year plan for high needs block funding and expenditure, including reducing the accumulated deficit by the end of the five-year period, was approved by Cabinet in April 2022.

94 This plan is now being updated to reflect the final outturn position and changes to future year forecasts, which are being developed as part of the DfE's Delivering Better Value Programme (DBV).

95 A review of the current programme of work is also taking place in the autumn and this follows a workshop with Schools Forum in the autumn.

96 The underspend of £66,000 on the Early Years Block relates to a combination of the following three elements:

(a) Additional funding received in 2022/23, relating to 2021/22 of £0.594 million;

(b) The planned distribution of £0.846 million of accumulated Early Years Block Reserve to Early Years providers, which was distributed in the Autumn term, to Early Years settings on the basis of children accessing Early Years Pupil Premium and eligible two-year-olds; and

(c) An in-year underspend of £0.291 million largely relating to two-year-old entitlements where the DSG allocation has exceeded current funded hours.

97 Local authorities DSG Early Years National Funding Formula is calculated on the basis of the number of hours children are taking up during census week in the January prior to the beginning of the financial year (in this instance January 2022), creating an assumption of uptake. Therefore, the grant received is based on indicative hours.

98 This is followed by an adjustment in the following July (in this case July 2023) should there be any movement in the number of places reported in the next annual census (January 2023 census). This is to cover any additional expenditure where the number of eligible children increase beyond the original census allocation (for example new settings or an

increase in numbers at an original setting) or conversely a reduction due to the closure of settings or changes to the demographics.

99 Any variations are picked up by DfE in the proceeding census and may result in an adjustment in the form of clawback of unused funding or additional payments for new childcare places.

100 The underspend of £86,000 on the Central Schools Service Block relates to an underspend against the Copyright Licences budget.

101 The overspend of £0.285 million on de-delegated funding relates to a planned use of reserves of £0.217 million in relation to behavioural support services, £34,000 of carried forward school contingencies expenditure and £34,000 under recovery of Trade Union duties expenditure.

102 The overspend of £1.393 million on the schools' block relates to a planned use of reserves in relation to school funding formula from previous years.

103 The impact of the outturn on the DSG reserves position is shown in the following table:

DSG Reserves	High Needs Block (Unusable Reserve) £ million	Early Years Block £ million	Schools Block £ million	Total DSG £ million
Balance as at 1 April 2022	**-8.843**	**0.656**	**2.401**	**-5.786**
2021/22 Early Years Block Adjustment	-	0.594	-	0.594
Use (-) / Contribution in 2022/23	0.208	-0.528	-1.620	-1.940
Transfer to DSG Adjustment Account	8.635	-0.722	-0.781	7.132
Balance as at 31 March 2023	**0.000**	**0.000**	**0.000**	**0.000**

104 The overall DSG reserve was in deficit of £5.786 million at the start of the financial year, largely as a result of the accumulated deficit position in relation to the High Needs Block. The overall deficit position has increased to £7.132 million at the end of the financial year.

105 The movement is the net effect of planned reserves usage in relation to the school funding formula and de-delegated sums of £1.593 million, offset by underspends against the high needs and early years blocks.

106 Statutory override regulations now require the local authority to assess the deficit across the schools' budget. Under these regulations, it is not permissible to split up the schools' budget into its component parts, and report a surplus on the schools, central services or early years block against the deficit on the high needs block. As, collectively there was an

overspend on DSG, reserve balances in their totality require transfer to the DSG unusable reserve.

107 The sums shown in the table above under Early Years Block and Schools Block, which previously would have been available for use have now been aligned to unusable reserves to reduce the HNB deficit position. This has the effect of artificially increasing the schools' reserves position at year end.

Neighbourhoods and Climate Change (NCC)

108 The 2022/23 outturn for Neighbourhoods and Climate Change (NCC) was a cash limit overspend of £0.599 million. The quarter three forecast showed a cash limit overspend of £0.543 million for the year, so the outturn is broadly in line with that forecast at quarter three.

109 The outturn excludes the use of / contributions to earmarked reserves and items outside the cash limit such as redundancy costs which are met from corporate reserves, net inflationary pressures on energy (net underspend of £1.356 million), transport prices (£0.757 million) and waste contract costs (net underspend £0.379 million). The 2022/23 pay award of £2.908 million has also been excluded from the cash limit outturn position. Other costs outside the cash limit including central support, accommodation costs, capital entries and additional items funded via corporate contingencies totaling £16.822 million have also been excluded.

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

(a) Environmental Services has an overspend of £22,000. There was £0.510 million of additional agency cover required in Refuse and Recycling due to high sickness levels and additional annual leave carried forward from last year, along with a £0.144 million underachieved income on soil imports which have ceased due to capping of the Joint Stocks site. There was also a £0.187 million underachievement of income on Clean & Green school SLAs and ad-hoc work. These overspends were largely offset by £0.367 million increased income relating to trade and commercial waste collections, £0.236 million overachieved income for garden waste income, and £0.209 million underspending on staffing due to vacancies and pending restructures;

(b) Highways has overspent by £1.2 million. The main reasons for this are an overspend on the trading areas of £1.2 million due to lower than anticipated levels of subcontractor activity, along with an overspend £2.0 million on Highways Revenue maintenance work, including cyclic works, drainage, bridges, and emergency action works. This was offset by additional income of £1.7 million within Strategic Highways relating to enforcement and inspections, Section 38 supervision income, road closures, and fixed penalty notices, plus underspends on employees and agency costs of £0.3 million;

(c) Community Protection has underspent by £0.396 million. The main reason for this is the net effect of having a number of vacant posts in some other areas of the service, while having to be over establishment in other areas to facilitate succession planning;

(d) Partnerships & Community Engagement has underspent by £0.190 million, mainly due savings from vacancies across the AAP teams and the Civil Contingencies Unit, along with some overachievement of income across the service

(e) The central contingencies budget within NCC has underspent by £53,000. This budget was created to fund any cross-cutting service pressures within NCC that may arise during the financial year.

111 In arriving at the outturn position and further to the quarter three forecast of outturn report, a net £5.420 million relating to movement to and from reserves has also been excluded from the outturn. The major items being:

(a) £0.636 million contribution to a new Highways Permit Scheme Reserve;

(b) £4.570 million contribution to PACE reserves mainly in relation to Humanitarian Support Grant;

(c) £1 million drawdown from AAP Towns & Villages Reserve;

(d) £0.800 million contribution to the Members Priority Reserve in relation to Highways; and

(e) £0.450 million contribution to the Community Protection Workforce Development Reserve.

112 Taking the outturn position into account, including the transfers to/ from and between reserves in year, the cash limit reserve carried forward for NCC is £90,000 as at 31 March 2023.

Regeneration, Economy and Growth (REG)

113 The 2022/23 outturn for Regeneration, Economy and Growth (REG) was a cash limit overspend of £0.698 million. This takes into account adjustments for sums outside the cash limit such as redundancy costs which are met from corporate reserves, year-end capital accounting entries and use of / contributions to earmarked reserves. The forecast at quarter three was that REG would have a cash limit overspend of £0.586 million.

114 Inflationary pressures on energy (£1.088 million) and Transport prices (£0.600 million) have been excluded from the cash limit position, as has the 2022/23 pay award of £2.433 million. Other net underspends outside the cash limit including central support, accommodation costs, capital entries and additional items funded via corporate contingencies of £44.585 million have also been excluded.

115 The cash limit outturn position compares to the previously forecast position at quarter three of a cash limit overspend of £0.586 million.

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

(a) Culture, Sport and Tourism has an overspend of £56,000 against budget. There was a reduction in fine and reservation income in libraries (£90,000) and an unrealised MTFP saving of £0.136 million pending the full year effect of the current service restructure. A one-off benefit arising from the agreement to take full control of the gym facilities at seven of the Councils leisure centres was offset by a projected overspend at Consett Leisure Centre.

(b) Transport was overspent by £0.722 million against budget. In Strategic Traffic there was an overspend on Parking Services (£0.220 million), traffic control measures for events (£42,000), bus shelter advertising income loss was (£0.130 million) higher than anticipated, NNDR costs for a multi storey car park (£90,000) and a charge for apprentices of £60,000. In addition, there were one off costs for Wheels to Work and a Service Database totalling £91,000 in addition to minor over/underspends across the service.

(c) Planning and Housing had an overspend against budget of £0.867 million. This is the net impact of overspends in Housing Solutions, primarily relating to temporary accommodation (£0.737 million), and Care Connect on staffing and under-achieved income in relation to the subsidised client income stream (£0.456

million); and underspends in Planning Development (£0.119 million) resulting from higher than budgeted levels of income from planning/building control fees and staffing vacancies, and Spatial Policy (£0.136 million) also relating to staffing vacancies.

(d) Economic Development was on budget with only minor over and underspends across the service.

(e) Any over or underspends in relation to the activity of Business Durham is managed through an earmarked reserve and therefore there is no impact on the cash limit position. A contribution of £0.211 million to reserves was made, largely as a result of higher than anticipated occupancy rates across a range of Business Space sites.

(f) Corporate Property and Land had an underspend of £98,000 against budget. Within this area there was an overall underspend in Strategy & Property Management of £0.118 million, largely attributable to lower costs associated with vacant buildings & land and the Energy Centre at Freeman's Reach. The position is partially offset by minor overspends elsewhere within the service.

(g) Communications Management had an underspend of £0.316 million against budget due to the volume of staff turnover and subsequent vacant posts experienced during 2022/23. This service will not form part of the REG cash limit in 2023/24 following restructuring that was implemented from January 2023.

(h) Central costs is an underspend of £0.532 million against budget pending a re-allocation of budget to services which will be actioned in quarter one 2023/24.

117 In arriving at the outturn position, and further to the quarter three forecast of outturn report, a net £3.508 million relating to contributions to / use of reserves has been excluded from the outturn. The major items being:

(a) £6 million use of the Leisure Transformation reserve;

(b) £0.746 million use of the Cultural Programme reserve;

(c) £0.512 million use of the Strategic reserve;

(d) £0.473 million use of the Building Trading reserve;

(e) £1.943 million contribution to the Selective Licencing reserve; and

(f) £0.516 million contribution to the Bus Services reserve.

118 Taking the outturn position into account, including items outside the cash limit and transfers to and from earmarked reserves, the cash limit reserve carried forward for Regeneration, Economy and Growth is £1.373 million at 31 March 2023.

Resources

119 The 2022/23 outturn for Resources was a cash limit underspend of £0.567 million. This takes into account adjustments for sums outside the cash limit such as redundancy costs which are met from corporate reserves, year-end capital accounting entries and use of/ contributions to earmarked reserves. At quarter three Resources was forecasting a cash limit underspend of £94,000.

120 Inflationary pressures on energy (£16,000) have been excluded from the cash limit position, as has the 2022/23 pay award of £3.377 million. Other net underspends outside the cash limit including central support, accommodation costs, capital entries and additional items funded via corporate contingencies totaling £3.173 million have also been excluded.

121 The underspend reflects the proactive management of activity by Heads of Service across Resources throughout the year to remain within the cash limit and to prepare for MTFP12 savings requirements. The outturn position is accounted for as follows:

(a) Corporate Finance and Commercial Services had an underspend of £0.161 million, with managed underspends in Strategic Finance of £0.111 million, Financial Management of £0.110 million and an overspend of £84,000 in Financial Systems.

(b) Transactional and Customer Services had an underspend of £0.267 million, primarily due to managed underspends on employee costs of £0.190 million and additional income of £0.186 million;

(c) Digital and Customer Services had an underspend of £0.480 million, consisting of managed overspends in relation to under achieved income of £1.113 million, which was partially offset by an underspend of £0.546 million on employee related costs and £53,000 on supplies and services;

(d) Internal Audit and insurance had an underspend of £52,000 due largely to overachieved income of £40,000;

(e) Legal and Democratic Services had an underspend of £0.123 million. This includes a managed underspend on employee related expenditure of £0.384 million, transport costs of £64,000 and £0.245 million additional income. Offsetting this was an overspend of £0.580 million on supplies and services – including the use of external legal advisors;

(f) HR & Employee Services had an underspend of £52,000 due largely to a managed underspend on employee related costs;

(g) Corporate Policy Planning and Performance had an underspend of £0.155 million due to managed underspends on employee related costs of £23,000, supplies and services of £19,000 and overachieved income of £0.106 million;

(h) Procurement Sales and Business Support had an underspend of £0.164 million due largely to additional income; and

(i) Service Management and Central Charges is an underspend of £72,000 due to a decrease in the bad debt provision and an underspend in employee related costs.

122 In arriving at the outturn position and further to the quarter three forecast of outturn report, a net £1.460 million relating to contributions to / use of reserves has been excluded from the outturn. The major items being:

(a) £0.930 million use of the MTFP ER/VR Reserve to reflect an increased cost of early retirements/ voluntary redundancies in 2022/23;

(b) £0.388 million contribution to the Business Support Reserve in respect of the actual underspend on the unitised Business Support Function in lieu of future MTFP savings;

(c) £0.175 million use of the Adults Cash Limit Reserve to provide assistance with outstanding workloads within the Financial Assessment, Payments, Billing and Debtors teams

(d) £0.168 million use of the ICT Reserve to fund the cost of replacing firewalls in schools, to contribute to the cost of Data breach software and contribution to the Community Book project;

(e) £0.130 million contribution to the Modern Way of Working reserve. The contribution reflects the underspend in 2022/23 associated with the Transformation Team;

(f) £0.119 million contribution to Internal Audit and Corporate Fraud Reserve to fund future temporary appointments;

(g) £1.962 million use of the Housing Benefits Subsidy Reserve to finance the cost of Housing Benefit claims which are not fully funded by Government Subsidy;

(h) £0.117 million contribution to the Elections Reserve to finance the cost of elections;

(i) £0.261 million contribution to the Procurement Development Reserve which will be used to finance various procurement initiatives;

(j) £0.140 million contribution to the Corporate Procurement Reserve to fund temporary posts;

(k) £0.220 million use of the COVID19 Test and Trace Support Scheme Admin Reserve to fund service packages; and

(l) £0.853 million contribution to the Transformation Programme Reserve to extend temporary posts within the Transformation team;

123 Taking the outturn position into account, including items outside the cash limit and transfers to and from earmarked reserves, the cash limit reserve carried forward for Resources is £1.265 million.

Resources - Centrally Administered Costs (Corporate Costs)

124 The 2022/23 outturn for Resources - Centrally Administered Costs is an underspend of £0.327 million. This takes into account adjustments for sums outside the cash limit such as the use of / contribution to earmarked reserves. The quarter three forecast indicated a cash limit underspend of £0.101 million in 2022/23.

125 Other outside the cash limit items, including central support, accommodation costs, capital entries and additional items funded via corporate contingencies totaling £0.235 million have also been excluded.

126 The 2022/23 outturn position is accounted for as follows:

(a) £45,000 reduced expenditure on corporate subscriptions;

(b) £20,000 reduced expenditure re legal expenses;

(c) £90,000 receipt of government grant in respect of the Redmond Review (used to offset a managed overspend of £67,000 relating to external audit fees);

(d) £62,000 overachievement of income from de-minimis capital receipts arising from the sale of assets; and

(e) £0.156 million net income relating to the Council Tax Rebate Government Grant which was used to administer the Energy Rebate Scheme in 2022/23.

127 In arriving at the outturn position and further to the quarter three forecast of outturn report, a net £3.705 million relating to contributions to / use of reserves has been excluded from the outturn. The major items being:

(a) £1.618 million use of Welfare Assistance Funding reserve – to fund additional support and projects aligned to the Poverty Action Strategy and Plan;

(b) £2.069 million use of the Council Tax Hardship reserve – to fund awards made in year; and

(c) £37,000 use of the Corporate Insurance reserve.

Central Budgets

Interest and Investment Income

128 The 2022/23 outturn position was an overachievement of income of £7.372 million. This position reflects increased investment returns on higher than budgeted cash balances (a combination of slippage within the capital programme and the receipt of significant capital receipts in year, along with improved interest rates on the back of increases in bank rates. At quarter three the overachievement of income was forecast to be £6.234 million more than the budget.

Interest Payable and Similar Charges

129 The actual interest payable and similar charges during 2022/23 was £6.300 million underspent against the revised budget. This position reflects loans taken out at lower interest rates and delayed borrowing requirements due to holding increased cash balances. The underspend also reflects interest savings from loans repaid early.

130 The following table highlights the change in borrowing and investments during 2022/23:

	Actual 31.03.22 £ million	Average Interest Rate	Actual 31.03.23 £ million	Average Interest Rate
Borrowing	418	3.25%	440	3.11%
Investments	342	0.48%	351	4.01%
Net Debt	**78**		**89**	

2022/23 Capital Outturn

General Fund Capital Programme

131 The original capital budget for 2022/23, taking into account the budget approved by Council on 23 February 2022 and adjustments for re-profiling of underspends at 2021/22 year end, was £267.920 million. This was agreed by Cabinet on 13 July 2022.

132 Throughout the year, the Capital Member Officer Working Group (MOWG) has continually reviewed progress in delivering the capital programme to take into account changes in planning and delivery timescales and analysis of changes in demands on resources. This has been particularly important throughout 2022/23 as the council has monitored the impact of the pandemic and global price rises upon the ability to deliver the capital programme effectively. Regular updates to the capital programme were reported to and approved by Cabinet as part of the quarterly budgetary control reports in year. Requests for re-profiling capital programme underspends at 31 March 2023 included in this report have also been considered by MOWG.

133 Since the quarter three forecast of outturn report was finalised for Cabinet consideration earlier in the year, a number of significant increases to the capital budget have been necessary. These increases have in the main related to receipt of additional grant funding. Significant amounts include the following:

(a) 2023/24 High Needs Capital Provision Fund grant of £6.445 million;

(b) Green Homes – Home Upgrade Grant (HUG) Phase 2 schemes of £4.4 million;

(c) Local Electric Vehicle Infrastructure Fund Bridge Pilot of £3.125 million;

(d) Temporary Accommodation schemes (to be funded on a self-financing basis) of £2.8 million

(e) LEP loan of £2.6 million for Jade Business Park Phase 2.

134 The capital budget also requires increasing to reflect higher than forecast capital grant allocations to the Council as follows:

(a) £2.865 million for Highways DfT Pothole Fund
(b) £2.478 million for Schools Capital works.

135 Budget increases funded from capital contingencies of £1.1 million to cover an increase on the final contract price for Belmont School New Build and £4.4 million for a Council commitment to contribute to a major school building project at Framwellgate School are also required. It is expected over the coming years the £4.4 million commitment to Framwellgate School will be reimbursed by housing developers via S106 contribution for the Sniperley housing site.

136 The following table summarises the revised capital budget for 2022/23, taking into account the revisions proposed / required since the quarter three position was finalised and adjustment agreed by Cabinet throughout the year, together with the outturn position for each service area. The table also details the action that has been taken with regard to re-profiling and budget additions/deletions at year end.

Service Area	**2022/23 Original Budget**	**2022/23 Revised Budget**	**2022/23 Outturn**	**2022/23 Variance**	**2022/23 (Additions) / Deletions from Budget**	**2022/23 Re-profiling into future years**
	£million	**£million**	**£million**	**£million**	**£million**	**£million**
Adults and Health Services	1.170	0.100	0.024	-0.076	-	0.076
CYPS	46.281	18.048	16.210	-1.839	-2.931	4.769
Neighbourhoods and Climate Change	79.173	57.915	46.799	-11.116	-1.379	12.495
Regeneration, Economy and Growth	129.318	84.736	76.158	-8.578	-1.286	9.863
Resources	11.977	4.275	3.860	-0.415	-	0.415
TOTAL CAPITAL PROGRAMME	**267.920**	**165.074**	**143.050**	**-22.024**	**-5.596**	**27.619**

137 The variances in the table above include requests to carry forward unspent budgets to fund the completion of capital schemes from 2023/24 onwards. Also included are 2022/23 overspends on some projects as a result of an acceleration in project delivery timescales, and for these projects future years' budgets have been reduced. All of the resultant re-profiling is reflected in the capital budgets for 2023/24 to 2026/27.

138 The Capital Programme is financed via various funding sources including grants, capital receipts, revenue contributions, contributions

from reserves and borrowing. The financing of the 2022/23 outturn is detailed in the following table:

Financing – General Fund Capital Programme 2022/23

Funding Source	2022/23 Outturn £million
Grants and Contributions	78.494
Revenue & Reserves	14.226
Capital Receipts	50.330
Borrowing	-
Total Financing	**143.050**

Service Grouping Commentary

139 The primary reasons for the net capital underspend of £22.024 million (circa 13%) against the revised capital programme budget are set out below:

Children and Young People's Services (CYPS)

140 The underspend of £1.839 million for CYPS is mainly due to:

(a) **Children's Services – Planning and Services Strategy**

Underspend of £0.254 million. This relates to re-profiling into 2023/24 of budgets for the project to review the Social Services Information Database (SSID) system in CYPS and AHS and the project to replace the SEND IT System;

(b) **Devolved Formula Capital**

Overspend of £0.900 million. This is due to unpredicted changes in individual school spending decisions after December when final budget updates were made. The 2022/23 overspend will be met from budgets in 2023/24.

(c) **School Related**

Underspend of £2.247 million. The most significant underspend in this area is £0.628 million on the rebuild of Greenfield Community College as the scheme has been delayed enabling a review of the scheme costs

Other significant underspends include £0.617 million on Spennymoor New Build Primary School as commencement on site was delayed due to the need for value engineering to keep the project within budget, £0.512 million on Escomb Primary Replacement of Demountable Classrooms due to delays to the programme and £0.254 million on Copeland Road Primary Window Replacement scheme as works are on hold until a decision is taken about combining this with a scheme to also replace the roof. Underspends of £0.196 million for Laurel Avenue Primary Damp Investigations, £0.152 million for Witton Gilbert Primary Boilers, £0.129 million for Cassop Primary Lighting Replacement and £0.117 million for Westlea Primary Rewire were due to the re-phasing of works between financial years.

An underspend of £0.609 million on the Schools Capital Grant Unprogrammed budget will be re-profiled to 2023/24 to allocate to future schemes. The underspends above were partly offset by an overspend of £1.353 million on Durham Sixth Form Post 16 Capacity Fund scheme as this grant and revenue funded scheme was added to the budget after final budget updates were made.

There were also overspends of £0.469 million on Belmont School New Build following signing of the pre-construction service agreement and £0.251 million on Greenfield School Condition Works, linked to the overall strategy for the school replacement.

(d) **Secure Services**

Underspend of £0.165 million. The majority of this relates to the Transition Home at Aycliffe Secure Centre as some areas of work were not required.

Neighbourhoods and Climate Change

141 The underspend of £11.116 million is mainly due to:

(a) **Environmental Services**

Underspend of £4.201 million. The most significant underspends in this area related to Decarbonisation works at Peterlee Leisure Centre (£1.308 million) and Wolsingham Leisure Centre (£0.802 million) due to the Wolsingham scheme no longer going ahead.

At Morrison Busty there were underspends of £0.216 million on the Vehicle Workshop Refurbishment due to issues with filling mineworkings, £0.129 million on the Depot Phase 3A scheme due to additional works being required and £0.174 million on the Battery Storage Phase 4 scheme where the final payments will be made in 2023/24.

An underspend of £0.225 million on Net Zero Heat Decarbonisation Works resulted from projects being paused in quarter three of the year while a review of the capital programme was undertaken.

(b) **Highways**

Underspend of £6.750 million. The most significant underspend in this area was £4.355 million on Highways Capitalised Maintenance carriageway schemes along with £0.417 million on schemes to Invest in the Unclassified Network, where the budget is allocated to approved schemes, but schemes are not totally finalised.

There was an underspend of £0.549 million on street lighting schemes and £0.719 million on Street Lighting Energy Replacement Programme (SLERP) schemes due to installations not being complete on numerous schemes and design and works costs being lower than estimated.

Other significant underspends include £0.392 million on Burnigill Bank where the timing of some remedial works following construction needs to be co-ordinated with Network Rail who are also currently working in the area.

On the Renewal of Lighting on Durham Cathedral and Castle scheme there was an underspend of £0.111 million relating to the Castle element of the scheme where legal discussions have delayed works.

There were overspends on drainage schemes at South Moor and Stanley (£0.167 million), South Stanley – Park Road (£0.115 million) and South Stanley – Avon Road (£0.113 million) as additional funding was received after the final budget adjustments for the year were made. An overspend on County Wide Minor Highway Drainage schemes of £0.123 million was due to additional works being carried out.

(c) **Partnerships and Community Engagement**

Underspend of £0.204 million. There was an underspend of £0.295 million on Members Neighbourhood budgets as the revised budget was based on applications received up to mid-November and not as many applications as expected had proceeded to payment stage by the end of the financial year. The underspend will be carried forward to 2023/24 and the payments made in due course.

On the Members Towns & Villages Capital there was an overspend of £0.279 million as the transfer from the revenue budget to the capital budget to cover capital spend in the last few months of the year was higher than anticipated.

Regeneration, Economy and Growth

142 The underspend of £8.578 million is mainly due to:

(a) **Economic Development**

Underspend of £0.529 million. There were underspends across various schemes in this area, with the largest being £0.684 million on the Finance Durham Investment Fund. This was due to one of the planned investments completing in 2023/24 rather than in 2022/23 as was anticipated. The largest overspend in this area was £1.1 million on Beamish Museum Redevelopment due to issues with the timing of quarterly claims from Beamish. The latest claim was received in March so existing budget was accelerated to cover the payment.

(b) **Corporate Property and Land**

Underspend of £0.355 million. The most significant underspend in this area was £0.429 million on the Milburngate Specification Improvement budget resulting mainly from the contractor going into administration.

There was an underspend of £0.424 million on the Structural Capitalised Maintenance programme due to a number of schemes which were meant to take place in 2022/23 being delayed until 2023/24.

The Aykley Heads Plot C development scheme had an overspend of £0.762 million against the profiled budget as spend towards the end of the financial year progressed faster than expected and a higher level of labour and materials were charged during this period, accelerating spending that was previously expected to come through in 2023/24. his will be met by re-profiling budget from 2023/24 into 2022/23.

(c) **Planning and Housing**

Underspend of £0.179 million. There were various offsetting underspends and overspends across the service, with the most significant being an underspend of £2.090 million on Social Housing Decarbonisation Fund Wave 1 schemes. This programme was delayed due to access issues and adverse weather and a project extension to September 2023 was agreed with the grant funding body. The most significant overspend in this area was £1.230 million on Disabled Facilities Grant schemes, resulting from increased demand for DFGs and increased costs due to inflationary costs on raw materials. This will be met by re-profiling budget from 2023/24 into 2022/23.

(d) **Culture and Sport**

Underspend of £3.620 million. Underspends in this area include £0.914 million on Locomotion New Exhibition Building, £0.431 million on Durham Miners Association Redhills Building Refurbishment and £0.290 million on Shildon Coal Drops.

On Leisure Centre Transformation schemes there was an underspend of £0.305 million on Teesdale Leisure Centre due to slippage in the programme. There was an overspend of £0.281 million on Peterlee Leisure Centre as aspects of work were accelerated to maximise Salix grant funding for the Decarbonisation element of the refurbishment works.

(e) **Transport**

Underspend of £3.839 million. There were various offsetting underspends and overspends across the service, with the most significant being an underspend of £1.881 million on Durham Bus Station and North Road Development as a failed concrete pour and adverse weather conditions led to delays in the programme of works.

On the Jade Business Park Infrastructure scheme there was an underspend of £0.759 million resulting from ongoing dialogue relating to the approval of structural assessments with National Highways. An underspend of £0.445 million for the Locomotion Walking & Cycling (LUF) scheme was due to a delayed start on site as a result of ongoing discussions with landowners to agree leases.

Resources

143 The underspend of £0.415 million is mainly due:

(a) **Policy, Planning and Performance**

Underspend of £0.705 million, of which £0.616 million relates to the Corporate Business Intelligence System scheme where a revised cash flow for the project was not received until after the final budget updates for the quarter three forecast outturn report were prepared.

(b) **Digital and Customer Services**

Overspend of £0.303 million. Overspends on Datacentre Switching (£0.165 million), Networking (£0.156 million) and

Accommodation ICT (£0.131 million) schemes where spending was accelerated, and budgets are to be re-profiled from 2023/24 to fund this.

An overspend of £0.149 million on the Corporate Anti-Virus Solution resulted from an alternative supplier having to be found due to restrictions on trading with Russian affiliated suppliers.

The Digital Durham Top Up Scheme had an overspend of £0.124 million. The timing of payments is difficult to predict as it varies depending on supplier build rates. An underspend of £0.223 million on the Digital Mailroom scheme resulted from delays in the project pushing spend into 2023/24.

Prudential Indicators

144 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.

145 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)

146 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.

147 In the table below, the original CFR estimate for 2022/23 is the position reported to Council on 23 February 2022 as part of the council's Annual Treasury Management Strategy. The council's actual CFR at 31 March 2022 of £534.012 million was reported to Council on 20 July 2022 as part of the 2021/22 Treasury Management Outturn Report. The 2022/23 outturn position as at 31 March 2023 is as follows:

	2022/23 Original £million	2022/23 Actual £million	2022/23 Variance £million	2023/24 Estimate £million	2024/25 Estimate £million
Opening CFR	545.723	534.012	-11.711	525.618	636.655
Add net borrowing requirement for the year	188.570	0.000	-188.570	120.000	184.566
Add leasing & PFI requirement for the year	11.922	8.801	-3.121	10.296	6.040
Deduct MRP/VRP and other financing movements	-18.275	-17.195	1.080	-19.259	-20.790
Closing CFR	**727.940**	**525.618**	**-202.322**	**636.655**	**806.471**

Gross Debt and the Capital Financing Requirement (CFR)

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

	2021/22 Actual £million	2022/23 Actual £million	2023/24 Estimate £million	2024/25 Estimate £million
Borrowing	417.985	439.652	416.632	381.064
Finance leases	47.069	48.769	50.039	46.787
PFI liabilities	35.670	34.779	33.887	32.995
Total Gross Debt	**500.724**	**523.200**	**500.558**	**460.846**
Capital Financing Requirement	**534.012**	**525.618**	**636.655**	**806.471**
Headroom (Internal Borrowing)	**33.288**	**2.418**	**136.097**	**345.625**

Operational Boundary

149 This is the limit which external borrowing is not normally expected to exceed and approximates to the CFR for a given year. Periods where the actual position is either below or over the boundary is acceptable subject to the authorised limit not being breached:

	2022/23 Actual £million	2023/24 Estimate £million	2024/25 Estimate £million
Borrowing	442.000	553.000	727.000
Other long term liabilities	84.000	84.000	80.000
Total	**526.000**	**637.000**	**807.000**

Authorised Limit

150 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.

	2022/23 Actual £million	2023/24 Estimate £million	2024/25 Estimate £million
Borrowing	492.000	603.000	777.000
Other long term liabilities	89.000	89.000	84.000
Total	**581.000**	**692.000**	**861.000**

Council Tax and Business Rates Collection Funds

Council Tax

151 Council Tax is charged for all residential dwellings in bandings agreed by the Valuation Office Agency, which is part of Her 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.

152 The in-year collection rate at 31 March 2023 was 95.91%, which is 0.45% points better than the position in 2021/22, but still below the pre-Covid performance levels at this time, with performance continuing to be impacted Covid legacy issues, when recovery action was suspended for 18 months, and by the consequential cost of living crisis and squeeze on household incomes.

153 The council is continuing to provide support to those impacted by COVID-19 through Hardship payments of up to £150 for those in receipt of council tax support with residual elements to pay; a total of £2.084 million was awarded to 31 March 2023.

154 The in-year collection rates at 31 March for 2022/23 and the previous two financial years, are shown below.

Billing Year	Position at 31 March
2022/23	**95.91%**
2021/22	95.46%
2020/21	97.94%

155 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 collectable is estimated 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.

156 Actual cash collected in year as at 31 March 2023 was £320.992 million compared with £303.395 million as at 31 March 2022, however when the Council Tax increases for 2022/23 are factored in, this represents a year-on-year real terms increase of £3.627 million in terms of Council Tax income received.

157 Due to changes in the number of properties (including new build and demolitions), and eligibility of discounts and reliefs during the year, the actual amount of council tax collectable, increases or decreases from the estimate on a dynamic day to day basis. In addition, adjustments for previous billing years take place during each accounting year. All of these adjustments mean that the actual amounts collected will always differ from the original estimate.

158 Such differences at the end of each accounting year, after taking into account the calculated change required in the 'bad debt' provision, determines whether a surplus or deficit has arisen, which is then shared proportionately between the council and its major preceptors, being Durham Police Crime and Victim's Commissioner and County Durham and Darlington Fire and Rescue Authority.

159 In July 2020 the government announced that repayments to meet any collection fund deficits accrued in 2020/21 will be phased over a three-year period (2021/22 to 2023/24) to ease the immediate pressures on budgets.

160 Two thirds of the estimated total council tax element of the Collection Fund deficit (total £5.720 million) has been accounted for during the 2021/22 and 2022/23 budget setting processes (£3.814 million, with the council's share totalling £3.224 million).

161 The 2022/23 forecast Collection Fund position included the final third of this spread deficit. The council's share will be reflected within the 2023/24 budget.

162 At 31 March 2023 the final outturn for the council tax collection fund is an in year deficit of £0.025 million, with the council's share of the in year deficit being £0.021 million. At quarter three an in-year deficit of £0.251 million was forecast, with the council's share being £0.211 million.

163 After taking into account the undeclared 2021/22 deficit of £2.589 million and the forecast in year deficit of £0.026 million, the overall forecast for the council tax element of the Collection Fund is a £2.615 million deficit. The council's share of this deficit is £2.206 million.

164 The following table summarises the Council Tax activity during 2022/23:

	£ million
Net Bills issued during Accounting Year 2022/23	380.414
LCTRS and previous years CTB adjustments	-60.246
Calculated change in provision for bad debts required and write offs	-3.572
Net income receivable (a)	**316.596**
Precepts and demands	
Durham County Council	252.142
Parish and Town Councils	14.197
Durham Police Crime and Victim's Commissioner	34.521
County Durham and Darlington Fire and Rescue Authority	15.762
Total Precepts and Demands (b)	**316.622**
Net Surplus / (-) Deficit for year (a) – (b)	**-0.026**
Undeclared Surplus / (-) Deficit brought forward from 2021/22	**-2.589**
Estimated year end deficit	**-2.615**

165 The following table identifies the reconciles the gross deficit (including undeclared and in year deficit) to the year end deficit:

	£ million
2021/22 Undeclared Deficit	-2.589
Remaining Deficit Spread	-1.907
Deficit for the year	-0.026
Collection Fund gross deficit	**-4.522**
2023/24 General Fund impact – deficit spread	1.907
Year end Deficit	**-2.615**

166 The council was required to determine and declare the forecast surplus or deficit on the council tax collection fund for 2021/22 by 15 January 2022. This needed to be considered during the budget setting process for 2022/23. Any difference between this and the actual surplus at 31 March 2022 was carried forward to the next financial year to be taken into account in estimating the surplus/ deficit position for 2022/23 and taken into account during 2023/24 budget setting.

167 At 15 January 2023 the estimated outturn for the Council Tax Collection Fund was a deficit of £2.378 million to 31 March 2023, including the final instalment of the spreading adjustment from 2020/21 of £1.907 million. The actual outturn is therefore broadly in line with the estimates used in the 2023/24 budget setting process.

Business Rates

168 2013/14 was the first year of the new business rates retention scheme whereby the council has a vested budget interest and stake in the level of business rate yield, as income generated from business rates has since been 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 the level of income anticipated for the year is also important.

169 In 2017/18, following consultation, the Government implemented the first revaluation of business rates since April 2010.

170 The revaluation of the rateable values of all business properties was undertaken by the Valuation Office Agency and, along with national changes to multipliers, relief thresholds and transitional arrangements, came into effect from April 2017.

171 The next revaluation of non-domestic properties takes effect from 1 April 2023. The 2017 list has now closed and the last day on which ratepayers were able to initiate the appeal process on the 2017 rating list was 31 March 2023.

172 Bills raised, exemptions and reliefs awarded are examined, together with local knowledge of anticipated changes in reliefs such as discretionary rate relief, on a monthly basis to enable a comparison with the January 2022 estimate of 2022/23 business rates income that was used for budget setting purposes.

173 On 25 March 2021, the Government announced the introduction of the Covid-19 Additional Relief Fund (CARF), to support businesses in England affected by Covid-19, but not eligible for existing support linked to business rates. This relief totals £8.406 million and is compensated in full by Section 31 grant.

174 The in-year collection rate at 31 March 2023 was 96.38%, which is 2% points below the previous year. In year performance in 2022/23 was impacted by the current economic climate, with inflationary pressures affecting businesses across the county leading to a reduction in payments received. Two major accounts were however settled in April 2023. Reductions in in-year collection rates have been experienced by other local authorities and a working group has been established to support businesses via an early intervention approach going forward.

175 The in-year collection rates at the end of the year for the current and last two financial years, are as follows:

Billing year	Position at 31 March
2022/23	96.38%
2021/22	98.38%
2020/21	98.63%

176 In line with the position for council tax the repayments to meet any collection fund deficits accrued in 2020/21 have been phased over a three-year period (2021/22 to 2023/24) to ease immediate pressure on budgets.

177 Two thirds of the total estimated business rates element of the Collection Fund deficit (total £1.138 million) has been accounted for during the 2021/22 and 2022/23 budget setting processes (£0.758 million, with the council's share totalling £0.372 million)

178 At 31 March 2023 the final outturn for the business rates collection fund is a deficit of £5.387 million of which the council's 49% share is £2.640 million.

179 After taking into account, the undeclared improvement in the 2021/22 position of £0.831 million and the in year deficit of £5.387 million the overall outturn for the business rate element of the Collection Fund is a £4.556 million deficit, of which the council's share is £2.233 million. At quarter three the forecast in year deficit was £4.499 million and the overall forecast for the business rate element of the Collection Fund was a £3.668 million deficit, of which the council's share was £1.797 million.

180 The total position for the business rate element of the Collection Fund for 2022/23 is detailed in the following table:

	£ million
Net rate yield for 2022/23 including previous year adjustments	107.716
Estimate of changes due to appeals lodged and future appeals	-3.616
Estimated losses in Collection – Provision for Bad Debts and Write-offs	1.293
Net income receivable (a)	**102.907**
Agreed allocated shares:	
Central Government (50%)	53.758
Durham County Council (49%)	52.683
County Durham and Darlington Fire and Rescue Authority (1%)	1.075
Cost of Collection Allowance and Renewable Energy (paid to Durham County Council)	0.778
Total fixed payments (b)	**108.294**
Net deficit for year (a) – (b)	**-5.387**
Undeclared Surplus / (-) Deficit brought forward from 2021/22	**0.831**
Estimated year end deficit	**-4.556**

181 Taking into account the outturn positions at the end of the financial year for both council tax and business rates, alongside the receipt of Section 31 grant for Covid Additional Relief Fund (CARF), the overarching position for the council in terms of the 2022/23 Collection Fund is as set

out below, which is an overall £0.103 million surplus (which compares with the quarter three forecast of an overall £0.355 net surplus).

	£ million
Council Tax Deficit	-2.199
Business Rates Deficit	-2.238
S31 Grants (CARF)	4.540
Net Deficit	**0.103**

Section 31 Grant - Small Business Rate Relief

182 Small business ratepayers 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.

183 Small business ratepayers with properties with rateable values up to £12,000 are 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%.

184 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.

185 At 31 March 2023, the gross small business relief awarded against 2022/23 business rates bills and adjustments for the period 2013/14 to 2021/22 was £18.394 million, and the council will receive £6.357 million in Section 31 grant, including the capping adjustment and threshold change adjustments, in this regard.

Other Section 31 Grants

186 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. Funding for these schemes is provided through Section 31 grants.

187 When assessing estimated outturn income from business rates, due regard must also be given on the effect that changes in estimated reliefs will have on the Section 31 grants.

Update on Progress towards achieving MTFP (12) savings

188 The delivery of the MTFP (12) 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; and

(e) sound risk management.

189 MTFP (12) savings proposals for 2022/23, agreed by County Council on 23February 2022 totalled £2.427 million.

190 At 31 March 2023, 93.68% (£2.278 million) of the £2.427 million total savings target had been delivered. The £0.149 million unrealised savings related to unachieved Bus Shelter Income (£0.120 million) and the agreed delay (until 2023/24) in the Partnership Community Engagement and CCU restructure (£29,000).

Consultation

191 There has not been any public consultation on MTFP (12) proposals during the year.

HR implications

192 Equality data relating to the seven employees leaving through voluntary redundancy, early retirement, and ER/VR during 2022/23 showed that 33.33% were male and 66.67% were female. In terms of race, 33.33.67% of leavers had not disclosed their ethnicity and the remaining 66.67% stated that they were white British or white English. Regarding disability status no employees said they had a disability, 0% had no disability and 100% did not disclose their disability status.

193 Equality data relating to the data relating to the three staff leaving through compulsory redundancy during quarter four of MTFP12 showed that 33.33% were female and 66.67% were male. In terms of race,

66.67% of leavers had not disclosed their ethnicity and the remaining 33.33% stated that they were white British or white English. Regarding disability status no employees said they had a disability, 33.33% had no disability and 66.67% did not disclose their disability status.

194 Since austerity began in 2011, equality data relating to employees leaving through voluntary redundancy, shows that 65.65% were female and 34.35% were male. The higher proportion of female leavers is likely due to the exercises which took place in previous years which focused on traditionally female occupied professions, (these included the closure of care homes, reduction in service in the Pathways and Youth service and a restructure and change of working pattern for Care Connect). These figures also align to the overall gender split of the council's employee.

195 In terms of race, since 2011, 45.43% of leavers had not disclosed their ethnicity, with 54.14% stating that they were white British or white English. Regarding disability status 2.91% said they had a disability, 13.81% had no disability and 83.28% did not disclose their disability status.

Equality Impact Assessments (EIA)

196 Services have completed EIA screenings and assessments where necessary as part of the decision-making process for 2022/23 MTFP (12) proposals.

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

Other Useful Documents

- County Council – 23 February 2022 – Medium Term Financial Plan 2022/23 to 2025/26 and Revenue and Capital Budget 2022/23.
- Cabinet – 14 September 2022 – Forecast of Revenue and Capital Outturn 2022/23 – Period to 30 June 2022 and Update on Progress towards achieving MTFP (11) savings.
- Cabinet – 16 November 2022 – Forecast of Revenue and Capital Outturn 2022/23 – Period to 30 September 2022 and Update on Progress towards achieving MTFP (12) savings.
- Cabinet – 16 November 2022 - Council Tax Base 2023/24 and Forecast Deficit on the Council Tax Collection Fund as at 31 March 2023.

- County Council – 22 February 2023 – Medium Term Financial Plan 2023/24 to 2026/27 and Revenue and Capital Budget 2023/24

- Cabinet – 15 March 2023 - Forecast of Revenue and Capital Outturn 2022/23 – Period to 31 December 2022 and Update on Progress towards achieving MTFP (12) savings.

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Appendix 1: Implications

Legal Implications

This report shows the actual outturn compared to original and revised budgets as agreed by Council in relation to the 2022/23 financial year and is a key component of the council's Corporate and Financial Governance arrangements. The information contained within this report has been prepared in accordance with standard accounting policies and procedures.

Finance

The report details the financial outturn for the council for 2022/23 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 2023, plus the Collection Fund outturn, covering council tax and business rates.

Consultation

None.

Equality and Diversity / Public Sector Equality Duty

None specific to this report. There is an overview of the protected characterisers of staffing leaving the Council as a result early retirement, voluntary redundancy and compulsory redundances as a result of MTFP (12) 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 MTFP12 savings proposals that were factored into the 2022/23 budget.

Accommodation

None.

Risk

The figures contained within this report have been extracted from the general ledger and scrutinised and supplemented with information supplied by the Service Management Teams and budget holders. The outturn has been produced taking into consideration all spend in year and year end accounting practices. This should mitigate any risks regarding challenge over the accuracy and validity of the financial outturn position of the council as reported.

Procurement

None.

Appendix 2: General Fund Revenue Summary 2022/23

	Original Budget 2022/23	Revised Budget	Service Groupings Final Outturn	Variance	Contribution to / (Use of) Contingencies	Contribution to / (Use of) Cash Limit Reserve	Contribution to / (Use of) Earmarked Reserves	Total Contribution to / (Use of) Contingencies and Reserves	Variance	Adjustment for inflationary-related sums outside the cash limit included in Forecast of Outturn					Total Adjustment for inflationary sums outside the cash limit	Cash Limit Position
										Energy	Waste	Transport Fuel	Home to School Transport	Pay Inflation and NI adjustment 22/23		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adult and Health Services	136,741	137,989	140,846	2,857	-2,843	255	-189	-2,777	80	-19	0	0	0	-1,911	-1,930	-1,850
Children and Young People's Services	141,886	162,835	151,202	-11,633	13,663	-13	17,717	31,367	19,734	-102	0	0	-3,000	-2,380	-5,482	14,252
Neighbourhoods and Climate Change	112,985	116,184	96,471	-19,713	16,822	0	5,420	22,242	2,529	1,356	379	-757	0	-2,908	-1,930	599
Regeneration, Economy and Growth	54,934	57,778	110,690	52,912	-44,585	-382	-3,126	-48,093	4,819	-1,088	0	-600	0	-2,433	-4,121	698
Resources	25,249	25,944	33,371	7,427	-3,173	-230	-1,230	-4,633	2,794	16	0	0	0	-3,377	-3,361	-567
Cash Limit Position	471,795	500,730	532,580	31,850	-20,116	-370	18,592	-1,894	29,956	163	379	-1,357	-3,000	-13,009	-16,824	13,132
Contingencies	17,078	11,816		-11,816	1,937			1,937	-9,879					7,294	7,294	-2,585
Corporate Costs	3,816	4,188	7,801	3,613	-235	0	-3,705	-3,940	-327	0	0	0	0	0	0	-327
NET COST OF SERVICES	492,689	516,734	540,381	23,647	-18,414	-370	14,887	-3,897	19,750	163	379	-1,357	-3,000	-5,715	-9,530	10,220
Capital charges	-61,873	-61,873	-14,130	47,743	-47,743			-47,743	0						0	0
Gains / losses on disposal of fixed assets	0	0	-57,485	-57,485	57,485			57,485	0						0	0
HR accrual	0	0	-472	-472	472			472	0						0	0
DSG deficit reserve adjustment	0	0	-1,345	-1,345	1,345			1,345	0						0	0
Interest and Investment income	-2,900	-2,900	-10,272	-7,372				0	-7,372						0	-7,372
Interest payable and similar charges	48,780	42,840	38,558	-4,282		-1,041	-977	-2,018	-6,300						0	-6,300
Levies	16,176	16,185	16,172	-13				0	-13						0	-13
Net Expenditure	492,872	510,986	511,407	421	-6,855	-1,411	13,910	5,644	6,065	163	379	-1,357	-3,000	-5,715	-9,530	-3,465
Funded By:																
Council tax	-252,142	-252,142	-252,139	3				0	3						0	3
Use of earmarked reserves	-25,072	-41,137	-32,757	8,380			-12,992	-12,992	-4,612	-163	-379	1,357	3,000	6,185	10,000	5,388
Estimated net surplus (-) / deficit on Collection Fund	9,788	9,788	9,788	0				0	0						0	0
Business Rates	-52,873	-52,873	-52,827	46				0	46						0	46
Top up grant	-72,780	-72,780	-72,780	0				0	0						0	0
Revenue Support Grant	-29,100	-29,100	-29,101	-1				0	-1						0	-1
New Homes Bonus	-4,082	-4,082	-4,082	0				0	0						0	0
Section 31 Grant	-25,026	-25,026	-22,493	2,533				0	2,533						0	2,533
Section 31 Grant - Covid Additional Relief Fund	0	0	-4,540	-4,540				0	-4,540						0	-4,540
Social Care Grant	-30,955	-30,955	-30,955	0				0	0						0	0
Lower Tier Services Grant	-786	-786	-802	-16				0	-16						0	-16
Services Grant	-8,776	-8,776	-8,776	0				0	0						0	0
Levy Account Surplus grant	0	0	-1,068	-1,068					-1,068							-1,068
Forecast contribution to/from (-) Cash Limit Reserve	-1,068	-3,117	-3,509	-392		1,411	101	1,512	1,120						0	1,120
Forecast contribution to/from (-) General Reserves	0	0	-5,366	-5,366	6,855		-1,019	5,836	470					-470	-470	0
Total Funding	-492,872	-510,986	-511,407	-421	6,855	1,411	-13,910	-5,644	-6,065	-163	-379	1,357	3,000	5,715	9,530	3,465
TOTAL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Appendix 3: General Fund Revenue Summary by Expenditure/ Income for 2022/23

	Original Budget 2022/23	Revised Budget	Service Groupings Final Outturn	Corporate Costs Forecast of Outturn	Final Outturn (including Corporate Costs)	Variance (including Corporate Costs)	Variance - Corporate Costs	Contribution to / (Use of) Contingencies, outside the cash limit	Contribution to / (Use of) Cash Limit Reserve	Contribution to / (Use of) Earmarked Reserves	Adjusted Variance	Adjustment for inflationary-related sums outside the cash limit included in Forecast of Outturn					Cash Limit Position
												Energy	Waste	Transport Fuel	Home to School Transport	Pay Inflation and NI adjustment 22/23	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Employees	538,082	539,999	552,218	437	552,655	12,495	109	7	0	0	12,502	0	0	0	0	-13,009	-507
Premises	50,177	52,238	61,969	5	61,974	9,728	40	-2,616	0	0	7,112	-1,364	0	0	0	0	5,748
Transport	51,360	52,174	62,003	0	62,003	9,824	0	-482	0	0	9,342	0	0	-757	-3,000	0	5,585
Supplies & Services	115,120	121,095	143,406	2,251	145,657	24,842	1,011	-1,694	0	0	23,148	0	0	0	0	0	23,148
Agency & Contracted	497,612	501,792	547,017	2,822	549,839	37,172	765	3,155	0	0	40,327	0	379	-600	0	0	40,106
Transfer Payments	149,152	150,095	164,836	2,338	167,174	17,030	2,166	-3,254	0	0	13,776	0	0	0	0	0	13,776
Central Costs	132,392	136,148	141,894	1,412	143,306	6,546	886	5,582	-2,598	17,115	26,645	0	0	0	0	0	26,645
DRF	734	2,225	7,548	0	7,548	5,310	0	600	0	0	5,910	0	0	0	0	0	5,910
Other	4	4	212	0	212	208	0	0	2,228	-2,228	208	0	0	0	0	0	208
Capital Charges	61,873	61,873	129,493	0	129,493	67,620	0	-67,547	0	0	73	0	0	0	0	0	73
GROSS EXPENDITURE	1,596,506	1,617,643	1,810,596	9,265	1,819,861	190,774	4,977	-66,249	-370	14,887	139,042	-1,364	379	-1,357	-3,000	-13,009	120,691
Income																	
Government Grants	599,030	578,990	644,997	684	645,681	63,310	-684	874	0	0	64,184	0	0	0	0	0	64,184
Other Grants and Contributions	85,822	88,695	131,915	647	132,562	38,588	-647	-22,393	0	0	16,195	0	0	0	0	0	16,195
Sales	6,788	6,444	6,217	162	6,379	-63	-62	-1	0	0	-64	0	0	0	0	0	-64
Fees and Charges	108,377	110,044	130,734	-31	130,703	20,311	31	-20	0	0	20,291	-1,527	0	0	0	0	18,764
Rents	10,433	10,470	17,344	0	17,344	6,883	0	-132	0	0	6,751	0	0	0	0	0	6,751
Recharges To Other Services	302,674	308,157	296,565	2	296,567	-14,451	-2	10,906	0	0	-3,545	0	0	0	0	0	-3,545
Other	7,771	9,925	50,244	0	50,244	40,733	0	-35,132	0	0	5,601	0	0	0	0	0	5,601
Total Income	1,120,895	1,112,725	1,278,016	1,464	1,279,480	155,311	-1,364	-45,898	0	0	109,413	-1,527	0	0	0	0	107,886
NET EXPENDITURE	475,611	504,918	532,580	7,801	540,381	35,463	3,613	-20,351	-370	14,887	29,629	163	379	-1,357	-3,000	-13,009	12,805

Appendix 4: General Fund Earmarked Reserves as at 31 March 2023

	SERVICE GROUPING	OPENING BALANCE £'000	USE OF RESERVES £'000	CONTRIBUTION TO RESERVES £'000	TRANSFERS BETWEEN RESERVES £'000	TOTAL MOVEMENT ON RESERVES £'000	CLOSING BALANCE AT 31/03/23 £'000
EARMARKED RESERVES AND CASH LIMIT RESERVES							
Corporate Reserves							
Budget Support Reserve	Corporate	-10,000	10,000			10,000	0
Business Support Reserve	Corporate	-1,623	148	-474	700	374	-1,249
Cabinet Priorities Reserve	Corporate	-10,000	4,783	-3,464	7,926	9,245	-755
Commercialisation Support Reserve	Corporate	-5,634	27		-3,500	-3,473	-9,107
Equal Pay Reserve	Corporate	-9,479			5,000	5,000	-4,479
ER/VR Reserve	Corporate	-6,044	3,190		-7,500	-4,310	-10,354
Capital Expenditure reserve	Corporate	0			-642	-642	-642
Feasibility Study Reserve	Corporate	-500					-500
Inspire Programme Reserve	Corporate	-121			121	121	0
Insurance Reserve	Corporate	-5,000	205	-1,170		-965	-5,965
Levelling Up Feasibility Reserve	Corporate	-850	1,010		-253	757	-93
MTFP Reserve	Corporate	-15,162	5,484		-27,318	-21,834	-36,996
Recovery Support Reserve	Corporate	-1,654	2,147	-72	-421	1,654	0
Resources DWP Grant Reserve	Corporate	-4,577	2,027	-35	290	2,282	-2,295
Resources Elections Reserve	Corporate	-1,091		-117		-117	-1,208
Resources Housing Benefit Subsidy Reserve	Corporate	-1,962	1,962			1,962	0
Total Corporate Reserves		**-73,697**	**30,983**	**-5,332**	**-25,597**	**54**	**-73,643**
Sums held for other organisations/grants							
Collection Fund Deficit Reserve	Corporate	-9,166	8,984	-4,540		4,444	-4,722
Local Taxation Income Guarantee Reserve	Corporate	-710	355			355	-355
North Pennines AONB Partnership Reserve	NCC	-1,623		-529		-529	-2,152
Public Health Reserves	AHS	-6,538	1,719	-1,755	353	317	-6,221
Resources Council Tax Hardship Reserve	Resources	-3,411	2,069			2,069	-1,342
Resources COVID-19 Support Grants	Resources	-828	227	-20		207	-621
Social Care Reserve - Community Discharge Grant	AHS	-428	63	-373		-310	-738
Social Care Reserve - CCG	AHS	-19,479	900	-3,798	640	-2,258	-21,737
Total Sums held for other organisations/grants		**-42,183**	**14,317**	**-11,015**	**993**	**4,295**	**-37,888**
Other Specific Reserves							
Business Growth Fund Reserve	REG	-454		-150		-150	-604
Children's Services Reserve	CYPS	-3,961	1,940	-3,426	-105	-1,591	-5,552
Community Protection Reserve	NCC	-3,562	468	-724	450	194	-3,368
Corporate Property & Land Reserve	REG	-2,763	915	-1,291	350	-26	-2,789
Culture and Sport Reserve	REG	-19,494	6,818	-283	4,698	11,233	-8,261
Economic Development Reserve	REG	-3,431	1,287	-2,965	749	-929	-4,360
Education Reserve	CYPS	-16,697	2,606	-4,301	3	-1,692	-18,389
Employability and Training Reserve	REG	-323	78	-64		14	-309
Environmental Services Reserve	NCC	-4,886	2,526	-982	250	1,794	-3,092
Funding and Programmes Management Reserve	REG	-628	236	-27		209	-419
Grant Reserve	REG	-86					-86
Housing Regeneration Reserve	REG	-255			19	19	-236
Housing Solutions Reserve	REG	-4,699	955	-539	402	818	-3,881
Operational Reserve	REG	-282	74			74	-208
Partnerships and Community Engagement Reserve	NCC	-10,812	2,818	-4,864	-299	-2,345	-13,157
Planning Reserve	REG	-451	13			13	-438
Regional Public Health Reserve	AHS	-5,336	5,336			5,336	0
REG Match Fund Programme Reserve	REG	-605					-605
Resources Corporate Reserve	Resources	-558	255	-481	222	-4	-562
Resources Customer Services Reserve	Resources	-250	11			11	-239
Resources Financial Services Reserve	Resources	-244			244	244	0
Resources Grant Reserve	Resources	-154		-130		-130	-284
Resources Human Resources Reserves	Resources	-397	193	-93		100	-297
Resources ICT Reserves	Resources	-1,256	286			286	-970
Resources Internal Audit & Corporate Fraud Reserve	Resources	-197	73	-125		-52	-249
Resources Legal Reserves	Resources	-443	155	-100		55	-388
Resources Operational Reserve	Resources	-97			97	97	0
Resources Operations and Data Reserve	Resources	-40	30	-40		-10	-50
Resources Revenue and Benefits Reserve	Resources	-857	417		-89	328	-529
Resources System Development Reserve	Resources	-197					-197
Resources Transformation Reserve	Resources	-586	183	-853	402	-268	-854
Social Care Reserve - Specific Purpose	AHS	-2,732	2,131	-222	-497	1,412	-1,320
Technical Services Reserve	NCC	-1,410		-636	184	-452	-1,862
Town and Villages Regeneration Reserve	REG	-18,447	286		17,475	17,761	-686
Transport Reserve	REG	-1,494	-171	-993	-52	-1,216	-2,710
Total Other Specific Reserves		**-108,084**	**29,919**	**-23,289**	**24,503**	**31,133**	**-76,951**
TOTAL EARMARKED RESERVES		**-223,964**	**75,219**	**-39,636**	**-101**	**35,482**	**-188,482**

	SERVICE GROUPING	OPENING BALANCE	USE OF RESERVES	CONTRIBUTION TO RESERVES	TRANSFERS BETWEEN RESERVES	TOTAL MOVEMENT ON RESERVES	CLOSING BALANCE AT 31/03/23
		£'000	£'000	£'000	£'000	£'000	£'000
Cash Limit Reserves							
Adult and Health Services		-6,149	2,235	-1,850	435	820	-5,329
Children and Young People's Services		0	-14,252	14,252			0
Neighbourhoods and Climate Change		-1,457	1,102	599	-334	1,367	-90
Regeneration, Economy and Growth		-2,868	482	698	316	1,496	-1,372
Resources		-1,091	709	-567	-316	-174	-1,265
Total Cash Limit Reserves		**-11,565**	**-9,724**	**13,132**	**101**	**3,509**	**-8,056**
Total Council Reserves		**-235,529**	**65,495**	**-26,504**	**0**	**38,991**	**-196,538**
Schools' Balances							
Schools' Revenue Balance	CYPS	-31,219	2,756			2,756	-28,463
DSG Reserve	CYPS	-3,056			3,056	3,056	0
Total Schools and DSG Reserves		**-34,275**	**2,756**	**0**	**3,056**	**5,812**	**-28,463**
Total Earmarked Reserves		**-269,804**	**68,251**	**-26,504**	**3,056**	**44,803**	**-225,001**

The DSG Reserve transfer is to the unusable DSG adjustment account, in accordance with regulations.

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Corporate Overview and Scrutiny Management Board

01 September 2023

Resources – Revenue and Capital Outturn 2022/23

Ordinary Decision

Report of Paul Darby, Corporate Director of Resources

Electoral division(s) affected:

Countywide

Purpose of the Report

1 To provide details of the final revenue and capital outturn budget position for the Resources service grouping, highlighting major variances in comparison with the budget.

Executive summary

2 In 2022/23 the service achieved a cash limit variance underspend of £0.567 million against a revised budget of £25.943 million. This compares to the previously forecast position (at quarter 3) of a £94,000 underspend for the year. The outturn position was therefore £0.473 million more underspent than previously reported.

3 The Resources Cash Limit balance carried forward at 31 March 2023 is £1.266 million. Other earmarked reserves under the direct control of RMT total £10.034 million at 31 March 2023.

4 The final Resources capital budget is £4.275 million for 2022/23, with total expenditure incurred to 31 March 2023 of £3.859 million (90.27%). A request will be made to the Member Officer Working Group to carry forward the £0.416 million underspend to the current year to augment the 2023/24 Capital Programme.

Recommendation(s)

5 Corporate Overview and Scrutiny Management Board is recommended to note the final outturn position against the 2022/23 revenue and capital budgets.

Background

6 County Council approved the Revenue and Capital budgets for 2022/23 at its meeting on 23 February 2022. These budgets have subsequently been revised to account for grant additions/reductions, corporate savings/adjustments, budget transfers between service groupings and budget profiling between years. This report covers the financial position for the following major budget areas maintained by the Resources service grouping:

- Revenue Budget - £25.943 million (original £25.249 million)
- Capital Programme - £4.275 million (original £11.977 million)

7 The original Resources General Fund budget has been revised in year to incorporate a number of budget adjustments as follows:

	£,000s
Quarter 1:	
Transfer to NCC – Business Support	(22)
Transfer to REG – Business Support	(176)
Transfer to REG – Health & Safety	(795)
Transfer to REG – County Records	(258)
Transfer from CYPS to HR	71
Transfer from Contingencies	26
2021/22 Pay award	977
Transfer to Corporate Budget	(8)
Transfer from Business Support Reserve	24
Transfer from Procurement Development Reserve	77
Transfer from Human Resources Reserve	95
Transfer from ICT Reserve	19
Transfer from Legal Expenses Reserve	27
Transfer from Legal Services Reserve	34
Transfer from Digital Workforce Transformation Reserve	30
Transfer from Revenue & Benefits Reserve	193
Transfer from Internal Audit & Corporate Fraud Reserve	67
Transfer to Transformation Programme Reserve	(90)
Transfer from Resources Cash Limit Reserve	292
Quarter 2:	
Transfer from REG – Business Support	38
Transfer from AHW – Business Support	49
Transfer from AHW – Strategy	43

Quarter 3	
Transfer from REG – Business Support	23
Transfer from AHW – Business Support	5
Transfer to NCC - Research and Consultant Officer	(47)
TOTAL	**694**

The revised General Fund Budget for Resources is £25.943 million

8 The summary financial statements contained in the report cover the financial year 2022/23 and show:

- The approved annual budget;
- The actual income and expenditure as recorded in the Council's financial management system;
- The variance between the annual budget and the forecast outturn;
- For the Resources revenue budget, adjustments for items outside of the cash limit to take into account such items as redundancies met from the strategic reserve, capital charges not controlled by services and use of / or contributions to earmarked reserves.

9 The service achieved a cash limit underspend of £0.567 million (2.19%) against a revised budget of £25.943 million.

10 The tables below compare the actual expenditure with the budget. The first table is analysed by Subjective Analysis (i.e. type of expense), and the second by Head of Service.

Type of Expenditure (Subjective Analysis) (£000's)

	2022/23 Budget £000	Actual Outturn £000	Variance (under) / over spend £000	Items Outside Cash Limit £000	Reserves £000	Cash Limit Variance £000	Memo Item: Q3 Cash Limit Variance £000
Employees	68,436	69,445	1,009	(3,040)	-	(2,031)	(2,037)
Premises	2,049	2,435	386	(430)	-	(44)	(17)
Transport	729	504	(225)	(8)	-	(233)	(179)
Supplies and Services	17,010	18,810	1,800	20	-	1,820	789
Third Party Payments	52	7,932	7,880	-	-	7,880	(7)
Transfer Payments	-	14	14	-	-	14	3
Central Support and Capital	27,031	15,111	(11,920)	13,357	503	1,939	(305)
Gross Expenditure	**115,307**	**114,251**	**(1,056)**	**9,899**	**503**	**9,345**	**(1,754)**
Income	(89,364)	(85,328)	4,036	(13,947)	-	(9,912)	1,658
Net Expenditure	**25,943**	**28,923**	**2,980**	**(4,048)**	**503**	**(567)**	**(94)**
HB Transfer payments	104,245	114,774	10,529	(2,485)	(1,962)	6,082	(1,229)
HB Central Support and Capital	300	(713)	(1,013)	-	-	(1,013)	-
HB Income	(104,545)	(109,614)	(5,069)	-	-	(5,069)	1,229
HB Net Expenditure	**-**	**4,447**	**4,447**	**(2,485)**	**(1,962)**	**-**	**-**
Total Net Exp	**25,943**	**33,370**	**7,427**	**(6,534)**	**(1,459)**	**(567)**	**(94)**

By Head of Service (£000's)

	2022/23 Budget £000	Actual Outturn £000	Variance (under) / over spend £000	Items Outside Cash Limit £000	Reserves £000	Cash Limit Variance £000	Memo Item: Q3 Cash Limit Variance £000
Central Establishment Recharges	(24,184)	(37,410)	(13,226)	13,226	-	-	-
Corporate Finance & Commercial Services	4,060	4,095	35	(196)	-	(161)	(89)
Internal Audit and Insurance	1,172	1,052	(120)	(51)	119	(52)	(45)
Legal & Democratic Services	8,593	8,651	58	(338)	157	(123)	(228)
Service Management / Central Charges	(10,470)	3,134	13,604	(13,660)	(16)	(72)	-
HR & Employee Services	4,972	5,236	264	(292)	(24)	(52)	101
Transactional & Customer Services	9,095	9,089	(6)	(798)	536	(268)	33
Digital Services	13,941	15,419	1,478	(575)	(423)	480	258
Corporate Policy Planning & Performance	2,217	2,484	267	(174)	(248)	(155)	(15)
Procurement Sales & Business Services	16,450	17,090	640	(1,205)	401	(164)	(109)
Pension	97	83	(14)	14	-	-	-
Net Expenditure Excluding HB	**25,943**	**28,923**	**2,980**	**(4,049)**	**502**	**(567)**	**(94)**
Housing Benefit	-	4,447	4,447	(2,485)	(1,962)	-	-
Net Expenditure	**25,943**	**33,370**	**7,427**	**(6,534)**	**(1,460)**	**(567)**	**(94)**

11 The table below provides a brief commentary on the variances against the revised budget analysed by Head of Service. The table identifies variances in the core budget only and excludes items outside of the cash limit (e.g. redundancy costs) and technical accounting adjustments (e.g. capital charges):

Head of Service	Service Area	Description	Year End (under) / overbudget £000	Year End (under) / overbudget £000
Central Establishment Recharges	Central Establishment Recharges	£15,000 reduction in the provision for bad debts £57,000 under budget on employees	(72)	**(72)**
Corporate Finance & Commercial Services	Corporate Management	£1,000 under budget on employees £1,000 under budget on transport £1,000 over budget on supplies & services £3,000 over budget on central costs	2	
	Management Priority	£26,000 under budget on employees.	(26)	
	Financial Systems	£46,000 over budget on employees. £38,000 over budget on supplies & services.	84	
	Financial Management	£88,000 under budget on employees. £5,000 under budget on transport. £41,000 over budget on supplies & services. £58,000 over achieved income.	(110)	
	Strategic Finance	£108,000 under budget on employees. £45,000 over budget on supplies & services. £48,000 over achieved income.	(111)	**(161)**
Procurement Sales & Business Services	Procurement	£108,000 under budget on employees £56,000 overachieved income.	(164)	**(164)**
Pensions	Pension	No material variance.	0	**0**
HR & Employee Services	Advice & Guidance	£68,000 over budget on employees £4,000 under budget on transport £89,000 over achieved income	(25)	
	Head of People & Talent Management	£14,000 over budget on employees.	14	
	Payroll & Employee Services	£76,000 under budget on employees. £5,000 under budget on transport £71,000 under achieved income.	(10)	

Head of Service	Service Area	Description	Year End (under) / overbudget £000	Year End (under) / overbudget £000
	Occupational Health	£48,000 under budget in employees. £19,000 under budget on supplies & services. £36,000 under achieved income.	(31)	**(52)**
Transactional & Customer Services	Customer Relations	£108,000 under budget on employees. £34,000 under budget on premises £21,000 under budget on transport £48,000 under budget on supplies & services £10,000 under achieved income	(201)	
	Service Management	£21,000 under budget on employees. £2,000 under budget on transport. £34,000 over budget on supplies & services	11	
	Revenue & Benefits	£62,000 under budget on employees. £74,000 under budget on transport £254,000 over budget on supplies & services. £196,000 over achieved income	(78)	**(268)**
Digital Services	Digital Services	£546,000 under budget on employees. £14,000 under budget on premises. £20,000 under budget on transport. £53,000 under budget on supplies & services £1,113,000 under achieved income.	480	**480**
Internal Audit and Risk	Insurance and Risk	£1,000 under budget on employees. £3,000 over achieved income	(4)	
	Internal Audit	£10,000 under budget on employees. £22,000 over achieved income.	(32)	

Head of Service	Service Area	Description	Year End (under) / overbudget £000	Year End (under) / overbudget £000
	Corporate Fraud	£6,000 over budget on employees. £7,000 under budget on supplies and services. £15,000 over achieved income	(16)	**(52)**
Legal and Democratic Services	Corporate and Democratic Core	£33,000 under budget on employees. £10,000 under budget on premises. £50,000 under budget on transport. £77,000 under budget on supplies & services. £340,000 over achieved income.	(510)	
	Legal and Other Services	£351,000 under budget on employees. £14,000 under budget on transport £657,000 over budget on supplies & services. £95,000 under achieved income.	387	**(123)**
Corporate Policy Planning & Performance	Head of Transformation	£5,000 over budget on employees £1,000 under budget on supplies and services.	4	
	Equality & Strategy	£40,000 over budget on employees. £5,000 under budget on supplies & services £2,000 under budget on transport £27,000 over achieved income (relating to the overspend on employees)	6	
	Research & Intelligence	£38,000 over budget on employees. £6,000 over budget on supplies & services £71,000 over achieved income (relating to employee overspend)	(27)	
	Transformation	£107,000 under budget on employees. £1,000 under budget on transport. £22,000 under budget on supplies and services. £8,000 over achieved income	(138)	**(155)**
TOTAL				**(567)**

12 The final outturn position was £0.473 million more underspent than the forecast prepared at Quarter 3 and reported to Cabinet in March. This means that there is an increase in the cash limit reserve carried forward at year end.

13 In addition to the budgets controlled by Heads of Service there is a budget of £4.188 million for Centrally Administered Costs (CAC) covering corporate items such as the Town and Parish Local Council Tax Support Scheme Grant contributions, subscriptions to the LGA, etc.

14 The final position against this budget is an underspend of £0.328 million. The underspend mainly represents reduced expenditure on legal expenses and corporate subscriptions, and increased income from de-minimis capital receipts. In addition, New Burdens Government grant funding was received in respect of the “Redmond Review”. This was an independent review which looked at local authority financial reporting and external audit. This additional funding more than offset an increase in the external audit fees.

Capital Programme

15 The original Resources capital programme was £11.977 million, and this has been revised for additions/reductions, budget transfers and budget profiling. The revised budget now stands at £4.275 million.

16 Summary financial performance to the end of March 2023 is shown below:

	Original Annual Budget 2022/23	Final Annual Budget 2022/23	Actual Spend 2022/23	(Under) / Over Spend in Year	Actual Spend as a % of Budget
	£000	£000	£000	£000	%
Digital Services	10,561	2,599	2,901	303	111.62
Corporate Finance & Commercial Services and Transactional & Customer Services	16	16	4	(12)	25.00
Corporate Policy, Planning & Performance	1,400	1,660	954	(706)	57.47
`Total	**11,977**	**4,275**	**3,859**	**(415)**	**90.27**

17 The outturn position will be reported to MOWG in May 2023 as part of the capital outturn and requests will be made to carry forward the budget variances and incorporate these as changes to the 2023/24

budget. A full breakdown of schemes and actual expenditure to 31 March 2023 is given in Appendix 2.

Background papers

- County Council Report (23 February 2022) – Medium Term Financial Plan 2022/23 to 2025/26 and Revenue and Capital Budget 2022/23.
- RMT Report (26 July 2022) – Forecast of Revenue and Capital Outturn 2022/23 – Period to 30 June 2022.
- RMT Report (04 October 2022) – Forecast of Revenue and Capital Outturn 2022/23 – Period to 30 September 2022.
- RMT Report (31 January 2023) – Forecast of Revenue and Capital Outturn 2022/23 – Period to 30 December 2022.

Other useful documents

- Previous Cabinet reports / None

Author(s)

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Appendix 1: Implications

Legal Implications

The consideration of regular budgetary control reports is a key component of the Council's Corporate and Financial Governance arrangements. This report shows the actual spend against budgets agreed by the Council in February 2022 in relation to the 2022/23 financial year.

Finance

Financial implications are detailed throughout the report which provides an analysis of the revenue and capital outturn position.

Consultation

Not applicable.

Equality and Diversity / Public Sector Equality Duty

Not applicable.

Climate Change

Not applicable.

Human Rights

Not applicable.

Crime and Disorder

Not applicable.

Staffing

Not applicable.

Accommodation

Not applicable.

Risk

The consideration of regular budgetary control reports is a key component of the Councils Corporate and Financial Governance arrangements.

Procurement

The outcome of procurement activity is factored into the financial projections included in the report.

Appendix 2 Resources Capital Programme 2022/23 – Detailed Monitoring Statement to 31 March 2023

Resources	Revised Annual Budget	Actual Spend	Remaining Budget
	2022/23	**31-Mar-23**	**2022/23**
	£000	**£000**	**£000**
Design and Print	2,380	2,554	(174)
Head of Service	219	347	(128)
ICT Services Include Design and Print Total	**2,599**	**2,901**	**(302)**
Migration of HR/Payroll Functionality	16	4	12
Policy Planning & Performance	1,660	954	706
Financing Resources Total	**1,676**	**958**	**718**
RES Total	**4,275**	**3,859**	**416**

Corporate Overview and Scrutiny Management Board

01 September 2023

Resources – Quarter 1 June 2023: Forecast of Revenue and Capital Outturn 2023/24

Ordinary Decision

Report of Paul Darby, Corporate Director of Resources

Electoral division(s) affected:

Countywide

Purpose of the Report

1 To provide details of the updated forecast revenue and capital outturn budget position for the Resources service grouping, highlighting major variances in comparison with the budget based on the position to the end of June 2023.

Executive summary

2 The initial quarter 1 forecast position shows that the service is forecasting a cash limit overspend of £4,000 against a revised budget of £23.013 million.

3 The Resources cash limit balance carried forward at 31 March 2024 is forecast to be circa £0.974 million. Other earmarked reserves under the direct control of Resources Management Team (RMT) are forecast to total £8.087 million at 31 March 2024.

4 The revised Resources capital budget is £8.400 million for 2023/24, with a total expenditure to 30 June 2023 of £0.784 million (9.33%).

Recommendation(s)

5 Corporate Overview and Scrutiny Management Board is recommended to note the forecast of outturn position.

Background

6 County Council approved the Revenue and Capital budgets for 2023/24 at its meeting on 22 February 2023. These budgets have subsequently been revised to account for grant additions/reductions, corporate savings/adjustments, budget transfers between service groupings and budget profiling between years. This report covers the financial position for the following major budget areas maintained by the Resources service grouping:

- Revenue Budget - £23.013 million (original £25.082 million)
- Capital Programme - £8.400 million (original £8.400 million)

7 The original Resources General Fund budget has been revised in year to incorporate a number of budget adjustments as follows:

	£,000s
Quarter 1:	
Transfer to CEO – Design Services	28
Transfer to CEO – Corporate Policy Planning & Performance	(1,932)
Transfer to CEO – Corporate Affairs & Management	(299)
Transfer from CEO – Web Team	134
TOTAL	**(2,069)**

The revised General Fund Budget for Resources is £23.013 million.

8 The summary financial statements contained in the report cover the financial year 2023/24 and show:

- The approved annual budget;
- The actual income and expenditure as recorded in the council's financial management system;
- The variance between the annual budget and the forecast outturn;
- For the Resources revenue budget, adjustments for items outside of the cash limit to take into account such items as redundancies met from the strategic reserve, capital charges not controlled by services and use of / or contributions to earmarked reserves.

9 The service is forecasting a cash limit overspend of £4,000 (0.02%) against a revised budget of £23.013 million.

10 The tables below compare the actual expenditure with the budget. The first table is analysed by Subjective Analysis (i.e. type of expense), and the second by Head of Service.

Type of Expenditure (Subjective Analysis) (£000's)

	2023/24 Budget £000	YTD Actual £000	QTR1 Forecast of Outturn £000	(From) / To Reserves £000	Items Outside Cash Limit £000	Cash Limit Variance £000
Employees	66,122	16,208	66,436	-	(223)	91
Premises	2,212	94	2,132	-	-	(80)
Transport	649	124	514	-	-	(135)
Supplies and Services	17,920	7,642	18,322	-	-	402
Third Party Payments	51	3,630	44	-	-	(7)
Transfer Payments	819	218	819	-	-	-
Central Support and Capital	29,601	1,121	29,490	(1,607)	-	(1,718)
Gross Expenditure	**117,374**	**29,037**	**117,757**	**(1,607)**	**(223)**	**(1,447)**
Income	(94,361)	(11,330)	(92,910)	-	-	1,451
Net Expenditure	**23,013**	**17,707**	**24,846**	**(1,607)**	**(223)**	**4**
HB Transfer payments	103,426	26,656	106,626	-	(3,200)	-
HB Central Support and Capital	300	-	300	-	-	-
HB Income	(103,726)	(26,153)	(103,726)	-	-	-
HB Net Expenditure	**-**	**503**	**3,200**	**-**	**(3,200)**	**-**
Total Net Expenditure	**23,013**	**18,210**	**28,046**	**(1,607)**	**(3,423)**	**4**

By Head of Service (£000's)

	2023/24 Budget £000	YTD Actual £000	QTR1 Forecast of Outturn £000	(From) / To Reserves £000	Items Outside Cash Limit £000	Cash Limit Variance £000
Corporate Finance & Commercial Services	4,022	972	3,936	(34)	(33)	(153)
Digital Services	15,262	2,915	15,642	(7)	(34)	340
HR & Employee Services	4,567	541	5,082	(257)	(10)	247
Internal Audit & Insurance	1,135	274	1,109	(46)	(8)	(80)
Legal & Democratic Services	8,899	2,631	8,866	-	(25)	(58)
Pensions	77	230	77	-	(9)	(9)
Procurement Sales & Business Services	16,982	4,505	17,772	(802)	(81)	(93)
Resources Central Establishment Recharges	(24,975)	-	(24,975)	-	-	-
Resources Management / Central Charges	(13,018)	53	(13,011)		(7)	-
Transactional & Customer Services	10,062	5,586	10,348	(461)	(16)	(190)
Net Expenditure Excluding HB	**23,013**	**17,707**	**24,846**	**(1,607)**	**(223)**	**4**
Housing Benefit	-	503	3,200	-	(3,200)	-
Total Net Expenditure	**23,013**	**18,210**	**28,046**	**(1,607)**	**(3,423)**	**4**

11 The table below provides a brief commentary on the variances against the revised budget analysed by Head of Service. The table identifies variances in the core budget only and excludes items outside of the cash limit (e.g. redundancy costs) and technical accounting adjustments (e.g. capital charges):

Head of Service	Service Area	Description	(Under) / Over Budget £000	(Under) / Over Budget £000
Resources Central Establishment Recharges	Central Establishment Recharges	No material variances	0	**0**
Resources Management / Central Charges		No material variances	0	**0**
Corporate Finance & Commercial Services	Corporate Management	(£67,000) under budget on employees	(67)	
	Management Priority	(£26,000) under budget on employees	(26)	
	Financial Systems	£20,000 over budget on employees	20	
	Financial Management	£15,000 over budget on employees £32,000 under achieved income	47	
	Strategic Finance	(£77,000) under budget on employees (£50,000) over achieved income	(127)	**(153)**
Procurement Sales & Business Services	Procurement	(£93,000) under budget on employees	(93)	**(93)**
Digital Services	Digital and Customer Services	(£590,000) under budget on employees (£34,000) under budget on premises (£50,000) under budget on transport £118,000 over budget on supplies & services £896,000 under achieved income	340	**340**
Pensions	Pension	No material variance	(9)	**(9)**
HR & Employee Services	Advice & Guidance	£10,000 over budget on employees. (£6,000) under budget on transport (£7,000) under budget on supplies & services £22,000 under achieved income	19	
	Head of People & Talent Management	£16,000 over budget on employees	16	**247**

Head of Service	Service Area	Description	(Under) / Over Budget £000	(Under) / Over Budget £000
	Payroll & Employee Services	£23,000 over budget on employees (£5,000) under budget on Transport £210,000 under achieved income	228	
	Occupational Health	(£28,000) under budget on employees £12,000 under achieved income	(16)	
Transactional & Customer Services	Customer Relations	(£49,000) under budget on employees (£33,000) under budget on premises (£19,000) under budget on transport (£28,000) under budget on supplies and services £17,000 under achieved income	(112)	
	Service Management	(£4,000) under budget on employees	(4)	
	Revenue & Benefits	(£105,000) under budget on employees (£25,000) under budget on transport £22,000 over budget on supplies & services £34,000 under achieved income	(74)	**(190)**
Internal Audit and Risk	Insurance and Risk	(£13,000) under budget on employees (£7,000) over achieved income	(20)	
	Internal Audit	(£61,000) under budget on employees (£4,000) under budget on transport (£2,000) under budget on supplies and services	(67)	
	Corporate Fraud	£2,000 over budget on employees £5,000 under achieved income	7	**(80)**
Legal and Democratic Services	Corporate and Democratic Core	(£35,000) under budget on employees (£21,000) under budget on transport (£4,000) under budget on supplies and services (£44,000) over achieved income	(104)	
	Legal and Other Services	(£98,000) under budget on employees £3,000 over budget on transport (£14,000) under budget on premises £43,000 over budget on supplies & services £112,000 under achieved income	46	**(58)**
TOTAL				**4**

12 In summary, the service grouping is not on track to maintain spending within its cash limit.

Capital Programme

13 The original Resources capital programme was £8.400 million, and this has been revised for additions, reductions, budget transfers and budget profiling. The revised budget remains at £8.400 million.

14 Summary financial performance to the end of June 2023 is shown below:

	Original Annual Budget 2023/24	Revised Annual Budget 2023/24	Actual Spend 30/06/2023	Remaining Budget 2023/24
	£000	**£000**	**£000**	**£000**
Digital & Customer Services	8,387	8,387	774	7,613
Corporate Finance & Commercial Services and Finance & Transactional Services	13	13	10	3
Total	**8,400**	**8,400**	**784**	**7,616**

15 The revised Resources capital budget is £8.400 million with a total expenditure to 30 June 2023 of £0.784 million (9.33%). A full breakdown of schemes and actual expenditure to 30 June 2023 is given in Appendix 2.

16 At year end the actual outturn performance will be compared against the revised budgets and at that time service and project managers will need to account for any budget variance.

Background papers

- County Council Report (22 February 2023) – Medium Term Financial Plan 2023/24 to 2026/27 and Revenue and Capital Budget 2023/24.

Other useful documents

- Previous Cabinet reports / None

Author(s)

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Appendix 1: Implications

Legal Implications

The consideration of regular budgetary control reports is a key component of the Council’s Corporate and Financial Governance arrangements. This report shows the forecast spend against budgets agreed by the Council in February 2023 in relation to the 2023/24 financial year.

Finance

Financial implications are detailed throughout the report which provides an analysis of the revenue and capital outturn position.

Consultation

Not applicable.

Equality and Diversity / Public Sector Equality Duty

Not applicable.

Climate Change

Not applicable.

Human Rights

Not applicable.

Crime and Disorder

Not applicable.

Staffing

Not applicable.

Accommodation

Not applicable.

Risk

The consideration of regular budgetary control reports is a key component of the Councils Corporate and Financial Governance arrangements.

Procurement

The outcome of procurement activity is factored into the financial projections included in the report.

Appendix 2: Resources Capital Programme 2023/24 – Detailed Monitoring Statement to 30 June 2023

Resources	Revised Annual Budget	Actual Spend	Remaining Budget
	2023/24	**30-Jun-23**	**2023/24**
	£000	**£000**	**£000**
Applications and Development	453	139	314
Design and Print	2	-	2
Technical Services	3,903	612	3,291
Digital Durham	3,986	-	3,986
Digital Engagement	43	23	20
ICT Services Include Design and Print Total	**8,387**	**774**	**7,613**
Migration of HR/Payroll Functionality	13	10	3
Financing Resources Total	**13**	**10**	**3**
RES Total	**8,400**	**784**	**7,616**

Corporate Overview and Scrutiny Management Board

01 September 2023

Chief Executive's Office – Quarter 1 June 2023: Forecast of Revenue and Capital Outturn 2023/24

Ordinary Decision

Report of Paul Darby, Corporate Director of Resources

Electoral division(s) affected:

Countywide

Purpose of the Report

1 To provide details of the updated forecast revenue and capital outturn budget position for the Chief Executive's Office (CEO) service grouping, highlighting major variances in comparison with the budget based on the position to the end of June 2023.

Executive Summary

2 The initial quarter 1 forecast position shows that the service is forecasting a cash limit underspend of £76,000 against a revised budget of £4.004 million.

3 The CEO cash limit balance carried forward at 31 March 2024 is forecast to be circa £0.126 million. Other earmarked reserves under the direct control of CEO are forecast to total £1.308 million at 31 March 2024.

4 The revised CEO capital budget is £1.942 million for 2023/24, with a total expenditure to 30 June 2023 of £0.317 million (16.3%).

Recommendation(s)

5 Corporate Overview and Scrutiny Management Board is recommended to note the forecast of outturn position.

Background

6 County Council approved the Revenue and Capital budgets for 2023/24 at its meeting on 22 February 2023. These budgets have subsequently been revised to account for grant additions/reductions, corporate savings/adjustments, budget transfers between service groupings and budget profiling between years. This report covers the financial position for the following major budget areas maintained by the CEO service grouping:

- Revenue Budget - £4.004 million (original £0.00 million)
- Capital Programme - £1.942 million (original £0.00 million)

7 The original CEO revenue budget has been revised in year to incorporate a number of budget adjustments as follows:

	£,000s
Quarter 1:	
Transfer from RES – Design Services	(28)
Transfer from RES – Corporate Policy Planning and Performance	1,932
Transfer from REG – Comms and Marketing	1,935
Transfer from RES – Corporate Affairs and Management	299
Transfer to RES – Web Team	(134)
TOTAL	**4,004**

The revised General Fund Budget for CEO is £4.004 million.

8 The summary financial statements contained in the report cover the financial year 2023/24 and show:

- The approved annual budget;
- The actual income and expenditure as recorded in the Council's financial management system;
- The variance between the annual budget and the forecast outturn;
- For the CEO revenue budget, adjustments for items outside of the cash limit to take into account such items as redundancies met from the strategic reserve, capital charges not controlled by services and use of / or contributions to earmarked reserves.

9 The service is forecasting a cash limit underspend of £76,000 (1.90%) against a revised budget of £4.004 million.

10 The tables below compare the forecast of outturn with the budget. The first table is analysed by Subjective Analysis (i.e. type of expense), and the second by service.

Type of Expenditure (Subjective Analysis) (£000's)

	2023/24 Budget £000	YTD Actual £000	QTR1 Forecast of Outturn £000	(From) / To Reserves £000	Items Outside Cash Limit £000	Cash Limit Variance £000
Employees	4,311	1,014	4,339	-	(16)	12
Premises	-	-	-	-	-	-
Transport	12	1	9	-	-	(3)
Supplies and Services	730	106	702	-	-	(28)
Third Party Payments	-	-	-	-	-	-
Transfer Payments	-	-	-	-	-	-
Central Support and Capital	6	-	42	(173)	-	(137)
Gross Expenditure	**5,059**	**1,121**	**5,092**	**(173)**	**(16)**	**(156)**
Income	(1,055)	(358)	(975)	-	-	80
Net Expenditure	**4,004**	**763**	**4,117**	**(173)**	**(16)**	**(76)**

By Service (£000's)

	2023/24 Budget £000	YTD Actual £000	QTR1 Forecast of Outturn £000	(From) / To Reserves £000	Items Outside Cash Limit £000	Cash Limit Variance £000
CEO Management	441	119	468	-	(5)	22
Corporate Policy Planning and Performance	1,903	328	1,932	(173)	(11)	(155)
Comms and Marketing	1,660	316	1,717	-	-	57
Net Expenditure	**4,004**	**763**	**4,117**	**(173)**	**(16)**	**(76)**

11 The table below provides a brief commentary on the variances against the revised budget analysed by service. The table identifies variances in the core budget only and excludes items outside of the cash limit (e.g. redundancy costs) and technical accounting adjustments (e.g. capital charges):

Service	Service Area	Description	Variance (under) / over budget £000	Variance (under) / over budget £000
CEO Management	Management	£15,000 over budget on employees £7,000 over budget on supplies and services	22	**22**
Corporate Policy Planning and Performance	Equality & Strategy	(£10,000) under budget on vacant employee posts deleted in advance of MTFP 14 savings £22,000 over budget on employees due to unbudgeted apprentice post £3,000 over budget on supplies and services	15	
	Research & Intelligence	(£51,000) additional income from Public Health	(51)	
	Transformation	(£86,000) under budget on employees due to vacancy and secondment (£33,000) unbudgeted income from Delivering Better Value fund	(119)	**(155)**
Communications and Marketing	Communications and Marketing	(£116,000) under budget on vacant employee posts deleted in advance of MTFP14 savings (£33,000) under budget on employees (£49,000) under budget on supplies and services £36,000 unbudgeted expenditure relating to Regional Adoption Agency (£30,000) additional income from advertising recharges £156,000 unachievable income budgets created prior to budget transfer £93,000 unachievable Design income	57	**57**
TOTAL				**(76)**

12 In summary, the service grouping is on track to maintain spending within its cash limit.

Capital Programme

13 The original CEO capital programme was £0.000 million, and this has been revised for additions, reductions, budget transfers and budget profiling. The revised budget now stands at £1.942 million.

14 Summary financial performance to the end of June 2023 is shown below:

	Original Annual Budget 2023/24	Revised Annual Budget 2023/24	Actual Spend 30/06/2023	Remaining Budget 2023/24
	£000	**£000**	**£000**	**£000**
Policy, Planning & Performance – Equality	0	526	-	526
Policy, Planning & Performance	0	1,416	317	1,099
Total	**0**	**1,942**	**317**	**1,625**

15 The revised CEO capital budget is £1.942 million with a total expenditure to 30 June 2023 of £0.317 million (16.32%). A full breakdown of schemes and actual expenditure is given in Appendix 2.

16 At year end the actual outturn performance will be compared against the revised budgets and at that time service and project managers will need to account for any budget variance.

Background papers

- County Council Report (22 February 2023) – Medium Term Financial Plan 2023/24 to 2026/27 and Revenue and Capital Budget 2023/24.

Other useful documents

- Previous Cabinet reports / None

Author(s)

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Appendix 1: Implications

Legal Implications

The consideration of regular budgetary control reports is a key component of the Council’s Corporate and Financial Governance arrangements. This report shows the forecast spend against budgets agreed by the Council in February 2023 in relation to the 2023/24 financial year.

Finance

Financial implications are detailed throughout the report which provides an analysis of the revenue and capital outturn position.

Consultation

Not applicable.

Equality and Diversity / Public Sector Equality Duty

Not applicable.

Climate Change

Not applicable.

Human Rights

Not applicable.

Crime and Disorder

Not applicable.

Staffing

Not applicable.

Accommodation

Not applicable.

Risk

The consideration of regular budgetary control reports is a key component of the Councils Corporate and Financial Governance arrangements.

Procurement

The outcome of procurement activity is factored into the financial projections included in the report.

Appendix 2 Chief Executive's Office Capital Programme 2023/24 – Detailed Monitoring Statement to 31 May 2023

Chief Executive's Office	Revised Annual Budget	Actual Spend	Remaining Budget
	2023/24	30-Jun-23	2023/24
	£000	£000	£000
Corporate Business Intelligence System	1,416	317	1,099
Changing Places – non DCC Properties	163	-	163
Changing Places – Durham Dales Centre	131	-	131
Changing Places – Bishop Auckland Bus Station	100	-	100
Changing Places – Hardwick Park Toilet Facilities	132	-	132
CEO Total	**1,942**	**317**	**1,625**

Corporate Overview and Scrutiny Management Board

1 September 2023

Medium Term Financial Plan (14) 2024/25 to 2027/28 and Review of the Local Council Tax Reduction Scheme and Council Tax Discretionary Discounts and Premiums Policy

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Report of Corporate Management Team

Paul Darby, Corporate Director of Resources

Electoral division(s) affected:

Countywide

Purpose of the Report

1 To provide members of the Corporate Overview and Scrutiny Management Board (COSMB) with an update on the proposed approach to scrutiny of the Budget 2024/25 and the Medium-Term Financial Plan (MTFP) (14) 2024/25 to 2027/28.

2 COSMB prioritise scrutiny of the MTFP and budget as part of its work programme.

Executive summary

3 The report to Cabinet sets out the plan for the MTFP (14) covering the four year period from 2024/25 to 2027/28.

4 It contains details of the process of scrutiny of the MTFP and budget.

Recommendation(s)

5 Members are asked to

(a) Consider and comment upon the July Cabinet report on the MTFP (14) 2024/25 to 2027/28.

(b) Note the timetable for scrutiny discussions.

Background

6 The Council is continuing to operate in a period of significant financial uncertainty, particularly from 2025/26 onwards. This uncertainty is driven by continuing short term local government finance settlements, our inherent low tax raising capacity due to our low tax base alongside ongoing significant budget pressures in social care brought about by National Living Wage increases, enduring demographic pressures in Children's Social Care and the ongoing inflationary impact upon pay awards and service provision such as in waste and transport. The financial outlook for the Council will continue to be extremely challenging for the foreseeable future.

7 Future financial settlements for local government beyond 2024/25 and how available funding will be shared between local authorities is still unclear.

8 For a number of years local government has awaited the implementation of the outcome of the Fair Funding Review (FFR). Progress in this regard appears to have stalled, with no new consultations announced. It would appear highly unlikely that any changes will be implemented until at least 2025/26 with a 2026/27 implementation appearing much more likely. At the same time there was expectation of a business rate reset in 2023/24 as part of Business Rate Retention (BRR). This did not progress due to the delay in the implementation of the FFR and it would appear unlikely that a business rate reset will be implemented until the FFR is progressed. The council would expect to be a beneficiary of any business rate reset as business rate income growth in the county has been lower than the national average since the implementation of BRR in 2013/14.

9 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, this provides little time to react for local authorities. Lack of clarity on the date of the next general election and the date for any future Comprehensive Spending Review further exacerbates the uncertainty experienced for a number of years now.

10 The Cabinet report includes information on:

(a) An update on the development of the 2024/25 budget since the council agreed its MTFP (13) strategy on 22 February 2023

(b) An update on the MTFP (14) 2024/25 savings forecast for the period 2024/25 to 2027/28

(c) A draft MTFP (14) decision making timetable

(d) Proposed approach for consultation on the 2024/25 budget proposals and on MTFP (14)

(e) Workforce implications

(f) Equality considerations

(g) Consideration of the proposed Local Council Tax Reduction Scheme (LCTRS) for 2023/24

11 COSMB has prioritised scrutiny of the MTFP and budget as part of the committee's work programme. It is proposed that scrutiny of the MTFP and budget will be according to the MTFP process as below. The Board will be notified of any variations to the overall MTFP timetable which might occur.

Date	Action
12 July 2023	MTFP (14) update and LCTRS review report to Cabinet
1 September 2023	Corporate Overview and Scrutiny Management Board consider 12 July 2023 Cabinet report
11 October 2023	MTFP (14) update report to Cabinet
October/November 2023	Corporate Overview and Scrutiny Management Board consider 11 October 2023 Cabinet report
18 October 2023	Council Tax Reduction Scheme 2024/25 considered by Full Council
15 November 2023	Taxbase report considered by Cabinet – includes outcome on consultation on potential Council Tax Discount and Premium Charges
13 December 2023	MTFP (14) update report to Cabinet – outcome of Budget Consultation and consideration of any further savings proposals
17 January 2024	MTFP report to Cabinet – analysis of provisional local government settlement

Date	Action
23 January 2024	Corporate Overview and Scrutiny Management Board consider 13 December 2023 and 17 January 2024 Cabinet reports
7 February 2024	Budget report to Cabinet
15 February 2024	Corporate Overview and Scrutiny Management Board consider 7 February 2024 Cabinet report
21 February 2024	Council Budget and MTFP report

Background papers

- None

Contact: Helen Lynch Tel: 03000 269732

Appendix 1: Implications

Legal Implications

None.

Finance

The report sets out the arrangements to scrutinise MTFP (14) proposals.

Consultation

The report includes information on the consultation process.

Equality and Diversity / Public Sector Equality Duty

Equality considerations are built into the approach to developing MTFP (14) as a key element of the process.

Climate Change

The impact of final budget decisions will take into account climate change impacts

Human Rights

Any human rights issues will be considered for any detailed MTFP (14) proposals as they are developed and decisions made to take these forward.

Crime and Disorder

None.

Staffing

The savings proposals in MTFP (14) will impact upon employees.

Accommodation

None.

Risk

None.

Procurement

None.

Appendix 2: Medium Term Financial Plan (14), 2024/25 - 2027/28

Attached as a separate document.

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Cabinet

12 July 2023

Medium Term Financial Plan(14), 2024/25 – 2027/28, Review of the Local Council Tax Reduction Scheme and Council Tax Discretionary Discounts and Premiums Policy

CORP/R/23/01

Report of Corporate Management Team

Paul Darby, Corporate Director of Resources

Councillor Richard Bell, Deputy Leader and Portfolio Holder for Finance

Councillor Amanda Hopgood, Leader of the Council

Purpose of the Report

1 To provide an update on the development of the 2024/25 budget and the Medium Term Financial Plan (MTFP(14)) covering the period 2024/25 to 2027/28. The report also considers a review of the Local Council Tax Reduction Scheme for 2024/25 and proposed changes to the Council Tax Discretionary Discounts and Premiums Policy.

Executive Summary

2 The Council is continuing to operate in a period of significant financial uncertainty, particularly from 2025/26 onwards. This uncertainty is driven by continuing short term local government finance settlements, our inherent low tax raising capacity due to our low tax base alongside ongoing significant budget pressures in social care brought about by National Living Wage increases, enduring demographic pressures in Children's Social Care and the ongoing inflationary impact upon pay awards and service provision such as in waste and transport. The financial outlook for the Council will continue to be extremely challenging for the foreseeable future.

3 Future financial settlements for local government beyond 2024/25 and how available funding will be shared between local authorities is still unclear.

4 For a number of years local government has awaited the implementation of the outcome of the Fair Funding Review (FFR). Progress in this regard

appears to have stalled, with no new consultations announced. It would appear highly unlikely that any changes will be implemented until at least 2025/26 with a 2026/27 implementation appearing much more likely. At the same time there was expectation of a business rate reset in 2023/24 as part of Business Rate Retention (BRR). This did not progress due to the delay in the implementation of the FFR and it would appear unlikely that a business rate reset will be implemented until the FFR is progressed. The council would expect to be a beneficiary of any business rate reset as business rate income growth in the county has been lower than the national average since the implementation of BRR in 2013/14.

5 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, this provides little time to react for local authorities. Lack of clarity on the date of the next general election and the date for any future Comprehensive Spending Review further exacerbates the uncertainty experienced for a number of years now.

6 The 2023/24 local government finance settlement was a one year settlement but did provide indicative additional national allocations of social care and Better Care Fund grant income for 2024/25. It has been assumed that the sums announced in December 2022 will be received in 2024/25 and that the distribution methodology will be in line with that used in 2023/24.

7 There is however no clarity at this stage on any other additional funding for local government against the background of continuing high levels of inflation – in particular compensation for the impact of the Local Government Pay settlement, which has outstripped budget assumptions for the second year running. In addition, there is no clarity at this stage on the future of the New Homes Bonus, with our MTFP planning assumptions being that the funding will cease in 2024/25.

8 For future years the Chancellor of the Exchequer’s 2022 Autumn Statement announced that for the period 2025/26 to 2027/28, public sector funding will increase by 1% in real terms. This would indicate that the public sector funding will increase by 1% above inflation. On the basis it is likely that health, education and defence spending would once again be protected. This will unfortunately lead to some tough grant reductions for that period for unprotected government departments such as the Department for Levelling Up, Housing and Communities. At this stage, for modelling purposes we have assumed grant settlements for the council will be cash flat for the period 2025/26 to 2027/28. This may prove to be an optimistic assumption.

9 This level of uncertainty continues to make financial planning extremely challenging and requires the council to be flexible and adaptable in its financial planning. In this regard the strong financial controls in place and

the councils track record in terms of managing its budgets and medium term financial planning arrangements, will ensure that the council is well placed to react effectively to any outcome.

10 As the council starts to consider the budget plans for 2024/25, in line with previous practice, the MTFP forecasts have been reviewed and updated covering the next four financial years - 2024/25 to 2027/28. Financial plans have been updated to for unavoidable inflationary and other demographic cost pressures the council will face. The Consumer Price Index (CPI) peaked at 11.1% in October 2022 and although this has reduced to 8.7% for the twelve months to April 2023, it is now forecast to stay higher for longer than the Chancellor set out in his budget forecasts. In addition, the Low Pay Commission are forecasting that the National Living Wage will need to increase by higher levels than previously estimated due to national median wages increasing higher than previously expected – with a 7.1% increase assumed to be implemented from April 2024 in our financial forecasts.

11 There are a range of unavoidable base budget pressures which have also needed to be reflected in the financial forecasts. These unavoidable base budget pressures include ongoing income pressures in 2024/25 for Leisure (£1.0 million) and Aycliffe Secure (£0.6 million), housing benefit subsidy shortfalls linked to increased costs of temporary and supported accommodation (£2.0 million) that need to be accommodated next year and forecasts of future waste disposal contract costs from 2026/27 (£3.0 million).

12 The updated forecasts indicate a funding gap / savings requirement of £56.014 million to balance the budget over the 2024/25 to 2027/28 period. Savings are forecast to be required in all years of the MTFP(14) planning period as a combination of unavoidable base budget pressures from inflation and other demographic changes not being offset by new government grant funding meaning that our spending pressures outstrip the Council's ability to generate additional income from business rates and council tax. The forecasts assume the Council will apply the maximum Council Tax increases allowed across each of the next four years, in line with government guidance.

13 The achievement of an additional £56.014 million of savings over the next four years will 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 £262 million of savings up to 31 March 2024.

14 The total savings required at this stage for 2024/25 to balance the budget amount to £12.135 million, although this figure could change depending on confirmation of the expected levels of increases in government grant in 2024/25 and whether the council experiences further additional financial pressures due to demand, loss of income or due to the impact of inflation. Of particular concern is whether the current 2% assumed pay award in 2024/25 will be sufficient and depending on how and whether inflation is brought more under control as the year progresses there may be a need to increase the pay award pay inflation forecast next year. Every 1% adds £2.65 million to the councils pay bill – increasing the funding gap that needs to be bridged to balance the councils budget.

15 Savings of £2.225 million for 2024/25, £1.873 million for 2025/26 and £1.780 million for 2026/27 were approved in MTFP(13), when the 2023/24 budget and MTFP(13) were agreed at Council on 22 February 2023. These savings are assumed to be deliverable and will contribute to meeting the forecast £56.014 million savings shortfall. The previously agreed savings are set out at Appendix 2.

16 The MTFP(13) forecasts assumed that there would be a 4.99% council tax increase in 2024/25, and 2.99% increases per annum thereafter. The 4.99% increase for 2024/25 includes a 2% increase for an adult social care precept in line with government expectations. The updated MTFP(14) forecasts assume the same at this stage. Decisions on council tax are ultimately matters reserved for County Council at budget setting in February 2024.

17 Every 1% of council tax increase generates circa £2.675 million, so if the Council ultimately chooses not to maximise its council tax increase in line with government expectations, the funding gap will increase by a further £2.675 million for every 1% it is below the expected level. Without a sustainable strategy to meet the additional challenge this would result in would not represent prudent fiscal management of the public finances.

18 The council continues to challenge government on the equity and effectiveness of council tax, both as a tax and as a fair method of funding local government. The council will continue to use every opportunity to raise this issue, especially as part of any consultation on the Fair Funding Review.

19 A challenging financial position is also forecast for the council in 2025/26, where the savings required to balance the budget in that year is forecast to be £16.157 million. The budget position for 2026/27 and beyond is also forecast to require the council to continue to seek savings where increasing base budget pressures, especially in social care and waste, cannot be financed from increases in council tax and from business rate yields. This is a symptom of our low tax raising capacity and the flaws in the current funding mechanisms for local authorities like ourselves.

20 Additional savings plans have been developed to assist in balancing the 2024/25 budget and help reduce the funding deficit across the next four years. Initial new savings proposals included in this report total £6.617 million for consideration and consultation across the coming months, with £3.725 million potentially available in 2024/25. The initial new savings proposals are set out at Appendix 3.

21 In addition to these new savings proposals for consideration and consultation, the report sets out proposals for consulting upon utilising additional council tax flexibilities for empty and second homes, which would result in a 100% premium being applied to homes that have been empty for more than twelve months rather than the current policy of applying this after twenty four months, and a 100% premium applied to second homes. The changes in relation to empty properties could be implemented from 1 April 2024, whereas the changes in relation to second homes could only be implemented from 1 April 2025. These proposals will also be subject to consultation over the coming months.

22 Savings plans for 2024/25 include a proposal to reduce the grant support the council provides to Town and Parish Council's linked to the implementation of Local Council Tax Reduction in 2013. The proposal is to consult with Town and Parish Councils on a 50% reduction in this grant, phased in over two years, to assist Town and Parish Councils in factoring this into their budget and medium term financial plans.

23 The previously agreed MTFP(13) savings plans and the new proposed MTFP(14) savings plans for consideration and consultation, together with the potential changes to the Council Tax Discretionary Discounts and Premiums Policy included in this report could reduce the savings shortfall to £6.185 million in 2024/25 and £43.519 million over the MTFP(14) planning period.

24 Work will continue in terms of identifying additional savings plans for 2024/25 over the coming months to enable a balanced budget to be set and limit the reliance on reserves. Although the MTFP Reserve is available to support the budget, which presently has a balance of £27 million, the size and scope of future savings shortfalls across the MTFP(14) period requires the council to seek to adopt a strategy of protecting the MTFP Reserve in 2024/25 as far as possible. The use of reserves to balance the budget is not a sustainable position and is only recommended where there is a need to smooth in more sustainable budget solutions.

25 The council is the only local authority in the North East to have retained entitlement levels for Council Tax support within the Local Council Tax Reduction Scheme (LCTRS) in line with that which applied under the national Council Tax Benefit regime prior to 2013/14. This policy has protected vulnerable residents at a time when welfare reform changes and more recently the pressure on household incomes from cost of living increases have had a significant adverse impact. This report recommends

that the current LCTRS is again retained and remains unaltered for a further year into 2024/25. Should the Cabinet agree these proposals, the Council will need to formally adopt this policy at Full Council prior to 11 March 2024, with a report scheduled for consideration by Council in October 2023

Recommendations

26 Cabinet is asked to:

(a) note the savings attached at Appendix 2 which were previously approved in MTFP(13);

(b) note and approve that consultation progresses on the new savings proposals developed for MTFP(14) as set out at Appendix 3, alongside the equality impact assessments contained at Appendix 5 ;

(c) approve that consultation begins on the implementation of additional council tax flexibilities for empty and second homes as set out in the report;

(d) approve that consultation begins in relation to proposed reductions in grant support for Town and Parish Councils;

(e) note the updated MTFP forecasts and the requirement to identify additional savings of £56.014 million for the period 2024/25 to 2027/28 but also note that this forecast could change significantly based upon decisions on council tax, the outcome of future government funding settlements, the Fair Funding Review and the ongoing impact of demand for services and inflationary pressures upon the council;

(f) note that at this stage it is forecast that additional savings of £12.135 million are required to balance the 2024/25 budget;

(g) agree the high level MTFP(14) and 2024/25 budget setting timetable contained in the report;

(h) agree the approach outlined for consultation on the 2024/25 budget and MTFP(14);

(i) agree the proposals to build equalities considerations into decision making; and

(j) agree that Cabinet recommend to Full Council that the Local Council Tax Reduction Scheme should remain unchanged for 2024/25.

Background

27 To ensure the 2024/25 budget and MTFP(14) can be developed effectively, and savings targets delivered in time to produce a balanced budget, it is important that a robust plan and timetable is agreed and followed.

28 The council is committed to strong financial governance and getting value for money whilst ensuring that any council tax increases are justified and affordable and has a strong track record in terms of managing its budgets and medium term financial planning arrangements.

29 The current MTFP(13) forecast that the Council agreed on 22 February 2023 covers the four year period 2023/24 to 2026/27. This report covers the MTFP(14) four year planning period 2024/25 to 2027/28.

30 It is prudent that the council continues to plan across a four year timeframe, even though this is compromised by the continuation of one year grant settlements from government. During this period the Council will continue to face significant and unavoidable budget pressures, especially relating to inflationary impacts, National Living Wage uplifts which impact significantly on our social care budgets, Social Care demographic pressures and Waste Disposal pressures, whilst facing the uncertainty over the impact of the Fair Funding Review (FFR) and future pay awards.

31 Planning across the medium term in this way ensures that decisions can be made in the knowledge of the likely financial position of the Council and provides a basis for effective decision making taking account of the best estimates of income and expenditure over the coming year(s).

32 Savings of £2.225 million for 2024/25, £1.873 million for 2025/26 and £1.880 million for 2026/27 were approved in MTFP(13). Initial new savings plans for the MTFP(14) period are included in this report for consideration and consultation, although further savings will need to be developed for consideration for 2024/25 and in future years as the budget planning process progresses. Having plans in place will enable the council to react to the outcome of the 2024/25 local government finance settlement, which is expected to be announced in December 2023.

33 If required, the council will be able to utilise the MTFP Reserve to balance the budgets across the MTFP(14) planning period as required whilst savings proposals are implemented. The balance in the MTFP Reserve after the application of £10.028 million to balance the 2023/24 budget is £27 million. The use of reserves to balance the budget is not a sustainable position and is only recommended where there is a need to smooth in more sustainable budget solutions.

34 At this stage of the planning cycle for MTFP(14) the following areas are presented for consideration by Cabinet:

(a) an update on the development of the 2024/25 budget since the council agreed its MTFP(13) strategy on 22 February 2023 and the risks and issues inherent in these forecasts;

(b) an update on the MTFP(14) savings forecast for the period 2024/25 to 2027/28;

(c) initial savings plans for consideration and consultation for the MTFP(14) period to assist in closing the MTFP(14) period savings shortfall and help balance the 2024/25 budget alongside Equality Impact Assessments

(d) proposals to utilise additional council tax flexibilities for empty and second homes, which would result in a 100% premium being applied to homes that have been empty for more than twelve months rather than the current policy of applying this after twenty four months, and a 100% premium applied to second homes;

(e) a draft MTFP(14) decision making timetable;

(f) proposed approach for consultation on the 2024/25 budget proposals and on MTFP(14);

(g) workforce implications;

(h) equality considerations;

(i) consideration of the proposed Local Council Tax Reduction Scheme (LCTRS) for 2024/25.

Review of MTFP Forecasts

35 The financial outlook for the Council continues to be extremely challenging. Prior to the pandemic the national finances were in a reasonably healthy state for the first time in ten years. The impact of the pandemic upon the national finances alongside the impact of Brexit and the inflationary impact of the war in Ukraine and cost of living crisis that has followed, is forecast to have long term impacts on the councils ability to balance its budgets across the coming years as there will be limited flexibility for government to increases in expenditure across the public sector.

36 Local authorities continue to lobby strongly for a long term sustainable financial settlement. The publication of the next Comprehensive Spending Review, which is vital to local government receiving a long term financial settlement, is not expected to occur until after the next General Election which is not expected until at least October 2024 or perhaps could be as late as January 2025. It is highly likely therefore that local government will receive one year financial settlements for both 2024/25 and 2025/26.

37 The council will need to continually review the MTFP(14) projections and savings requirements over the coming months in light of future announcements and as more information becomes available on the longer term impacts of increasing demand for our services and the ongoing impact of inflation upon the council's budgets going forward.

38 In line with previous years, a thorough review of the council's budget forecasts has taken place subsequent to the approval of MTFP(13) forecasts by County Council on 22 February 2023. This has resulted in changes to a range of the core assumptions previously made for 2024/25 and in future years as well as the need to consider a range of unavoidable increased cost and demand pressures. The key required adjustments and major areas for consideration are detailed below:

(a) **Revenue Support Grant (RSG) / Fair Funding Review**

MTFP(13) assumed that the FFR would not be implemented until at least 2025/26. To date there has been no updated consultation documents released relating to the FFR, which would seem to confirm that it is still unlikely that there will be any implementation until 2025/26 and with the likely date of the next General Election now forecast to be in Autumn 2024 it would appear more likely that any FFR implementation would not be until 2026/27.

The 2023/24 local government finance settlement provided detail of indicative additional Social Care, Adult Social Care Discharge and Market Sustainability Grant funding for 2024/25. The increases were included in the MTFP model included in MTFP(13). At this stage it is assumed that these additional sums will still be received by the council in 2024/25 and that the distribution methodology will be in line with that used in 2023/24. In addition, it is forecast that the council will receive an inflationary uplift in Better Care Fund (BCF) grant providing additional funding of £1.5 million in 2024/25.

There is still no clarity on the future of the New Homes Bonus or Services Grant. The MTFP(13) assumption of reductions in these two funding streams of £1.980 million in 2024/25 has been retained. This would mean the council would receive no New Homes Bonus funding in 2024/25 and the Services Grant would reduce to £4.825 million.

The reduction in the services grant is expected to be redirected towards Supporting Families funding – which is a specific grant aligned to our Children and Young People's Service.

At this stage, the underlying assumptions built into initial MTFP(14) planning are as follows:

(i) The local government finance settlement provided detail of indicative additional Social Care (£7.8 million), Adult Social

Care Discharge (£2.8 million) and Market Sustainability Grant (£3.2 million) funding for 2024/25. The increases were included in the MTFP(13) forecasts agreed by Council in February 2023.. At this stage it is assumed that these additional sums will still be received by the council. It should be noted however that the Adult Social Care Discharge Grant and the Market Sustainability Grant are both specific grants that come with new spending commitments. The grant conditions received in April provide limited flexibility in terms the ability to utilise this funding to balance the underlying budget;

(ii) It is forecast that the council will receive an inflationary uplift in Better Care Fund (BCF) grant providing additional funding of £1.5 million in 2024/25;

(iii) The future of the New Homes Bonus remains uncertain and further reductions in the Services Grant are yet to be confirmed. The MTFP(13) assumption of 2024/25 reductions in these two funding streams totalling £1.980 million is retained at this stage. This would mean the council would receive no New Homes Bonus funding in 2024/25 and the Services Grant would reduce to £4.825 million. The sums taken out of our services grant are expected to be redirected towards Supporting Families funding – which is a specific grant aligned to our Children and Young People's Service.

(iv) There will be a 6% inflationary uplift in RSG in 2024/25 in line with the forecast level of CPI as at 30 September 2023, the date which is normally utilised for the uplift figure. There is no certainty at this stage as to whether an increase will be received or whether the 30 September date will be retained, however, this assumption is felt to be prudent at this stage;

(v) The 2022 Autumn Statement forecast that uplifts in public spending for the period 2025/26 to 2027/28 would be limited to annual 1% real terms increases. On the basis that health, education and defence spending would, once again likely to be protected, this will unfortunately lead to some tough grant reductions for that period for unprotected government departments such as the Department for Levelling Up, Housing and Communities.

Unprotected services such as local government could therefore face real terms funding reductions. Until a long term settlement for local government is received there will continue to be a lack of clarity in this area. At this stage the MTFP(13) assumption that settlements for 2025/26 and beyond will be cash flat is retained. This may prove to be an optimistic assumption.

(vi) That the council tax referendum level will be held at 2.99% over the MTFP(14) period and that the council will take advantage of the expected 2% Adult Social Care precept raising capacity available in 2024/25.

The MTFP(13) forecasts assumed that there would be a 4.99% council tax increase in 2024/25, and 2.99% increases per annum thereafter. The 4.99% increase for 2024/25 includes a 2% increase for an adult social care precept in line with government expectations. The updated MTFP(14) forecasts assume the same at this stage. Decisions on council tax are ultimately matters reserved for County Council at budget setting in February 2024.

Every 1% of council tax increase generates circa £2.675 million, so if the Council ultimately chooses not to maximise its council tax increase in line with government expectations, then the funding gap will increase by a further £2.675 million for every 1% it is below the expected level. Without a sustainable strategy to meet the additional challenge this would not represent prudent financial management.

Any of these financial planning assumptions could change in the coming months as a result of government announcements.

(b) **Business Rates, Section 31 Grant and Top Up Grant inflation uplift**

The business rate retention (BRR) system was introduced in 2013/14, with local authorities retaining 49% of business rates collected locally from that point forward.

Nationally business rates are uplifted every year by inflation based on the consumer price index (CPI) in the September previous to the year of application. Local authorities also receive similar inflationary uplifts for the compensation the council receives for previous lost business rates due to government intervention e.g. capping business rate increases.

In recent years government have sought to protect businesses from these increases and capped the actual increase in the business rate multiplier at 0%, but have reimbursed local authorities for the business rates lost by way of a section 31 grant. In 2023/24 £34.5 million of section 31 grant is being received in lieu of business rate income that would otherwise have been levied.

It has been forecast that business rates, section 31 grant and top up grants will be uplifted by a forecast 6% in 2024/25 based upon the estimated September 2023 CPI with a forecast 1.5% increase in

2025/26 and 1% increase thereafter. The increases in future years are in line with the inflationary forecasts published by the Chancellor of the Exchequer in the March Spring Budget announcements, alongside the Office for Budget Responsibility forecasts.

(c) **Taxbase forecasts**

The forecast growth in both the council tax and business rate taxbase across the next four years has been reviewed. Based upon the reviews undertaken to date it is forecast that the council tax taxbase will increase in 2024/25 by £2.3 million, in line with MTFP(13) forecasts although the forecast increases in later years will be slightly lower than forecast as a result of the impact of inflation and subsequent increases in bank base rates which have impacted construction costs and access to mortgages. The 2024/25 business rate taxbase increase forecast for MTFP(13) was £0.5 million, however, it is now forecast that the taxbase increase will be £1.8 million, largely as a result of new business developments coming on stream faster than forecast with taxbase increases for later years left unchanged at this stage. The forecasts will be kept under constant review and will be updated in September in advance of setting the taxbase for budget setting purposes in 2024/25.

(d) **Pay Inflation**

The 2023/24 base budget includes 5% pay inflation. However, at the end of February, after the Council had set its budget, the Local Government Employers made an offer which significantly exceeded this. The offer, which impacts the majority of council employees under ‘green book’ conditions is for a flat rate £1,925 per annum increase. Such an increase would result in an average 6.5% pay increase for council staff, with the percentage increase being greater for lower paid employees. The additional 1.5% over the 2023/24 budgeted sum will result in an overspend in 2023/24 and require a £3.711 million increase in the 2024/25 base budget.

MTFP(13) built in an assumption of 2% pay awards for the period 2024/25 to 2026/27. The inflationary forecasts published by the Chancellor of the Exchequer in the March Spring Budget announcements, alongside the Office for Budget Responsibility forecasts indicated that in 2025/26 to 2027/28 inflation would fall below the governments previous target of 2%.

In the latest modelling it has been assumed therefore that pay awards will be 2% in 2024/25, 1.75% in 2025/26 and 1.5% for the following two years.

This position will be kept under review, especially in light of public sector pay settlements in coming months and the trajectory of inflation. Every additional 1% on the paybill for the council would require additional budget of £2.65 million.

(e) **Price Inflation**

The MTFP(13) forecast of 1.5% across the four year period is retained for the MTFP(14) period 2024/25 to 2027/28. There are some specific increases in some contract costs across the MTFP(14) period which are covered later in this report for which additional budget provision is required as these costs cannot be contained within the general 1.5% inflationary provision. The 1.5% for price inflation is assumed to apply to all the councils income and expenditure budgets.

(f) **National Living Wage/CPI Uplift impact upon adult care fees**

The forecasts have been updated on the following basis:

(i) The proportion of the fee linked to NLW increases and CPI for residential care is based upon the fee uplift model agreed with the County Durham Care Home Association for 2023/24 and 2024/25;

(ii) The forecast NLW uplift in 24/25 is based on the March 2023 Low Pay Commission report forecasts of a likely increase from £10.42 per hour to £11.16, or 7.1%.

(iii) CPI is assumed at 6% in terms of the 2024/25 fee uplift;

(iv) That in 2024/25 the NLW will have reached the government target of 66% of average median wages;

(v) For later years it is assumed that social care fees increase by 3% in each year between 2025/26 to 2027/28. This is based upon the OBR forecasts of CPI being below 1% for those years. NLW is forecast to increase in line with average median salaries which are not forecast to increase by more than 4%.

(g) **Employer Pension Contributions**

The next the triennial valuation review of the Pension Fund will need to be applied from April 2026. This will set the employers' pension contribution rate for the following three years, as well as determining the annual contribution to eliminate the pension fund deficit.

In the first year since the latest triennial review was undertaken (based on the position at 31 March 2022) asset values within the pension fund have not increased as much as forecast, largely due to market instability due to the continuing impact of the war in Ukraine, and it is presently forecast that there may need to be an increase in employers pension contribution rates or pension deficit payments in 2026/27.

At this stage a cost increase of £1 million has been included in 2026/27. This position will need to be kept under review.

(h) **Energy Price Increases**

In 2023/24 the council has a base budget of circa £18 million to meet its forecast gas and electricity costs. This includes the £6 million budget uplift factored into MTFP(13), which was expected to reduce to £16 million in 2024/25 as energy prices fell.

Energy prices are falling in line with forecasts but are now estimated to fall slightly further in 2024/25 than originally estimated. To be prudent at this stage the energy budget is presently forecast to reduce by £2.6 million in 2024/25, followed by £0.75 million reduction in 2025/26 and 2026/27. The reduction for 2024/25 is £0.6 million greater than previous forecasts although over the four years of MTFP(14) the reviewed forecast include £1.150 million of additional long term pressures in our energy budgets.

(i) **Adult Demographic Pressure**

The overarching position in terms of demand for higher cost social care packages is looking better than previously anticipated, largely as a result of the success of our reablement service and home care services which is allowing more people to remain in their homes for longer. Based upon latest data for activity and income recovery the growth of £1.5 million per annum which was previously forecast has been revisited. No uplift is included for 2024/25, but £1 million has been retained for 2025/26 and £1.5 million per annum included for the later years.

(j) **Children's Social Care Demographic Pressure**

In recent years the council has had to increase the base budget for children's social care significantly.

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.

There are signs that the numbers of children needing to be looked after is stabilising, but the placement mix and the costs of meeting more complex needs is still driving budget pressures.

In MTFP(13) a budget uplift of £13.8 million was included to cover Looked after Children pressures above the “standard” inflation built into pay and price inflation assumptions. It was forecast that the annual pressure for later years would be £5 million per annum.

The Council has a Placement Sufficiency Strategy in place to increase capacity within county and reduce reliance on external out of county placements which can be costly. The strategy also includes a focus on increasing in-house fostering capacity, to reduce the reliance on more costly external Independent Fostering Agency placements.

It is presently forecast that there will be an overspend in 2023/24 despite the budget growth provided and that a budget uplift of £8 million will be required in 2024/25 rather than £5 million, in part to cover the overspend that is expected to manifest in the current year.

This position will be kept under constant review throughout 2023/24. The forecast budget uplift of £5 million is maintained in 2025/26 whilst uplifts of £4.4 million and £3.2 million are included for 2026/27 and 2027/28 respectively on the assumption that the council’s investment as part of its Sufficiency Strategy and in foster care in 2023/24 begins to impact on external residential and Independent Fostering Agency placements.

(k) **Vehicle Fleet Replacement – Electric Vehicles**

In line with the councils Climate Change commitments to reduce its carbon emissions, we have been pursuing a strategy of replacing smaller vehicles with electric vehicles in recent years. These vehicles replacements have been broadly cost neutral with the additional annual leasing cost offset by savings on fuel costs. The strategy then being to replace larger vehicles in a period up to 2030.

It was forecast that the replacement of larger vehicle with electric vehicles would be more expensive due to the higher cost of the vehicles, with forecast additional budget pressures net of savings on fuel costs of £1.3 million and £3.2 million included in MTFP(13) plans for 2025/26 and 2026/27 respectively.

A review of the forecast costs of replacement of larger vehicles with electric vehicles has been undertaken, factoring in updated market conditions. The forecast costs for 2025/26 and 2026/27 have been revised to £1.1 million and £2.2 million reflecting that lease costs of larger electric vehicles is forecast to be less than previously forecast as prices reduce due to technology improvement.

An additional budget requirement of £2.3 million is included for 2027/28 as the replacement process continues up to 2030.

(l) **Prudential Borrowing**

In MTFP(13) it was forecast that the borrowing costs to finance the existing capital programme would need increases of £6.4 million in 2024/25 and £3.4 million in 2025/26.

This position has been reviewed based upon the revised profile of the capital programme, the future forecast of interest rates and the timing of when it is forecast that the council will need to borrow. The council has also taken advantage of interest rate uplifts to repay a number of current loans thus reducing future repayments.

The review has enabled the forecast costs to be reprofiled but also to reduce the total forecast cost by £1 million. The revised cost profile is £2 million in 2024/25 and £6.8 million in 2025/26.

Budget provision of £3 million in 2026/27 and 2027/28 is retained at this stage to fund potential new capital funding commitments in MTFP(14) and MTFP(15). The scale and scope of any new capital commitments will need to take into account both the affordability in terms of borrowing costs but also the capacity of the council to deliver the programme. Opportunities may arise to leverage additional funding from the regional Devolution Deal which could augment the capital funding available to the council in future.

(m) **Investment Income**

Income earned from the investment of cash balances exceeded budget in 2022/23. This position was partially due to higher than budgeted cash balances being held (a combination of slippage within the capital programme and the receipt of significant capital receipts in year), along with improved interest rates on the back of increases in bank rates.

In MTFP(13) a short term forecast increase in investment income for 2023/24 (£7 million) was included in the budget, with this expected to drop out in 2025/26 as cash balances and bank base rates reduced.

The updated MTFP(14) forecasts assume that the additional £7 million of income factored into the 2023/24 base budget, will reduce by £3.5 million in 2024/25; £2 million in 2025/26; and £1.5 million in 2026/27. This takes into account the fact that investment income is expected to exceed budget in 2023/24 as cash balances and investment returns are exceeding previous forecasts, which will help offset some of the additional inflationary pressures we are facing this year, and updated cash flow forecasts in terms of the capital programme and the timing of taking out new borrowing.

(n) **General Contingencies**

A review of the current level of the general contingency budget has been undertaken. Despite the fact that contingencies budget will come under pressure in the coming year, it is felt that this budget can be reduced to £1.8 million realising a saving of £0.5 million. Going forward, this will increase reliance on the general reserve to meet any unforeseen costs that cannot be absorbed by cash limit or other earmarked reserves in year.

Additional Base Budget Pressures and Growth

39 As well as reviewing the MTFP(13) forecasts consideration has been given to a number of new and emerging base budget pressures that were not included in the previous forecasts but which are recommended for inclusion in the 2024/25 and MTFP(14) financial plans. The following new pressures are included in the updated forecasts;

(a) Leisure Centre Income

Attendance at leisure centres has never fully recovered after the pandemic, but budgeted levels of income remain at pre-pandemic levels. There was an under recovery of leisure income in 2021/22 of £2.5 million and in 2022/23 of £0.9 million, with the position last year benefitting from the buy out and 100% income retention of the gym provision contract. The underachievement of income has been treated as outside the cash limit and pick up corporately for the last two years.

In MTFP(12) and MTFP(13) it was identified that there was a risk that income levels would not fully recover to pre-pandemic levels, and this is proving to be the case.

It is expected a similar level of under recovery will occur in 2023/24 and result in another circa £1 million overspend this year. With this is mind a £1 million budget pressure will need to be accommodated in the base budget in 2024/25 in order to set a balanced budget next year to bring this budget back into balance.

(b) Aycliffe Secure Centre Income

Since the pandemic the service has struggled to achieve previous income levels. This is particularly linked to problems in recruiting staff to ensure that income targets can be generated.

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It is prudently recommended that the current income budget is reduced by £0.6 million in 2024/25.

(c) Employability Service

A large proportion of the service was previously funded by European funding, which ends on 31 December 2023 and is replaced with the UK Shared Prosperity Fund (UKSPF) from 1 April 2024.

Funding available through UKSPF is lower than funding currently available to the council through the European Social Fund and significantly lower than the funding the council was due to receive had the UK remained within the European Union.

To partially offset the loss of European funding and help mitigate the impact of the restructuring and downsizing of the existing offer it is felt that additional council core funding is invested to supplement the UKSPF allocations. A £1 million investment has been included for 2024/25 and a separate report has been prepared for Cabinet consideration on the impacts of the new funding regime on existing Employability Services in County Durham.

(d) Member Support – Service Requests

An additional employee budget of £0.150 million is to be invested to ensure that members queries and requests are serviced more effectively. This follows a trial of an enhanced support to members to help with managing their ward caseloads and responding to issues raised by their constituents.

(e) Waste Disposal Contract

The current waste disposal contract ends on 31 March 2026 and needs to be reprocured. It is expected that this contract will be procured in partnership with the five Teesside councils and Newcastle City Council. This procurement is expected to include the development of a new Energy from Waste plan and waste disposal facility in Teesside, which will provide a long term contractual arrangement for all local authorities.

Although the new facility will not be available until 2028 the successful contractor will be required to dispose of the county's waste from April 2026.

The procurement process is still underway and is still to be finalised but market intelligence would indicate that the contract price in 2026/27 will be £3 million higher than the budget at that time. Although this is a large increase the sum is lower than the increase that would have been expected if the council had relet the contract individually or if it could remain with the existing arrangements.

(f) Fostering Allowances

In late February 2023, the government announced that national fostering allowances for 2023/24 were to increase by 12.4%. The timing of the announcement was too late for the council to include this in the 2023/24 budget, where a 5% price increase had been forecast.

The additional 7.4% increase applied from April will result in an overspend in the budget this year and require a £0.590 million increase in the base budget for 2024/25.

(g) Home to School Transport

70% of all of the council's home to school transport contracts are due to be reprocured in the summer of 2023. It is hoped that the cost of these contracts will not increase significantly, especially with the cost of fuel reducing in recent months.

The outcome of the procurement will not be known until August and the impact of any new demand for SEND travel will not be clear until September. At this stage a prudent estimate of £1 million is included in MTFP(14) plans for 2024/25. This figure will need to be revisited later in the year.

(h) Microsoft Licensing

It is expected that the corporate licence costs will increase by 20% in 2024/25 when the current contract is renewed, which cannot be absorbed within the Resources Cash Limit. The re-procurement of our Microsoft licencing arrangements is underway but the forecast increase is in line with those being applied by Microsoft to other organisations currently. The impact is expected to be a cost increase of £0.336 million.

(i) Joint Stocks Income Loss

For a number of years, to aid the capital scheme around the restoration and landscaping of the closed landfill site at Coxhoe, construction companies have been able to bring soil generated from their activities to Joint Stocks and pay a fee for disposing of it.

This soil was then used to aid the landscaping of the closed landfill site. An income budget of £0.144 million was introduced when this process started a number of years ago and this income was achieved for a significant period of time. However, the site is into a phase where all the necessary material is on site and there is no prospect of achieving an income against this going forward. A budget adjustment is required to remove the income budget from 2024/25.

(j) Find and Fix Initiative

The Find and Fix initiative has allowed a more pro-active targeted approach to improving the condition of the local environment in specific areas, which might range from tackling littering and graffiti to overgrown footpaths or unkempt appearance. These are highly visible issues that are very important to local residents and the Find and Fix team supplements base cyclical cleansing and maintenance that s undertaken.

Multi-disciplinary teams have provided more immediate results reducing the level of complaint. Having been introduced in 2020/21, the initiative has had an excellent track record of success but has only ever been funded on a non-recurrent basis from earmarked reserves and funding will be expired by 31 March 2024.

An investment of £0.300 million is recommended to mainstream the Find and Fix activity going forward and secure the resources to continue this provision.

(k) Housing Benefit Subsidy Shortfall

The council administers housing benefit (HB) on behalf of the Department for Works and Pensions (DWP) and recovers the sums paid out via the annual housing benefit subsidy grant claim. The total value of the HB payments was £111.5 million in 2022/23.

In most cases the full cost of housing benefit paid can be reclaimed via HB subsidy grant. However, there are certain housing benefit payments that cannot be recovered fully. In the main these relate to Temporary Accommodation (B&B and other Homelessness related accommodation) and Supported Accommodation.

In recent years the total value of HB payments has reduced as people have migrated to Universal Credit. By way of an example, in 2019/20 HB payments totalled £132.5 million.

During the pandemic and in the period since there has been a significant growth in Temporary Accommodation, which led to the need for £0.750 million of growth being provided in MTFP(13). What was less clear and has now manifest is that that this growth in activity is also leading to an increased subsidy loss of circa £0.9 million i.e. HB payments are higher than the subsidy the council receives from government to fund those payments, leading to a further budget pressure for the Council.

The council strategy is to move people accessing Temporary Accommodation into our own properties when the council will be able to claim full subsidy on those payments, so it is hoped that this strategy will reduce the use of B&B accommodation this reducing the financial impact.

On Supported Accommodation there has been a similar significant increase in claims over the last 3 years with the subsidy deficit rising from £0.9 million to £1.4 million. The National Audit Office have recently reviewed this issue and identified that local authorities are increasingly facing significant unfunded subsidy deficits in this area that they need to pick up locally. The council has made a submission to a Call for Evidence that has recently been published by the Public Accounts Committee.

The council is reviewing the individuals who are in this claimant group to better understand the position, where they are being placed and by whom to determine the extent to which this is due to commissioning by the Council and others within the county and by other out of county bodies.

At this stage it is recommended that a £2 million pressure is included in 2024/25. This is a lower sum than the subsidy shortfall being experienced but it is expected that the Temporary Accommodation strategy will reduce the current levels of expenditure to partially mitigate the cost pressures currently being experienced.

2024/25 Savings Forecast

40 Based upon the revised assumptions detailed in this report, the savings requirement for 2024/25 is forecast to be £12.1 million, £1.2 million higher than the MTFP(13) forecast position of a £10.9 million budget deficit. The adjusted position reflects the additional inflationary uplifts in BCF, taxbase increases, reprofiling of the recovery of the uplifts in the energy budgets, retention of higher levels of investment income in the short term and reductions in prudential borrowing costs, offset by additional base budget pressures often linked to high levels of inflation and a range of contractual and unavoidable budget pressures.

41 Savings of £2.225 million for 2024/25 were approved in MTFP(13) and are detailed in Appendix 2 along with the savings that were also approved in MTFP(13) for later years.

42 To ensure the forecast 2024/25 savings shortfall can be addressed early work has been carried out on a range of prospective savings. In line with MTFP policy the main focus has been to protect front line service provision

wherever possible. With this in mind, a range of potential savings for consultation over the coming months are detailed in Appendix 3. If agreed, these proposals would achieve the following level of savings over the MTFP(14) planning period:

	£m
2024/25	3.725
2025/26	1.422
2026/27	0.961
2027/28	0.509
TOTAL	**6.617**

43 If these savings were subsequently approved after consultation, at Full Council on 21 February 2024 when the 2024/25 is set, augmenting the previously agreed proposals for 2024/25, the deficit that would need to be bridged to set a balanced budget next year would reduce from the current £12.1 million forecast to £6.185 million.

44 Within the potential new savings set out at Appendix 3 is a proposal in relation to the Local Council Tax Grant support paid to Town and Parish Council's, which will require engagement with our Town and Parish Council partners.

45 In 2013/14 when Business Rate Retention was introduced the County Council and Town and Parish Councils faced a significant reduction in taxbase. The County Council received a new £37.4 million grant to replace the lost taxbase impacts it faced although this was £5.4 million less than required - passing a significant funding reduction onto the council.

46 The Council also received funding in relation to Town and Parish Councils as part of the new arrangements. Upper tier authorities had a choice at that point whether to passport an element of the grant received onto Town and Parish Council's. Unlike many other councils at that time the County Council chose to do so with a payment of £2.3 million made to the Town and Parishes in 2013/14, with an agreement at that time that the payments would be adjusted in line with future funding settlements.

47 When the specific grant in relation to the LCTRS was subsequently subsumed into the new formula grant arrangements, the grant payment to the Town and Parish Council's was based upon 60% being linked to the County Council's Revenue Support Grant (RSG) level and 40% based upon business rate levels. Across the subsequent period RSG was cut significantly and therefore payments to Town and Parish Councils were reduced also. In the last two years the County Council has received uplifts in RSG and inflationary uplifts to business rates therefore the grant to Town and Parishes has been uplifted.

48 In 2013/14 when many upper local authorities took the decision not to provide any grant support to Town and Parish Council's a large number of Town and Parish Council's increased their council tax to recover the lost taxbase impacts. Town and Parish Councils do not have the same restrictions on council tax increases as upper tier authorities do as they are not subject to a referendum limit. This is still the case.

49 Since 2013/14 more local authorities have taken the decision to withdraw the grant to Town and Parishes as they have faced significant funding shortfalls. The County Council is now one of only a few local authorities who still pay an element of LCTRS grant support to local Town and Parish Councils.

50 The grant payment in 2023/24 is £1.5 million. The grant reduced in the austerity years as the County Council's RSG reduced from £167 million to as low as £28 million. This resulted in reductions in the Town and Parish grant element linked to RSG i.e. 60% of the grant. In recent years however the grant has begun to increase again as RSG and business rates have been inflated.

51 The council could fully withdraw the grant payments to help offset its ever increasing unavoidable budget pressures, however, the proposal is to consult upon applying a 50% reduction in this grant, phased in over two years to assist Town and Parish Councils in factoring this into their budget and medium term financial plans.

52 Town and Parish Council's will benefit from taxbase growth in 2024/25 and can also benefit from the tax base impacts of the proposed changes to long term property premiums in 2024/25 and the proposed introduction of the second home premium in 2025/26, which could partially mitigate the impacts.

53 Although the budget deficit of £6.185 million in 2024/25 is the latest forecast, it should be recognised that this figure could significantly change before Council sets the budget on 21 February 2024. The final savings requirement will be influenced by announcements in the local government finance settlement for 2024/25 and the results of the consultation that will be undertaken. Similarly, the council is facing significant additional budget pressures at the present time which could impact upon the savings requirement and there may be a need to accommodate further budget pressures as a result of the longer term impacts of the inflation upon councils budgets.

54 Unlike this time last year, the council has the benefit of knowing what its indicative funding allocations will be next year, based on the announcements made in December 2022. Additional funding of circa £15

million is included in the updated forecasts, although circa £7.5 million of this is specific grant, that comes with specific new spending requirements.

55 The MTFP(13) forecasts assumed a 4.99% council tax increase in council tax in 2024/25, and 2.99% increases per annum thereafter. The forecast 4.99% increase in 2024/25 includes the 2% adult social care precept flexibility announced in the 2023/24 local government finance settlement and expected by government as part of its Core Spending Power calculations. The updated MTFP(14) forecasts assume the same at this stage. Decisions on council tax are ultimately matters reserved for County Council at budget setting in February 2024

56 Every 1% of council tax increase generates circa £2.675 million, so if the Council ultimately chooses not to maximise its council tax increase in line with government expectations, then the funding gap will increase by a further £2.675 million for every 1% it is below the expected level. Without a sustainable strategy to meet the additional challenge this would not represent prudent financial management.

57 The council continues to challenge government on the equity and effectiveness of council tax, both as a tax and as a fair method of funding local government. The council will continue to use every opportunity to raise this issue, especially as part of any consultation on the Fair Funding Review.

58 With this uncertainty in mind in relation to the future, work will continue in the coming months to seek to identify additional savings to address any future shortfall.

59 If there is still a shortfall in savings at the time Council agree the budget in February 2024, then the MTFP Reserve will need to be utilised. The available balance on the MTFP reserve is £27 million, following the utilisation of £10.028 million to balance the 2023/24 budget. In utilising the MTFP Reserve Cabinet will need to be mindful of the significant budget deficit that is also forecast to exist in 2025/26 after the new and previously agreed savings are factored in of £12.862 million. The use of reserves to balance the budget is not a sustainable position and is only recommended where there is a need to smooth in more sustainable budget solutions. This necessitates the Cabinet to seek to adopt a strategy of protecting the MTFP Reserve in 2024/25 as far as possible.

Additional Council Tax Flexibilities

60 As part of the Government’s measures to tackle the country’s housing shortage, a change in legislation came into effect from April 2013, allowing local authorities to apply a premium charge on long term empty properties as an incentive for the owners to bring them back into use. The powers provided to authorities required local policy decisions to be made on

whether to adopt them. The powers were extended from April 2019, when the maximum premiums that could be applied were increased.

61 In February 2022, the Government published the Levelling Up and Regeneration Bill the United Kingdom White Paper, which includes provision for local authorities to apply extra council tax charges on properties defined as a long-term empty dwellings earlier than is currently allowed and introduce new additional charges on dwellings occupied periodically, also known as Second Homes.

62 The Levelling-up and Regeneration Bill, which is currently progressing through parliament, supports the Government's objective to reduce geographical disparities between different parts of the United Kingdom by spreading opportunity. It specifically seeks to:

(a) Amend the definition / duration of what is classed as a 'long-term empty dwelling' from two years to one, this will allow local authorities to charge the 100 percent premium a year earlier;

(b) Provide an amended definition of 'long-term empty dwelling' which will come in after 1 April 2024;

(c) Insert a new clause into the Local Government Finance Act 1992 which provides billing authorities in England with the discretion to increase the council tax payable on a dwelling where there is no resident, and which is substantially furnished, often referred to as second home.

Long Term Empty

63 Currently, section 11(8) of the Local Government Finance Act 1992 (Class C) defines a long term empty dwelling as a property which is unoccupied and substantially unfurnished for more than two years.

64 The maximum additional charges which may be applied are 100 percent of the standard council tax bill for long-term empty dwellings which have remained empty for more than two years and less than five years, up to 200% after five years and 300% after ten years. This is set out in the Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018, which gave Local Authorities discretion to apply premiums to empty homes.

65 Local Authorities have discretion on whether to apply a premium and at what level to apply the charge below these maximums. In Durham, the 100% maximum additional charge is applied to dwellings empty between two and five years and the additional 200% charge is applied after the dwelling is empty five years. Durham has not (at this stage) adopted a policy to charge a 300% premium after ten years.

66 In introducing this policy the council was mindful that not all long term empty properties related to “absent landlords” and that some were genuine cases where owners were actively trying to sell or there were legal issues preventing dale or where major refurbishment was being undertaken. In such circumstances short term assistance can be applied for (called a Section 13A reduction) to offset the premium, however, any award was not to be extended beyond the financial year in which it is awarded and was not a way of reducing council tax liability indefinitely.

67 The Levelling-up and Regeneration Bill, amends the duration of ‘long-term empty dwelling’ from two years to one, this will allow local authorities to charge the 100% premium a year earlier should the wish to do so – providing the financial disincentive earlier than is currently the case and hopefully bringing more homes back into use earlier. The earliest this change can be applied would be 1 April 2025.

Dwellings occupied periodically/Second Homes

68 Within the Local Government Finance Act, second homes are defined as dwellings which are no one’s sole or main residence and which are furnished (Class A and B).

(a) Class A dwellings are second homes where occupation is prohibited by law for a continuous period of at least 28 days in the relevant year, for example, holiday homes or chalets subject to planning condition restricting year-round occupancy.

(b) Class B dwellings are second homes where occupation is not restricted.

69 Currently there is no council tax premium applied on second homes by the Council.

70 The Levelling-up and Regeneration Bill inserts a new clause into the Local Government Finance Act 1992 which provides billing authorities in England with the discretion to increase the council tax payable on a dwelling where there is no resident, and which is substantially furnished, often referred to as second home.

71 The new powers being provided will allow billing authorities to charge up to 100% extra on the standard council tax bill that would be payable if the property were occupied by two adults and no discounts were applicable.

72 The decision to apply the charge/premium must be made by the authority at least one year before the beginning of the financial year in which the charge is to be applied, i.e. the earliest the charge can be applied to second home dwellings would be 1 April 2025.

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Forecasted impact of the adoption of a 300% Empty Home, additional Long-Term Empty and Second Home premiums

73 Should the council adopt the 300% premium for long term empty homes this would impact 252 properties of which 72 are currently receiving Section 13A relief. The remaining 180 properties equates to a potential gross value additional revenue of approximately £0.221 million.

74 Our records show that as of 1 June 2023 there were 5,401 properties recorded as empty for Council Tax purposes. Of these, it is estimated that 689 properties would progress onto being empty for more than twelve months and therefore attract a premium charge after the twelve months. This equates to a potential gross value additional revenue of £1.2 million.

75 Our records show that as of 1 June 2023 there were 1,244 properties recorded as Second Homes for Council Tax purposes. From these, 1,232 are recorded as Class B (empty - second home/furnished) and 12 are recorded as Class BE (empty - job related/furnished). The additional gross value of Council Tax levied on these properties would be £2.350 million should the council adopt a policy of applying a 100% premium on these properties.

Other Material Considerations and Next Steps

76 When considering applying the additional premium charges, it is important to consider that some of the properties affected are not deliberately being kept empty but rather the owners cannot sell or let them for various reasons and often beyond their control. Unfettered, adopting these policies could lead to an increased financial burden on owners.

77 To mitigate the financial burden on these owners, a review of our Section 13A policy will be carried out. Consideration will need to be given to the amount of additional income the increased premiums will generate versus the increase in S13A applications and resources required to collect the increased charges.

78 Consideration should also be given to financial impact the premium will have on some residents already struggling with the current cost of living crisis including the difficulties of selling properties resulting from increasing mortgage costs.

79 An Equality Impact Assessment Screening has been undertaken on these proposals and is attached at Appendix 5, which shows:

(a) It is not possible to know the makeup of those residents who will be directly impacted due to the limited information we are required to hold on our Council Tax base, however public consultation will be carried out to better understand impact across the protected groups.

(b) It is recognised, as the proposed changes involve an increase to a Council Tax charge, this may cause negative financial impact for those individuals affected. To mitigate this our Section 13A policy will be reviewed following the consultation to ensure the appropriate support is available.

(c) There may be an indirect benefit for some groups should the proposed changes encourage properties to be brought back into use and the positive impact this can have on the area.

80 Existing legislation provides the powers to apply a 300% empty homes premium charge after ten years, but Levelling-up and Regeneration Bill is currently in the House of Lords after which it will move to final stage and Royal Assent. Additionally. To implement these policy changes a public consultation will need to take place and decision on such policy changes ought to be made before the tax base is set.

81 An eight week public consultation on proposals to introduce a 300% premium for on homes that have been empty for more than ten years and to apply a 100% empty home premium after 12 months from April 2024 and to introduce the second home premium from April 2025 will commence immediately following this Cabinet meeting and run until October 2023, concluding in advance of tax base setting for 2024/25.

82 This will allow the Council to set out its overall approach for reviewing its policy, provide an opportunity to comment on the proposals and highlight any potential implications on individuals and agencies as a result of progressing with the proposals.

83 It is important to note that the council can consult before Royal Assent has been granted, providing it is made clear in the contextual information and clarification is given that proposals are subject to Royal Assent being granted.

84 Work is being conducted in conjunction with the Council’s corporate consultation team to prepare for the consultation, which will be publicised via the Council’s website and through the Council’s Social Media pages.

85 The proposed consultation process will take the form of:

(a) Online consultations via the Council’s website;

(b) Letters to be issued to town and parish councils via the County Durham Association of Local Councils, the major precepting authorities (Police & Fire); and

(c) Discussions with representatives of the County Durham Housing Forum.

86 Additionally, in preparation for a Second Home premium charge, a review is planned to be carried out on all Class B second home/furnished properties to identify which could attract the premium. An annual review is already carried out on empty properties.

MTFP(14) – 2024/25 to 2027/28 Summary

87 The updated MTFP(14) planning assumptions detailed in this report have impacted upon the forecast savings requirements for the 2024/25 to 2027/28 period. The current forecast of savings required for the period 2024/25 to 2027/28 are detailed below:

	Savings Requirement	**Less Savings Already Approved**	**Savings Shortfall**
	£m	**£m**	**£m**
2024/25	12.135	2.225	9.910
2025/26	16.157	1.873	14.284
2026/27	17.662	1.780	15.882
2027/28	10.060	0.000	10.060
TOTAL	**56.014**	**5.878**	**50.136**

88 As can be seen, the additional savings required to be developed to balance the budgets over the next four years is estimated to be £50.1 million.

89 New savings options totalling £6.617 million are included in this report for consideration and consultation, which could reduce the total shortfall from £50.1 million to £43.5 million. This forecast must be considered alongside the significant uncertainty facing local government at this time, especially in relation to future local government finance settlements and the continuing impact of increasing demand and high levels of inflation upon the council.

90 It is likely that savings plans in the future will become more complex and potentially more front line and as such will require significant planning and consultation. It will be vital that timeframes for delivery are planned effectively to ensure the Council continues to balance the budget across the MTFP(14) period.

91 The updated MTFP(14) financial forecasts are attached at Appendix 4.

Risk Assessment

92 There is significant uncertainty and a wide range of financial risks that need to be managed and mitigated across the short, medium and longer term. The risks faced are exacerbated by the council's responsibility for

business rates and council tax support. All risks will be assessed continually throughout the MTFP(14) planning period. Some of the key risks identified include:

(a) ensuring the achievement of a balanced budget and financial position across the MTFP(14) period – including balancing the Councils appetite to take decisions to increase council tax vs increase potential cuts to service provision;

(b) ensuring any savings plans are risk assessed across a range of factors e.g., impact upon customers, stakeholders, partners, and employees and that there is appropriate management oversight on the delivery of those savings to ensure they are delivered and realise the financial returns expected;

(c) the outcome of the government's Fair Funding Review which is expected to be consulted upon during the next two years with the earliest implementation now being 2026/27. Any implementation could result in significant changes to the distribution of government funding, however, at the same time there was expectation of a business rate reset in 2023/24 as part of Business Rate Retention (BRR). This did not progress due to the delay in the implementation of the FFR. It would appear unlikely that a business rate reset will be implemented until the FFR is progressed. The council would expect to be a beneficiary of any business rate reset as business rate income growth in the county has been lower than the national average since the implementation of BRR in 2013/14;

(d) the localisation of council tax support which passed the risk for any increase in council tax benefit claimants onto the council. Activity in this area will need to be monitored carefully with medium term projections developed in relation to estimated volume of claimant numbers. At this stage the coronavirus pandemic has resulted in a reduction in the council tax base for the first time since the council took on responsibility for council tax support;

(e) the council retaining 49% of all business rates collected locally but also being responsible for settling all rating appeals. Increasing business rate reliefs and the revised 'check and challenge' appeals process continue to make this income stream highly volatile and will require close monitoring to fully understand the implications upon MTFP(14);

(f) the impact of future increases in inflationary factors such as the National Living Wage and pay awards, which will need to be closely monitored. Of particular concern is whether the current 2% assumed pay award in 2024/25 will be sufficient and depending on how and whether inflation is brought more under control as the year progresses there may be a need to increase the pay award pay inflation forecast next year. Every 1% adds £2.65 million to the councils pay bill – increasing the funding gap that needs to be bridged to balance the councils' budget;

(g) the council continuing to experience increases in demand for social care services – particularly children's social care – and for home to school transport, where 70% of the existing contracts are subject to procurement from September 2023. Although some allowance is made for demand increases across the MTFP(14) period this issue will need to be closely monitored as experience in recent years has been that pressures in looked after children and home to school transport budgets in particular have exceeded the prudent estimates included in previous MTFP planning rounds;

(h) the funding position for the High Needs Dedicated Schools Grant. It is hoped that the government fully recognises this pressure as part of future financial settlements and that costs can be contained within the grant provided going forward, as was the case in 2022/23 for the first time in seven years;

(i) it is still not possible to be fully clear at this point as to any long-term impact from the coronavirus on council costs and income, though a budget adjustment is proposed with regards to leisure centre income levels based on experience over the last two years and forecasts for the shortfall that will materialise again this year. This will continue to be closely monitored with any ongoing impact needing to be built into future MTFP plans;

(j) the impact of requirements associated with the health and social care reforms in from October 2025.

MTFP(14) Timetable

93 A high level timetable up to Budget setting in February 2024 is detailed below:

Date	Action
12 July 2023	MTFP(14) update and LCTRS Review report to Cabinet
1 September 2023	Corporate Overview and Scrutiny Management Board consider 12 July Cabinet Report
11 October 2023	MTFP(14) update Report to Cabinet

Date	Action
October/November 2023	Corporate Overview and Scrutiny Management Board consider 11 October Cabinet Report
18 October 2023	Council Tax Reduction Scheme 2024/25 considered by Full Council
15 November 2023	Taxbase report considered by Cabinet – to include outcome on consultation on potential Council Tax Discount and Premium changes
13 December 2023	MTFP(14) update report to Cabinet – outcome of Budget Consultation and consideration of any further savings proposals
December 2023	Corporate Overview and Scrutiny Management Board consider 13 December Cabinet Report
17 January 2023	MTFP report to Cabinet – analysis of provisional local government settlement published in December
January 2023	Corporate Overview and Scrutiny Management Board consider 17 January Cabinet Report
7 February 2023	Budget Report to Cabinet
February 2023	Corporate Overview and Scrutiny Management Board consider 8 February Cabinet Report
21 February 2023	Council Budget and MTFP report

Proposed Consultation Programme

94 Based on the best practice that has developed over previous consultations, it is once again proposed that we consult using our existing County Durham Partnership networks between September and November. This will include the fourteen Area Action Partnerships (AAPs) and the thematic partnerships that support the County Durham Partnership. Additional work will be undertaken with special interest groups and there will be an opportunity for residents to respond electronically via the council’s website which will be promoted through the council’s presence on various social media platforms.

95 The consultation process will consider the savings options included in this report and be in addition to and run in tandem with the consultation on proposals to adopt the Council Tax flexibilities outlined in this report. The

consultation will set out the council's proposed approach to the MTFP(14) process and the proposed council tax levels across the MTFP(14) period but focus particularly on 2024/25. The Corporate Overview and Scrutiny Management Board will provide scrutiny of the MTFP(14) and budget setting process as usual.

Workforce Implications

96 If savings of the magnitude detailed in the report over the MTFP(14) period are ultimately required it is forecast that the number of post reductions will increase significantly over the coming four years, as savings plans are developed, agreed and delivered to achieve the MTFP(14) required savings of £56.1 million. The exact number will not be known until proposals are fully developed and assessed.

97 In terms of the initial new MTFP(14) savings plans for consideration and consultation set out at Appendix 3, it is forecast that these would result in a reduction in fte of 31.5 if all savings were finally approved. Taken together with the estimated workforce implications of the previously agreed proposals attached at Appendix 2, the total forecast reduction in fte if all savings are approved would be 73.4 fte.

98 The council will continue to take all possible steps to avoid compulsory redundancies and minimise the impact upon the workforce. This will require a continued focus on forward planning, careful monitoring of employee turnover, only undertaking recruitment where absolutely necessary and retaining vacant posts in anticipation of any required service changes, seeking volunteers for early retirement and/or voluntary redundancy and maximising redeployment opportunities for the workforce wherever possible.

99 In addition, the way that work is organised and jobs designed will continue to be reviewed by service groupings, with the support of Human Resources, to ensure that changes that are made to maximise the use of the workforce numbers and skills and introduce flexibility into the way work is organised to maximise the capacity of the remaining workforce.

100 These actions will ensure that, wherever possible, service reductions continue to be planned well in advance of commencing the exercises, employees are able to consider their personal positions and volunteer for ER/VR prior to the start of the exercise should they wish to, thereby enabling, in a number of situations, the retention of sustainable employment in the County for those who wish to remain in the workplace.

Equality Impact Assessment of the MTFP

101 Consideration of equality analysis and impacts is an essential element that members must take into account when considering the savings plans at

Appendix 3. This section updates Members on the outcomes of the equality analysis of the MTFP(14) savings proposals.

102 The aim of the equality analysis process is to:

(a) identify any disproportionate impact on service users or staff based on the protected characteristics of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation;

(b) identify any mitigating actions which can be taken to reduce negative impact where possible;

(c) ensure that we avoid unlawful discrimination as a result of MTFP decisions;

(d) ensure the effective discharge of the public sector equality duty.

103 As in previous years, equality analysis is considered throughout the decision-making process, alongside the development of MTFP(14). This is required to ensure MTFP process decisions are both fair and lawful. The process is in line with the Equality Act 2010 which, amongst other things, makes discrimination unlawful in relation to the protected characteristics listed above and requires us to make reasonable adjustments for disabled people.

104 In addition, the public sector equality duty requires us to pay ‘due regard’ to the need to:

(a) eliminate discrimination, harassment and victimisation and any other conduct that is prohibited under the Act;

(b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;

(c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

105 A number of successful judicial reviews has reinforced the need for robust consideration of the public sector equality duty and the impact on protected characteristics in the decision making process. Members must take full account of the duty and accompanying evidence when considering the MTFP proposals.

106 In terms of the ongoing programme of budget decisions the Council has taken steps to ensure that impact assessments:

(a) are built in at the formative stages so that they form an integral part of developing proposals with sufficient time for completion ahead of decision-making;

(b) are based on relevant evidence, including consultation where appropriate, to provide a robust assessment;

(c) objectively consider any negative impacts and alternatives or mitigation actions so that they support fair and lawful decision making;

(d) are closely linked to the wider MTFP decision-making process;

(e) build on previous assessments to provide an ongoing picture of cumulative impact;

Impact Assessments for Savings Proposals

107 Consideration of equality analysis and impacts is an essential element that members must consider in approving any savings plans. A summary equality analysis and mitigations for the potential MTFP(14) savings included in this report for consideration and consultation can be found at Appendix 6. This section updates Members on the outcomes of the equality analysis of the MTFP (14) savings proposals as they currently stand. Where savings proposals are developed further, then analysis of impacts will be updated and included in the final decision making reports.

Adult and Health Services (AHS)

108 There is a proposal to consider the removal of a historic contribution towards community alarms in in-house extra care schemes which could potentially impact older and/or disabled residents with an additional small charge. Further work will be carried out with the housing provider, however it should be noted the proposed change in arrangement would ensure equity by bringing the arrangements for the community alarm charges in line with the other three extra care sites in County Durham.

109 Remaining proposals for consideration for AHS include; a review of commissioned services in view of efficiencies, staffing turnover assumptions and a review of contractual arrangements, for which there is no expected equality impact.

Children and Young People's Services (CYPS)

110 Most proposals for consideration in CYPS are at a formative stage and will require further analysis as proposals develop or have no expected equality impact.

111 In terms of Home to School Transport, there are potential negative and beneficial impacts in relation to the protected characteristics of disability (SEND), age (younger and working age) and sex (women). These proposals have been subject to separate reports to Cabinet and a full impact assessment has been carried out as part of that Cabinet reporting

and decision making processes for these proposals, which have also been subject to full public consultation.

112 An increase in fare charges for the Standard and Maintained Concessionary scheme aligns with the Bus Service Improvement Plan offer and is 80p lower than the fare proposed as part of the consultation. This should mitigate some of the financial impact for working age families, and potentially (disproportionately), women. Programmes of review have been established for the remaining aspects of home to school transport changes to ensure children and young people have access to safe and sustainable transport and routes.

Neighbourhoods and Climate Change (NCC)

113 NCC savings proposals for consideration are at an early stage of development and some will require further analysis as proposals progress.

114 A fee increase for bulky waste collection is proposed for consideration which although impacts all customers, may have a disproportionate impact for disabled and older residents as they may not be able to easily use alternative means of disposing of bulky waste, such as using household waste recycling centres (tips), and may therefore have no option but to pay the cost of receiving this service. The service will continue to provide assisted bulky good collections (e.g. from yard/garden rather than kerbside) for those that require support and/or reasonable adjustments due to a disability.

115 A reduction in grant funding for the voluntary and community sector if agreed is likely to impact on the protected characteristics in terms of a reduced capacity to support community projects which provide benefit across different groups. However, the level of grant reduction is low and conversations will take place with organisations affected to minimise any adverse impact, such as providing support to secure alternative funding streams.

116 Any potential staff reductions will be managed through agreed HR procedures, and progression of ER/VR to minimise impact.

Regeneration, Economy and Growth (REG)

117 At this stage of equality analysis there is no anticipated equality impact for REG savings proposals.

Resources (RES)

118 There are a range of proposals for consideration for Resources, most in relation to service reviews where it is anticipated that process improvements and insight will lead to more innovative service delivery solutions. Fair treatment of staff will be ensured through agreed corporate

HR change management procedures, and progression of ER/VR to minimise impact.

119 There is a proposal for consideration to make Durham County News largely online which will affect how we communicate with residents who do not have digital access. Digital exclusion disproportionately impacts the following groups: older residents, people with disabilities and people on low incomes (possibly more women and minority ethnic). Reasonable adjustments will be made for people with disabilities where necessary. Adjustments could include hard copies and/or alternative formats (large print, audio) distributed to those residents who request this as an adjustment. Equality impact will be reviewed and updated as the proposal progresses.

Corporate (COR)

120 There is potential equality impact across the protected groups for two of corporate savings proposals.

121 A proposal for consideration and consultation on a 50% reduction in funding over two years for Town and Parish Councils is likely to adversely impact across the protected characteristics as it restricts investment. However, the impact of the grant reduction on individual authorities will be very much determined by the decisions individual authorities make upon increasing council tax. There is an expectation that normal taxbase growth of circa 1% alongside additional tax base income growth from utilising council tax additional flexibilities for empty and second homes will enable the impact of the grant loss to be mitigated.

122 An overall reduction in Member Budgets will reduce the total investment. This will result in investment being spread across larger populations as the overall number of members reduce and wards become larger. Member budgets cover a broad range of activity therefore there is likely to be some impact on protected characteristics in terms of a reduced capacity to support projects and/or individuals which will impact across the population age ranges.

123 Although there is potential impact, the level of investment will still remain high with the council Member budgets being higher than the average across the country.

Local Council Tax Reduction Scheme for 2024/25

124 Following the abolition of the national Council Tax Benefit (CTB) system on 31 March 2013, Local Authorities have been required to work with their precepting bodies to establish a Local Council Tax Reduction scheme (LCTRS); reviewed on an annual basis. The LCTRS provides a ‘discount’ against the council tax charge, rather than a benefit entitlement.

125 A Council Tax Reduction Scheme Grant to offset the impact of the reduction in tax raising capacity was initially paid directly to the council and the major precepting bodies (Police and Fire) but now forms part of the council's formula funding arrangements.

126 As this Government grant was technically a fixed amount, when there is growth in the numbers of council taxpayers becoming eligible for support with their council tax, there is a resulting risk to the Local Authority; this was seen in the early months of the pandemic in April/May 2020.

127 The council's formula grant includes an element relating to Town and Parish (T&P) Councils and whilst the council has previously passed the notional LCTRS grant on to the Town and Parish Councils, there is no statutory requirement to do so, with the majority of other Councils not doing so now.

128 Discussions have taken take place with the Town and Parish Councils' Working Group to inform them of the proposals contained earlier in this report to consider making a 50% reduction in the quantum of grant provided, phased in over two years from 2024/25. At this stage it is assumed that payments will total £1.125 million next year, a reduction of £375,000 on the payments being made in the current year, where payments total £1.5 million.

129 LCTR provides a 'discount' against the council tax charge, rather than crediting the account with a benefit payment and as such impacts on the council tax base and therefore the tax raising capacity of the council and its precepting bodies.

130 All local authorities are required to follow a national LCTR scheme for pension age applicants, which protects their entitlement at the same level as under the former national CTB regime. The pension age scheme can only be altered locally in ways which make it more generous to applicants.

131 There are no such restrictions on the level of support that can be given to working age LCTR schemes.

132 In the North East region, Durham is now the only authority whose scheme continues to mirror entitlement under the former CTB system for all claimants. The other eleven councils have schemes which offer an overall lower level of support to working age claimants, though some, in some circumstances, still provide up to 100% to some working age claimants.

133 The majority of councils who made changes to their schemes in the first few years of LCTR, did so to cap the overall amount that could be paid to working age households. Lots of these, including authorities in our region have sought to relax their initial schemes over time.

134 The most recent comprehensive national data was published in 2018/19 by the Joseph Rowntree Foundation, so is a little dated but some basic

national data was recently published by Entitled To concerning the 2023/24 schemes in place across the country.

135 National data shows that over 80% of councils have made at least one significant change to their scheme since the original schemes were adopted in 2013/14.

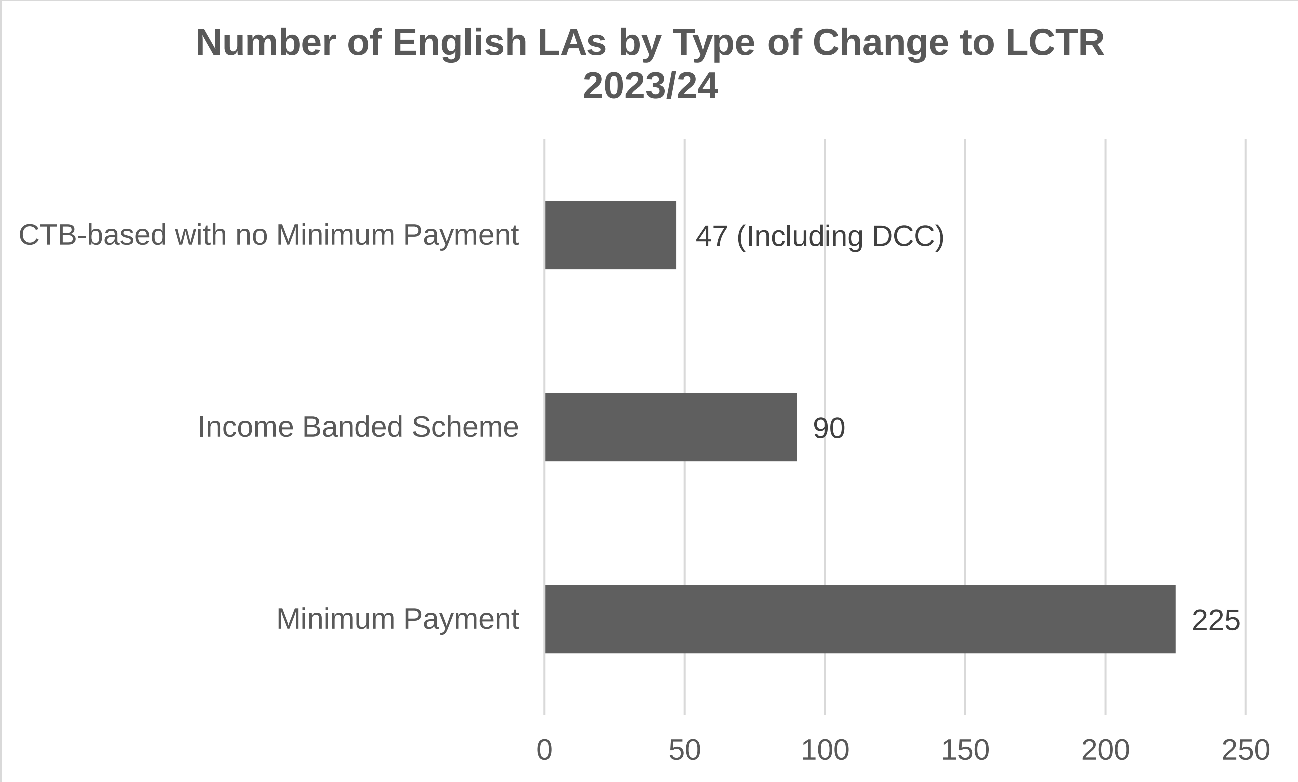
136 Different councils have set their schemes at very different levels across the country. Combined with different choices about other aspects of scheme design, this means that similar households are treated very differently according to where they live.

137 More recently, local authorities have started to focus on making changes to simplify administration and reduce the number of award changes for in-work Universal Credit (UC) claimants, while maintaining a cap on the total amount that an applicant can receive.

138 The Council will continue to track the impact of UC and consider how LCTR can best support residents who claim the benefit. Analysis of cases in Durham show that, on average, in-work households receiving UC and LCTR receive more than 12 council tax bills each year, as their UC is continually reassessed and LCTR revised in response. This results in delayed direct debits, reminders not being issued, and residents delaying payments as they are unsure what to pay. Evidence suggests approximately only 35% of in-work UC households receiving LCTR manage to pay all of their council tax in-year.

139 The cost-of-living crisis has prompted some local authorities to restore higher levels of maximum support for their poorest households. In 2023/24, 29 of 39 councils who changed the way their schemes were calculated, increased this maximum level of support allowed to working age claimants.

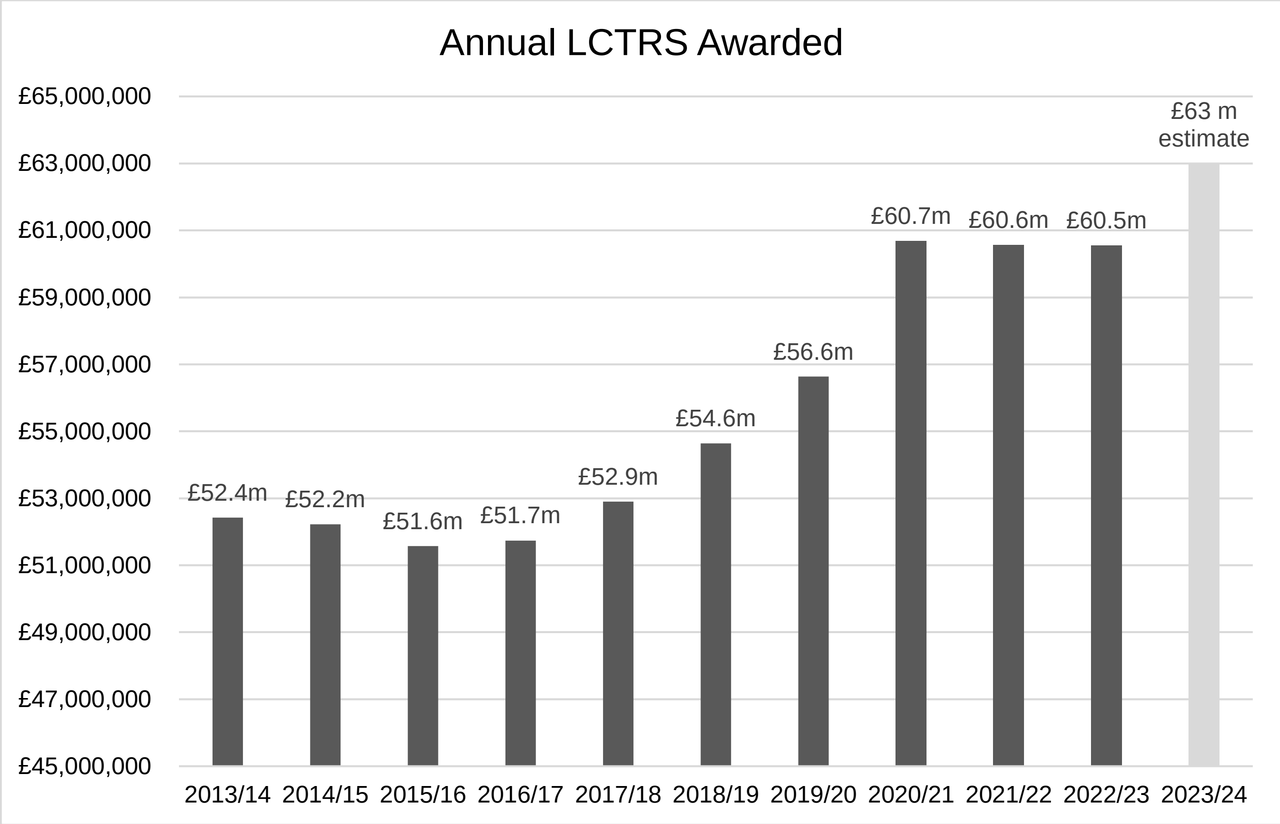
140 In England, 225 of 296 local authorities (76%) do not offer 100% reductions in liability to any working age residents and require a minimum payment instead regardless of the personal circumstances of the claimant and in spite of the cost of living crisis:



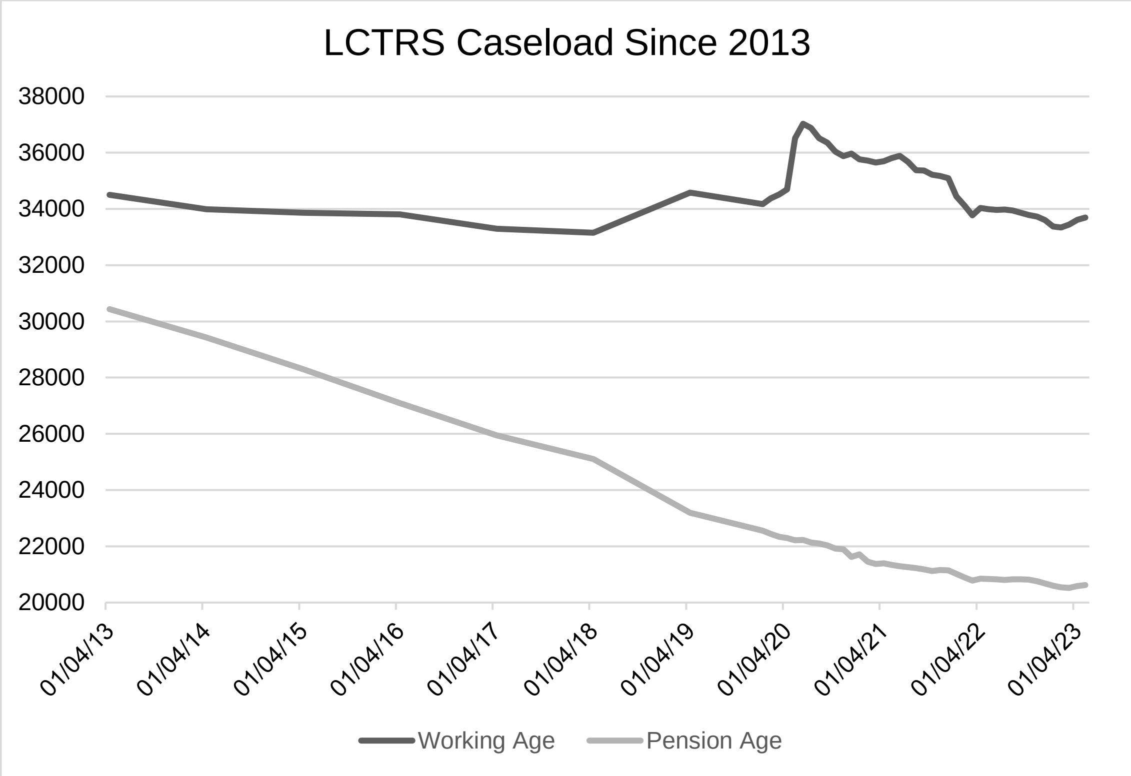
141 The roll-out of Universal Credit is currently scheduled to be completed by the end of 2028. As of 21 May 2023, there were circa 20,150 LCTR claimants in County Durham receiving UC, around 60% of the current working age LCTR caseload.

142 There are currently 54,400 LCTR claimants in County Durham, of which 20,600 (38%) are of pension age and 33,800 (62%) are of working age. Just over 80% of all working age applicants currently receive maximum LCTR, leaving them with no council tax to pay. Approximately 85% of working age LCTR applicants live in rented accommodation and 88% occupy Band A properties. LCTRS support is forecast to be circa £63 million in 2023/24.

143 The table below shows the year-on-year differences in LCTR scheme costs over the last ten years. Whilst it is important to note that the council tax charges have increased across this period also, there was a significant increase in both caseload and costs in 2020/21 that continued into 2021/22.

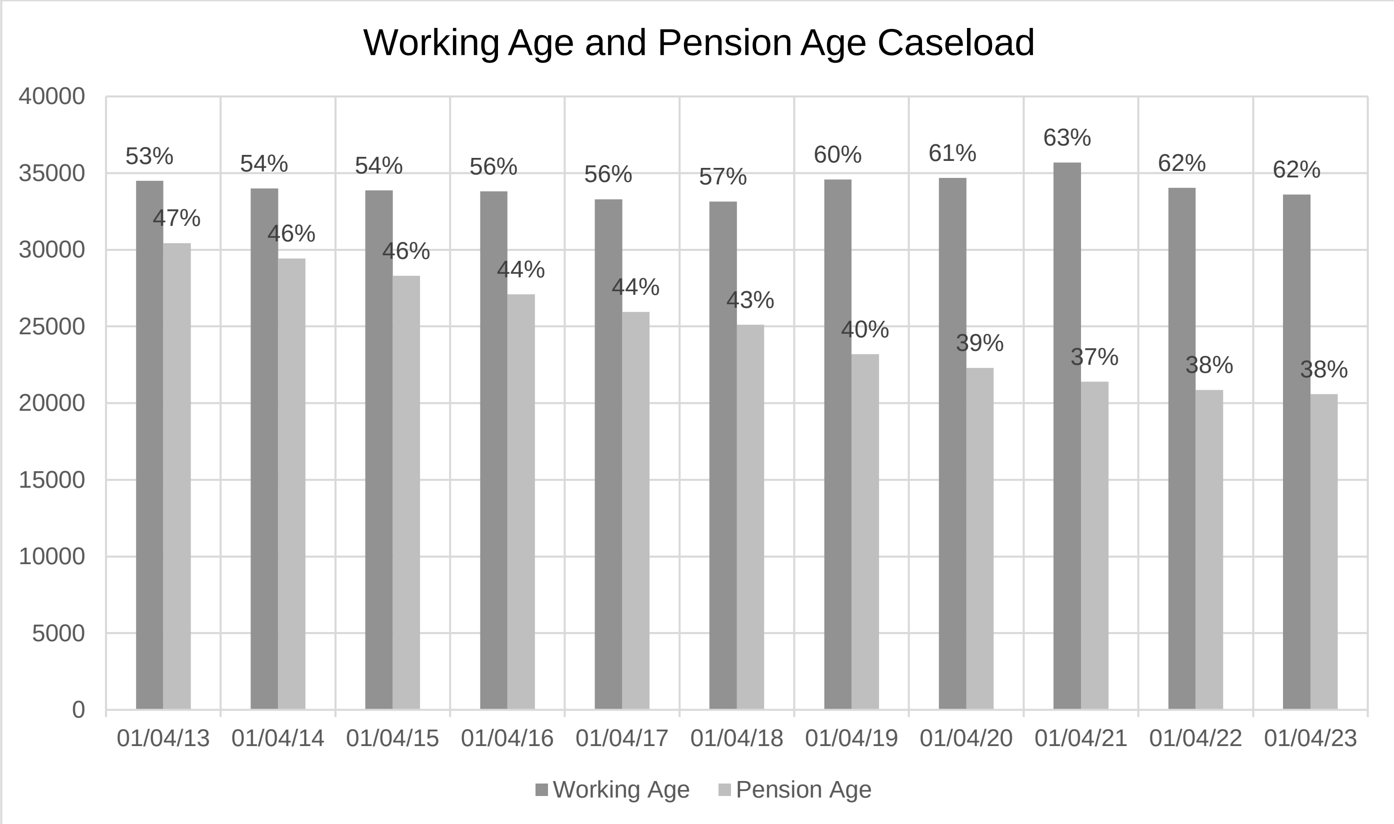


144 There was a significant increase in demand as a result of the Covid-19 pandemic. The pension age caseload has continued a trend of year-on-year reductions, although this rate of reduction has started to slow. The working age caseload, increased dramatically in the first quarter of 2020/21 as an unprecedented number of new claims were received by customers adversely affected by Covid-19. At the peak, in May 2020, the working age LCTRS caseload was almost 3,000 higher than in January of the same year. By March 2022 the number of working age LCTR claims had returned to pre-pandemic levels and have remained quite stable since:



145 In Durham, there are now over 6,100 LCTR claimants currently classed as working age that would have been treated as pensionable age claimants prior to 2010, when the process of moving eligibility to state pension credit age from 60 to 66 began. There will then be a further move up to 67 between 2026 and 2028, then to 68 between 2044 and 2046.

146 Over the last ten years there has been a nine-percentage point increase in the proportion of working age caseload in County Durham. This means a higher proportion of our caseload is coming under the part of the LCTRS scheme that the Council has control over. Working age claimants, particularly those on UC, carry a much greater administrative burden as they have more frequent changes in their circumstances that need to be processed, producing multiple bills across the year.



147 It is important to consider any impact on the collection rate for council tax, that changes to the LCTRS can have. The Institute for Fiscal Studies (IFS) estimate that a quarter of the additional council tax liability created by cuts to LCTR since 2013 has not being collected in year.

148 More significantly however, UC changes result in multiple reworking and changes to LCTRS entitlement throughout the year and multiple bills being issued to individual households resulting in numerous changes to their net liability and instalment plans for any council tax balance they are responsible for. After many years of continued improvement, our in-year council tax collection rate reduced slightly in 2018/19 to 96.65%, and further still in 2019/20 to 96.37%. Performance in 2020/21 (93.43%) was impacted significantly by the pandemic with recovery action largely suspended for the whole of the year. By 2022/23 the in-year recovery rate had improved to 95.91%, however this is still almost one percentage point below the 2017/18 rate of 96.83%, in part reflecting the ongoing impact of the expanding UC rollout on LCTRS and in part due to the ongoing impact of the pandemic and the subsequent cost of living squeeze that has impacted in year council tax collection rates.

149 The regional picture in terms of the schemes currently in operation and comparison of in-year collection rates with that which existed pre LCTRS is shown below for the position to 31 March 2023. It is notable that until April 2022, Durham was the only authority which did not require a minimum payment from all working age LCTR applicants and has improved its collection rate more than any other regional authority since council tax support was localised:

Local Authority	Basis of Scheme	Minimum Payment	Second Adult Reduction Offered?	Change in in-year council tax collection rate between 2012/13 and 2022/23
Durham	CTB	No	Yes	+0.91%points
Darlington	CTB	20%	No	+0.19%points
Gateshead	CTB	8.5%	No	-3.41%points
Hartlepool	CTB	12%	No	-4.86%points
Middlesbrough	Income Banded – since 2022/23	10%	No	-4.48%points
Newcastle	Income Banded – since 2018/19	No (was 15% but removed for 2022/23)	No	-0.02%points
North Tyneside	CTB	15%	No	-2.25%points
Northumberland	CTB	8%	Yes	-0.44%points
Redcar and Cleveland	CTB	17.5%	No	Not Available
South Tyneside	CTB	30% or 15% if vulnerable	Yes	-3.16%points
Stockton	Income Banded – since 2022/23	No (was 20% but removed for 2022/23)	No	-3.77%points
Sunderland	CTB	8.5%	No	-4.76%points

150 If any changes are to be made to the Councils LCTRS scheme, these must be consulted on and be subject to an equality impact assessment. Councils are required to review and approve their schemes annually and have this agreed by a Full Council meeting before 11 March each year. In reality decisions are needed much earlier than this given the impact on tax base calculations and the need to firm up the tax base forecasts much earlier in the budget planning cycle.

151 Pensioners, have to be protected from any changes, with any reductions applied to working age claimants only.

152 Eleven years after the government abolished the national CTB system the council continues to have a LCTR scheme which mirrors the previous

entitlement under the CTB system for all claimants. No LCTR claimants have therefore been financially worse off in the last eleven years (including the current year) than they would have been under the previous national scheme.

153 The council has been mindful of the continuing impacts of the wider welfare reforms and from the squeeze on household incomes from cost-of-living increases which are having a detrimental impact on many low-income households. Additional council tax liabilities for working age households could have a significant impact on low-income household budgets by around £100 to £350 a year based on a scheme whereby entitlement for working age claimants is set at a maximum of 90% entitlement. This would make collection of council tax more difficult and costly to recover from these low-income households.

154 In approving the scheme for 2023/24, the council gave a commitment to review the scheme on the grounds of medium-term financial plan (MTFP) affordability and on-going austerity causing further MTFP pressures.

155 The reduction in Government Grant support towards maintaining these schemes in the first year (2013/14) was £5.1 million, after which the Local Council Tax Support Grant was subsumed into general formula grant, which was and subject to annual reductions up to 2019/20. To recover the full initial £5.1 million cost by reducing the benefit awarded to working age claimants, and factoring in a prudent collection rate of 80%, would require the maximum entitlement to be reduced from 100% to 85.5% based on current caseloads.

156 Should the Council review its scheme and reduce maximum entitlement to working age claimants, depending on the forecasted council tax collection from affected low income households, there would be scope to increase Council Tax revenues by between circa £3.5 million (based on a scheme that awarded maximum entitlement to working age households of 90% with a prudent collection rate of 80%) and £5.1 million (based on a scheme that awarded maximum entitlement of 85.5% with a prudent collection rate of 80%). This would impact circa 33,800 working age households across County Durham, where 6,000 (17.8%) are actually in low paid jobs rather than being unemployed.

157 Following careful consideration of the current financial position of the council and in light of the continuing impact of the coronavirus pandemic, welfare reforms including the continued roll out of Universal Credit, which commenced in October 2017 in County Durham; and the cost of living impacts it is proposed that Cabinet recommend to Council that the current scheme should be extended for a further year into 2024/25 and, therefore, that no additional council tax revenues or pressures are built into the MTFP projections from a review of the LCTRS at this stage.

158 The reasons for extending the current scheme are due to the current scheme remaining within existing cost parameters for the Council. In addition, whilst the full impacts of the Government's welfare reforms are complex and difficult to track, demand for Discretionary Housing Payments; Social Fund Applications and Rent Arrears statistics in County Durham compared to others across the region, would suggest that the council tax benefit protection afforded to working age claimants, in addition to the wide-ranging proactive support that has been put in place, is continuing to have a positive impact on these households.

159 The council will need to continue to review the national situation and track what is happening in local authorities that have introduced LCTR schemes that have reduced entitlement to their working age claimants in terms of impacts and performance in terms of recovery of the council tax due.

160 The council will also need to keep track of the continuing impact of the roll out of Universal Credit (UC). This presents continuing challenges for the administration of the LCTRS as it results in a much higher number of changes in circumstances and removes the administrative economies of scale currently achieved by administering Housing Benefit and LCTR claims side by side.

161 More significantly however, UC changes results in multiple reworking and changes to LCTR entitlement throughout the year and multiple bills being issued to individual households resulting in numerous changes to their net liability and instalment plans for any council tax balance they are responsible for.

Conclusion

162 The council continues to face significant financial uncertainty for the MTFP(14) planning period, coving the financial years 2024/25 to 2027/28. The uncertainty relating to future government financial settlements is exacerbated by the ongoing impact of base budget pressures from inflation, national living wage, social care and waste disposal.

163 In addition to previously considered saving proposals, the report sets out details of new savings for consideration and consultation, including proposals for consulting upon utilising additional council tax flexibilities for empty and second homes, which would result in a 100% premium being applied to homes that have been empty for more than twelve months rather than the current policy of applying this after twenty four months, and a 100% premium applied to second homes. The changes in relation to empty properties could be implemented from 1 April 2024, whereas the changes in relation to second homes could only be implemented from 1 April 2025.

164 Savings plans for 2024/25 include a proposal to consult upon reducing the grant support the council provides to Town and Parish Council's linked to the previous implementation of Local Council Tax Reduction. The proposal

is to apply a 50% reduction in this grant phased in over two years to assist Town and Parish Councils in factoring this into their budget and medium term financial plans.

165 Planning will continue in relation to the identification of savings to enable future years budgets to be balanced. The MTFP Reserve of £27 million is available to support the protection of front line services although it is recognised that this reserve could be quickly exhausted if early decisions are not made.

166 The council is the only local authority in the North East to have retained entitlement levels for Council Tax support within the Local Council Tax Reduction Scheme (LCTRS) in line with that which applied under the national Council Tax Benefit regime prior to 2013/14. This policy has protected vulnerable residents at a time when welfare reform changes and more recently the pressure on household incomes from cost of living increases have had a significant adverse impact. This report recommends that the current LCTRS is again retained and remains unaltered for a further year into 2024/25. Should the Cabinet agree, the Council will need to formally adopt this policy at Full Council prior to 11 March 2024, with a report scheduled for consideration by Council in October 2023

Background papers

- Local Government Finance Act 1992
- Welfare Reform Act 2012
- The Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations (as amended)
- The Impacts of Localised Council Tax Support Schemes – Institute for Fiscal Studies Report January 2019

Other useful documents

- Medium Term Financial Plan (13), 2023/24 to 2026/27 – Report to Council 22 February 2023
- Local Council Tax Reduction Scheme 2023/24 – Report to Council 19 October 2022

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Appendix 1: Implications

Legal Implications

The council has a statutory responsibility to set a balanced budget for 2024/25. It also has a fiduciary duty not to waste public resources.

The Welfare Reform Act 2012 abolished the national council tax benefits system (CTB), paving the way for new Local Council Tax Reduction Schemes (LCTRS) to be introduced under the auspices of the Local Government Finance Act 1992. Section 13A of the Local Government Finance Act 1992 (“the 1992 Act”) requires each billing authority in England to make a scheme specifying the reductions which are to apply to amounts of council tax payable by persons, or classes of person, whom the authority considers are in financial need (“a council tax reduction scheme”).

The Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012 (“the 2012 Regulations”) prescribe matters which must be included in such a scheme in addition to matters set out in paragraph 2 of Schedule 1A to the 1992 Act.

Each year regulations amending the 2012 Regulations are made in November/December. The majority of the amendments are to ensure consistency with changes to social security legislation and these are subsequently included in our local scheme.

The LCTRS provides a ‘discount’ against the council tax charge, rather than a benefit entitlement and as such impacts on the council’s tax base.

Regulations made under the Local Government Finance Act 1992 (The Local Authorities (Calculation of Council Tax Base) Regulations 1992 (as amended) the council to calculate a council tax base for each financial year.

The Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012 which came into force on 30 November 2012 and applies to the financial years beginning 1 April 2013 onwards contains the rules which require the council to calculate the Council Tax Base.

A key element of the tax base calculation is the council’s policy in terms of its LCTRS.

There is a statutory requirement for the Council to adopt a local council tax support scheme for the ensuing financial year by 11 March each year. Where the council is proposing any changes to its scheme, there is a statutory requirement to consult on these proposals in advance of making any changes. Pensioners have to be protected from any changes, with any reductions applied to working age claimants only.

Finance

The report highlights that at this stage additional £12.1 million of savings are required to balance the 2023/24 budget. Savings of £2.225 million for 2024/25 have been previously approved by Council in MTFP(13). This results in a savings shortfall for 2024/25 of £9.9 million. This report includes additional 2024/25 savings of £3.725 million which if subsequently approved, would reduce the 2024/25 savings shortfall to £6.185 million.

Across the MTFP(14) period the savings shortfall is £56.014 million. In total MTFP(13) approved savings for the 2024/25 to 2026/27 period of £5.6 million. This reduces the total savings requirement to £50.136 million. Additional savings included for consultation in this report over the MTFP(14) period of £6.617 million if subsequently approved would reduce this shortfall to £43.519 million. Work will continue over the coming months to identify savings to balance the budget across the MTFP(14) period.

The funding made available to support the Local Council Tax Reduction Schemes in 2013/14 (90% of the previous funding available under the Council Tax Benefit System) now forms part of the Council's formula funding arrangements.

The Council has continued to pass on the Town and Parish element of its formula grant over the last five years but in doing so continues to apply pro-rata reductions in the Council Tax Support Grant paid to Town and Parish Councils. Local Council Tax Support Grant payments to Town and Parish Councils is forecast to be £1.5 million in 2024/25 should the Council decide to continue making these payments next year. This report includes a recommendation that consultation takes place on reducing this payment by 50% phased in over two years from 2024/25.

The Council is responsible for the costs of any increase in caseload as the level of Government support is fixed (and has been subject to reductions up to 2019/20) within formula grant.

Prudent estimates and provisions were built into the tax base forecasts for the current year at budget setting, and whilst the Council is subject to greater financial risk now, the current scheme remains within the budget provisions.

Should the Council review its scheme and reduce maximum entitlement to working age claimants, depending on the forecasted council tax collection from affected low income households, there would be scope to increase Council Tax revenues by between £3.5 million (based on a scheme that awarded maximum entitlement to working age households of 90% with a prudent collection rate of 80%) and £5.1 million (based on a scheme that awarded maximum entitlement of 85.5% with a prudent collection rate of 80%). This would impact circa 33,800 working age households across County Durham, where 6,000 (17.8%) are actually in low paid jobs rather than being unemployed.

Consultation

Consultation on the 2024/25 budget and MTFP(14) will include engagement via existing County Durham Partnership networks over the period September to November. This will include the fourteen Area Action Partnerships (AAPs) and the thematic partnerships that support the County Durham Partnership. Additional work will be undertaken with special interest groups and there will be an opportunity for residents to respond electronically via the council's website which will be promoted through the council's presence on various social media platforms.

The Corporate Overview and Scrutiny Management Board will provide scrutiny of the MTFP(14) and budget setting process.

If any changes are proposed to the LCTR scheme, these must not impact on pension age claimants, must be consulted on and be subject to an equality impact assessment. Councils are required to review and approve their schemes annually and have this agreed by a Full Council meeting before 11 March each year. In reality, decisions are needed much earlier than this given the impact on tax base calculations and the need to firm up the tax base forecasts much earlier in the budget planning cycle.

Equality and Diversity / Public Sector Equality Duty

Under section 149 of the Equality Act 2010 all public authorities must, in the exercise of their functions, "have due regard to the need to" eliminate conduct that is prohibited by the Act. Such conduct includes discrimination, harassment and victimisation related to protected characteristics but also requires public authorities to have due regard to the need to advance equality of opportunity and foster good relations between persons who share a "relevant protected characteristic" and persons who do not. This means consideration of equality analysis and impacts is an essential element that Members must take into account when considering these savings proposals.

An Equality Impact Assessment Screening has been undertaken on the savings proposals set out in this report, including the proposed changes to the long term empty property premium policy and the proposals to introduce a premium on second homes. This is attached at Appendix 4 and the outcomes are summarised in the body of the report.

Eleven years after the Government abolished the national Council Tax Benefits System the council continues to have a LCTRS which mirrors the previous entitlement under the Council Tax Benefit System for all claimants. No council tax benefit claimants have therefore been financially worse off in the last eleven years than they would have been under the previous national scheme and if the proposals set out in this report and ultimately agreed by Council in the autumn this will continue to be the case.

The Government EIA on the LCTRS was published in January 2012 and is relatively brief. It considered equality impacts in relation to age and disability, concluding that protection for pensioners would be a positive impact and the effects on disabled people would depend on how each local authority responded to the reduction in council tax support. No impacts were identified in relation to gender or ethnicity and no other protected characteristics were considered and it was left to individual councils to identify full local impacts, based on local implementation.

Given the proposals to extend the current LCTRS into 2024/25 thereby continuing to protect current entitlement, there will be no negative equalities impact.

Should the council decide against extending the current scheme into 2024/25 and elect instead to pass on reductions to working age claimants, there would be a range of potential negative equalities impacts. These include financial impact for working age claimants and possible additional impacts in relation to health and wellbeing, housing and the consequences of debt or legal action. These impacts are most likely in relation to gender, age and disability with limited impacts for race and sexual orientation and no evidence of impact on transgender status, religion or belief.

Climate Change

The council budget will be developed to provide resource to enable the council to meet the requirements set out in the council's Climate Change Emergency Response Plan.

Human Rights

Any human rights issues will be considered for all proposals agreed as part of MTFP(14).

Crime and Disorder

None

Staffing

In terms of the initial new MTFP(14) savings plans set out at Appendix 3 it is forecast that these would a reduction in fte of 31.5 if all savings were approved. Taken together with the estimated workforce implications of the previously agreed proposals attached at Appendix 2 total forecast reduction in fte if all savings are approved would be 73.4 fte.

The staffing / HR implications arising from the action that will need to be taken to meet the £43.519 million shortfall over the next four years should these estimates prove accurate and the savings proposals outlined are fully delivered are yet to be determined and will need to be outlined in future reports for MTFP(14) and beyond.

Accommodation

None

Risk

A robust approach to Risk Assessment across the MTFP process will be followed especially in relation to any individual risk assessments of savings plans. The report outlines a range of significant risks that are inherent in the budget and MTFP(14) setting process.

The report outlines a range of financial risks surrounding the LCTRS. These are being effectively managed at this time. Given that the proposal is to extend the current arrangements into 2024/25 there are no system development issues or risk associated with these proposals.

The council will need to continue to keep track of the impact of the roll out of Universal Credit (UC). This presents challenges for the administration of LCTRS as it results in a much higher number of changes in circumstances (experience is that the UC earned income element changes frequently as the person moves through the claimant commitment with their Work Coach) and removes the administrative economies of scale currently achieved by administering Housing Benefit and LCTRS claims side by side.

More significantly however, UC changes result in multiple reworking and changes to LCTRS entitlement throughout the year and multiple bills being issued to individual households resulting in numerous changes to their net liability and instalment plans for any council tax balance they are responsible for. After many years of continued improvement, our in-year council tax collection rate reduced slightly in 2018/19 to 96.65%, and further still in 2019/20 to 96.37%. Performance in 2020/21 (93.43%) was impacted significantly by the pandemic with recovery action largely suspended for the whole of the year. By 2022/23 the in-year recovery rate had improved to 95.91%, however this is still almost one percentage point below the 2017/18 rate of 96.83%, in part reflecting the ongoing impact of the expanding UC rollout on LCTRS and council tax collection

Procurement

None

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SAVINGS APPROVED IN MTFP (13)

Adult and Health Services

Savings Proposal	Description	2024/25	2025/26	2026/27	TOTAL
		£	£	£	£
Commissioned Services - Efficiencies	Review of contractual arrangements across Adult and Health Services	50,000	50,000	50,000	**150,000**
Market Shaping - Reablement & Direct Payments	Maximising use of reablement and direct payments to promote independence for service users	50,000	250,000	300,000	**600,000**
High Cost Learning Disability Care Packages	Review of specialist/high cost care provision across learning disability services	210,000	210,484	0	**420,484**
Review of Non-Assessed Community Based Services	Review of non-assessed community-based commissioned services	101,283	93,000	0	**194,283**
Extra Care Cleaning	Review of cleaning provision in extra care schemes	8,000	0	0	**8,000**
Total - Adult and Health Services		**419,283**	**603,484**	**350,000**	**1,372,767**

Children and Young People

Savings Proposal	Description	2024/25	2025/26	2026/27	TOTAL
		£	£	£	£
Review of Support Services	Delivering resource efficiencies in the provision of non frontline services through greater automation of tasks and simplifying systems.	0	210,000	0	**210,000**
New approach to delivering One Point activities	Planned reduction in physical activities held in centres with increased use of technology and virtual services for Families, which support the new work on development of Family Hubs	50,000	50,000	0	**100,000**
Early help, Inclusion and Vulnerable Children Services review	Achieving efficiencies within Early Help services through turnover of staff, reviewing deployment of staffing resources and use of non council funding to support activity	41,000	84,000	84,000	**209,000**
Cross Service Accommodation	Streamlining the use of Council staff accommodation to achieve savings in maintenance and running costs.	50,000	71,000	100,000	**221,000**
Restructure of Adult Learning Service	Changes to the Councils Adult Learning Service to align to the future direction of Education, Employment and Training opportunities for disadvantaged Young People	100,000	70,000	0	**170,000**
Reductions in Mileage	Efficiencies in staff mileage budgets as a result of the greater use of technology and new ways of working	100,000	0	0	**100,000**

Reduction in Historic FE Liabilities	Planned reduction in Service Pension liabilities	10,000	0	0	**10,000**
Total - Children & Young People Services		**351,000**	**485,000**	**184,000**	**1,020,000**

Neighbourhood and Climate Change

Savings Proposal	Saving Description	2024/25	2025/26	2026/27	TOTAL
		£	£	£	£
Review of Community Protection Structure & Income Generation	A restructure of the service will deliver efficiency savings along with some income generation opportunities	110,000	145,000	0	**255,000**
Review of AAPs	Savings to be identified following a review of accommodation and running costs of Area Action Partnerships	61,250	0	0	**61,250**
TOTAL - NCC		**171,250**	**145,000**	**0**	**316,250**

Regeneration, Economy and Growth

Savings Proposal	Saving Description	2024/25	2025/26	2026/27	TOTAL
		£	£	£	£
Strategic Car Park Review	A review of parking arrangements and tariffs across the county to allow a more equitable charging regime	279,000	0	0	**279,000**
Moving vehicle/Bus Lane enforcement income.	Introduction of camera enforcement intended to address moving traffic offences, and to increase compliance at existing Framwellgate Moor bus lane restrictions	0	0	30,000	**30,000**
Increase surplus rental income on commercial properties	Additional rental income generated from commercial properties managed by Business Durham	0	48,438	0	**48,438**
Theatre ticketing – introduce dynamic pricing	A revised approach to how and when tickets are sold to increase income and offer customers more choice	30,000	0	0	**30,000**
Theatre Marketing - contract out	Contracting out design, print and brochure production	7,000	0	0	**7,000**
Library Transformation including Sevenhills Lease	Review of built service offer with regard to co-location opportunities, delivery models and tech solutions	105,000	0	0	**105,000**
Library Transformation - Claypord Library Restructure & Remodel	Remodel and update the library to create a high quality environment to meet modern public requirements	200,000	0	0	**200,000**

Planning Income Volumes	Increase budget for planning fees income to reflect higher levels of planning applications in recent years	100,000	0	0	**100,000**
Service Review of Catering, Cleaning & Facilities Management	Service efficiencies from catering, cleaning and facilities management through strategic service review including commercial opportunities, opening hours, levels of service etc	0	90,000	95,000	**185,000**
Review of Office Accommodation - New HQ operating costs	Saving in running costs generated from the move from County Hall	0	0	275,000	**275,000**
TOTAL - REG		**721,000**	**138,438**	**400,000**	**1,259,438**

Resources

Savings Proposal	Description	2024/25	2025/26	2026/27	TOTAL
		£	£	£	£
Review of Corporate Policy Planning and Performance Team	Review and restructure of the Strategy Team	75,473	0	0	**75,473**
Review of HR and Employee Services and Training budgets	Review and restructure of the HR and Employee Services Team and Efficiencies in Training budgets through digitisation of learning	0	152,892	86,940	**239,832**
Review of Business Support (administration)	Review and restructuring of the Business Support service	150,000	0	517,000	**667,000**
Review of Internal Audit and Insurance	Review and restructure of Internal Audit and Risk, including a review of services to external clients to generate additional income	53,433	0	0	**53,433**
Review of Corporate Finance and Commercial Services	Review and restructure focussing on management posts	41,000	0	0	**41,000**
Review of Legal Services	Review and restructuring of Legal Services Team	0	0	127,640	**127,640**
Review of Legal and Democratic Services non employee budgets	Review / Reduction of Non Staffing Budgets	0	0	12,000	**12,000**
Review of Digital Services	Review and restructure of Digital Services Team	0	164,011	0	**164,011**
Review of Digital Services non employee budgets	Review / Reduction of Non Staffing Budgets	65,000	65,000	0	**130,000**
Review of Charging for Deputee and Appointee Team	Introduction of charging in line with arrangements in place in other authorities	80,275	0	0	**80,275**
Review of Transactional and Customer Services non employee budgets	Review / Reduction of Non Staffing Budgets (including income budgets)	0	0	102,120	**102,120**

Review of Customer Services	Review of Customer Access Point provision and service model in line with changing customer demands	68,500	0	0	**68,500**
Review of Transactional and Customer Services	Review and restructure of Transactional and Customer Services Team through Introduction of new systems, process review and new ways of working	28,813	119,558	0	**148,371**
TOTAL - RESOURCES		**562,494**	**501,461**	**845,700**	**1,909,655**

TOTAL COUNCIL SAVINGS FOR MTFP (13)		**2,225,027**	**1,873,383**	**1,779,700**	**5,878,110**

MTFP SAVINGS OPTIONS

REF	Service	Savings Proposal	Description	2024/25	2025/26	2026/27	2027/28	TOTAL
				£	£	£	£	£
AHS2	AHS	Staffing - Turnover	Targeted 3.75% staff turnover assumption to be extended to further service areas.	67,000	-	-	-	67,000
AHS3	AHS	Service Provision to Other Bodies	Targeted review of contractual arrangements	50,000	-	-	-	50,000
AHS4	AHS	Community Alarms - Contribution Removal	Removal of historic DCC contribution towards community alarms in in-house extra care schemes	43,000	-	-	-	43,000
AHS5	AHS	Commissioning Efficiencies	A saving in MTFP(13) for £50k in each of the years 24/25, 25/26 and 26/27 can be acclerated into 24/25 and increased to £0.5 million in total	450,000	(50,000)	(50,000)	-	350,000
	AHS TOTAL			**610,000**	**(50,000)**	**(50,000)**	**-**	**510,000**
CORP 2	CORP	LCTR Grant to Town and Parishes	The grant payments to T&PCs in 2023/24 is forecast to be £1.5 million. The council is one of a few across the country and the only one in the north east that still pays a grant to T&PCs iro LCTR tax base impacts. There are no council tax capping requirements for Town and Parish councils. Consideration to reduce the grant by 50% over a two year period.	375,000	375,000	-	-	750,000
CORP 3	CORP	General Contingencies	If there is confidence that high risk revenue budgets can be managed within budget during 2023/24 then consideration could be given to reducing the general contingency budget to £1.5 million	500,000	-	-	-	500,000
CORP 6	CORP	Members Budgets	It is expected that the number of members will reduce from 126 to 98 from May 2025. After reviewing member allowance levels to reflect the overall increase in member numbers it is forecast that a saving will be realised from total member related budgets	-	165,000	35,000	-	200,000
	CORPORATE SAVINGS TOTAL			**875,000**	**540,000**	**35,000**	**-**	**1,450,000**
RES1	CORP AFF	Corporate Affairs -Structure and vacancies	Review of Current Structure in the Team	160,000	-	-	-	160,000
RES7	CORP AFF	Comms & Marketing - Durham County News	Move to online with one printed version	100,000	-	-	-	100,000
	CORPORATE AFFAIRS TOTAL			**260,000**	**-**	**-**	**-**	**260,000**
CYPS 1	CYPS	Home to School Transport	Review of Systems, Costs and Policies in relation to Home to School Transport	50,000	200,000	350,000	400,000	1,000,000
CYPS 2	CYPS	Reduction in Historic FE Liabilities	Planned reduction in Service Pension liabilities	100,000	100,000	100,000	100,000	400,000
CYPS 3	CYPS	Review of Music Service	Review of current model of delivery, including overheads, pricing policy and accommodation.	60,000	40,000	-	-	100,000
CYPS 5	CYPS	Review of Early Years service	To consider the delivery of EY services across CYPS	200,000	-	-	-	200,000
CYPS 6	CYPS	Fees and charges	Review of fees and charges across CYPS	50,000	50,000	-	-	100,000
CYPS 7	CYPS	Review of Safeguarding approach	Development of Family Help approach in line with national reform programme	70,000	-	-	-	70,000
CYPS 8	CYPS	Review of Early Help model	Removal of vacant posts and gradual change in service offer linked to Family Hubs	250,000	-	-	-	250,000
	CYPS TOTAL			**780,000**	**390,000**	**450,000**	**500,000**	**2,120,000**
NCC 1	NCC	Increase in Fees & Charges in Community Protection	Increases to existing charges and some new charges will also be introduced where possible	50,000	50,000	50,000	-	150,000
NCC 2	NCC	Increased income in Highways	Increases would relate to licensing income and developer contributions	215,000	-	-	-	215,000
NCC 4	NCC	Reduction in PACE grants & contributions	Reduce grants and contributions to outside bodies	6,000	-	-	-	6,000
NCC 5	NCC	Increase in Fees and Charges within Environmental Services	Increases would relate to Refuse & Recycling, Fixed Penalty Notices, and Durham Crematoria surplus	235,000	100,000	90,000	-	425,000
NCC 6	NCC	Review of Neighbourhood Protection	Identification of efficiencies within Neighbourhood Protection	-	-	180,000	-	180,000
	NCC TOTAL			**506,000**	**150,000**	**320,000**	**-**	**976,000**
REG 1	REG	Strategic Traffic	Increase advertising revenue	25,000	-	-	-	25,000
REG 2	REG	Strategic Traffic	Additional traffic management / enforcement	25,000	-	-	-	25,000

REF	Service	Savings Proposal	Description	2024/25	2025/26	2026/27	2027/28	TOTAL
REG 4	REG	Economic Development	Re-charge revenue posts delivering Towns and Villages to capital	50,000				50,000
REG 5	REG	Planning & Housing (All)	Zero based review of service budgets	145,092	-	-	-	145,092
REG 6	REG	Development Management & Spatial Policy	Deletion of Current Vacancies (4.5FTE's)	190,000	-	-	-	190,000
REG 10	REG	Culture	Asset Transfer of Blackhill Park Lodge	13,000	-	-	-	13,000
	REG TOTAL			**448,092**	**-**	**-**	**-**	**448,092**
RES2	RES	Corporate Finance and Commercial Services - Review of Service Structures	A review of roles in Corporate Finance is expected to enable a post reduction and the more effective use of Oracle is expected to enable a reduction in the resource requirement in the Capital/Systems /Commercial Team. In addition our new commercial developments are expected to reduce which could provide an opportunity to review resources. Once Oracle has been rolled out into schools a review of resource can be undertaken and with more effective working across the Team a reduction in resource could be reasonably be expected.	100,000	150,000	-	-	250,000
RES3	RES	Legal and Democratic Services - Non-staffing reductions	The Council continues to undertake insurance work in-house which is funded from base budgets. There is an opportunity to recharge the costs (£47,192) of this work to the Insurance Fund. In addition the service has a small, combined training/conference fees & seminars budget of £9,000.	47,192	-	-	9,000	56,192
RES4	RES	Digital Services - Further Review of Service Structures	Review of service structures	-	202,000	-	-	202,000
RES5	RES	Transactional and Customer Services - Customer Feedback Review	Customer Feedback and Investigation Process Review with savings aligned to the implementation of process and technology improvements that focus on reductions in demand and increased capacity. without limiting the ability to meet statutory guidelines.	-	40,985	-	-	40,985
RES42	RES	Transactional and Customer Services - Service Review	Review of service processes and structures and implementation of a new operating model to support innovation, new ways of working, increased capacity to meet changing levels of demand and effective delivery of strategic and corporate objectives	-		206,193	-	206,193
RES6	RES	Internal Audit, Risk, Corporate Fraud and Insurance - Review of Recharges	Budget review has identified the potential to recharge cost of claims handling to Insurance Fund – generating a c£99k saving	99,000	-	-	-	99,000
	RES TOTAL			**246,192**	**392,985**	**206,193**	**9,000**	**854,370**
	OVERALL TOTAL			**3,725,284**	**1,422,985**	**961,193**	**509,000**	**6,618,462**

Medium Term Financial Plan - MTFP(14) 2024/25 - 2027/28 Model

	2024/25	2025/26	2026/27	2027/28
	£'000	**£'000**	**£'000**	**£'000**
Government Funding				
Revenue Support Grant (6%,0%,0%, 0%)	-1,900	0	0	0
Social Care Grant	-7,800	0	0	0
Better Care Fund - ASC Discharge Grant	-2,800	0	0	0
Market Sustainability and Improvement Grant	-3,200	0	0	0
BCF Inflation	-1,500	0	0	0
New Homes Bonus grant reduction	1,860	0	0	0
Services Grant reduction	120	0	0	0
B Rates/S31 - S31 Adj & CPI increase (6%/1.5%/1.0%/1.0%)	-5,300	-1,375	-933	-950
Top Up - CPI increase (6%/1.5%/1.0%/1.0%)	-4,500	-1,175	-793	-803
Other Funding Sources				
Council Tax Increase (4.99%/2.99%/2.99%/2.99%)	-13,350	-8,400	-8,650	-9,000
Council Tax Base increase	-2,300	-1,875	-1,950	-2,025
Council Tax Premiums - Empty and Second Homes	-900	-650	0	0
Business Rate Tax Base increase	-1,800	-500	-500	-500
Estimated Variance in Resource Base	**-43,370**	**-13,975**	**-12,826**	**-13,278**
Pay Inflation (2%/1.75%/1.5%/1.5%)	5,300	4,725	4,125	4,200
Pay Inflation 23/24 Shortfall (Average of 6.5%)	3,711	0	0	0
Price Inflation (1.5%/1.5%/1.5%/1.5%) - no social care fees	2,300	2,400	2,500	2,650
Base Budget Pressures				
Social Care Fee Uplift - includes NLW and CPI	13,100	6,400	6,600	6,800
Better Care Fund - New Spending Requirements	2,800	0	0	0
Adults Charging Reforms - Excl FCoC	0	1,750	1,750	0
National Living Wage Other Service Areas	400	0	0	0
Pension Fund Revaluation	0	0	1,000	0
Energy Price Increases	-2,600	-750	-750	0
Adults Demographic Pressures	0	1,000	1,500	1,500
Children's Demographic Pressures	8,000	5,000	4,400	3,200
Tees Valley SPV Set Up Costs	0	30	0	0
Vehicle Fleet - Transfer to electric vehicles	0	1,122	2,163	2,288
Community Protection Workforce Development	196	-200	-200	-200
Woodland Protection / Nature Reserves / Public Rights of Way	0	-145	0	0
Aykley Heads Cultural Venue (Former DLI Building)	600	0	0	0
Leisure Centre Income	1,000	0	0	0
Aycliffe Secure Income	600	0	0	0
Employability Service - Impact of UKSPF	1,000	0	0	0
Member Support - Service Requests & Enquiries	150	0	0	0
Waste Disposal - New Contract	0	0	3,000	0
Fostering Allowances - national 12.4% uplift	590	0	0	0
Home to School Transport	1,000	0	0	0
Microsoft Licensing	336	0	0	0
Neighbourhoods - Joint Stocks Income Loss	144	0	0	0
Neighbourhoods - Fix and Fix	300	0	0	0
Housing Benefit Subsidy Shortfall [Supported & Temp Accom]	2,000	0	0	0
Unfunded Superannuation	0	0	-100	-100
Investment Income	3,500	2,000	1,500	0
Prudential Borrowing	2,000	6,800	3,000	3,000
General Contingencies	-500	0	0	0
Net Collection Fund Position after 75% Grant applied	-450	0	0	0
TOTAL PRESSURES	**45,477**	**30,132**	**30,488**	**23,338**
Use of One Off funds				
Adjustment for use of BSR in previous year	10,028	0	0	0
Use of MTFP Support Reserve in year	0	0	0	0
Savings				
Savings Agreed in MTFP(10)	0	0	-275	0
MTFP(13) Savings	-2,225	-1,873	-1,505	0
MTFP(14) Savings	-3,725	-1,422	-961	-509
SAVINGS SHORTFALL	**6,185**	**12,862**	**14,921**	**9,551**
	TOTAL SHORTFALL			**43,519**

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Appendix 5: Equality Impact Assessment – Proposed Council Tax Discounts and Premium Changes

The Public Sector Equality Duty (Equality Act 2010) requires Durham County Council to have 'due regard' to the need to eliminate unlawful discrimination, harassment and victimisation, advance equality of opportunity and foster good relations between people from different groups. Completion of this template allows us to provide a written record of our equality analysis and demonstrate due regard. It must be used as part of decision making processes with relevance to equality.

Please contact equalities@durham.gov.uk for any necessary support.

Section One: Description and Screening

Service/Team or Section	Resources
Lead Officer name and job title	Patrick Hetherington, Awards and Assessment Manager
Subject of the impact assessment	Review of the Council Tax Empty and Second Home Premium Charges
Report date (Cabinet/CMT/Mgt team etc)	Cabinet 12 July 2023
MTFP Reference (if relevant)	MTFP 14
EIA Start Date	09 June 2023
EIA Review Date	

Subject of the Impact Assessment

Please give a brief description of the policy, proposal or practice which is the subject of this impact assessment.
The proposal is to review Durham County Council's Council Tax Empty Home Premium charges. There are three possible changes: 1) Increasing the additional Council Tax charge for properties which have been empty and unfurnished for more than 10 years from 200% to 300% 2) Reducing the period of time a property needs to be classed as empty and unfurnished to attract the 100% additional Council Tax charge from 2 years to 1 year

3) Charge an additional 100% Council Tax premium for those properties where there is no resident, and which is substantially furnished, often referred to as second homes

Option 1 could take effect from 1 April 2024 as it is already present in legislation.

Options 2 & 3 are still subject to the Levelling-up and Regeneration Bill receiving Royal Ascent. These changes cannot take effect until 1 April 2024, subject to Royal Ascent being granted, for option 2 and from 1 April 2025 for option 3.

These proposals would present not only potential increases to Council Tax income but would also support the Councils stance on tackling homelessness issue and encourage owners to bring properties back into use by increasing the financial disincentive for not doing so.

Who are the main people impacted and/or stakeholders? (e.g. general public, staff, members, specific clients/service users, community representatives):

- Social Landlords including RSL & private Landlords
- Individual Home Owners
- Council taxpayers
- Major Precepting Bodies (Police and Fire)
- Town & Parish Councils
- Organisations providing welfare advice and support

Screening

Is there any actual or potential negative or positive impact on the following protected characteristics[1]?

Protected Characteristic	Negative Impact Indicate: Yes, No or Unsure	Positive Impact Indicate: Yes, No or Unsure
Age	Unsure	N
Disability	Unsure	N
Gender reassignment	Unsure	N
Marriage and civil partnership (only in relation to 'eliminate discrimination')	Unsure	N

[1] https://www.equalityhumanrights.com/en/equality-act/protected-characteristics

Pregnancy and maternity	Unsure	N
Race	Unsure	N
Religion or Belief	Unsure	N
Sex	Unsure	N
Sexual orientation	Unsure	N

Please provide **brief** details of any potential to cause discrimination or negative impact. Record full details and any mitigating actions in section 2 of this assessment.
It is not possible to know the makeup of those residents who will be directly impacted by any of the three proposed changes due to the limited information we are required to hold in our Council Tax systems. As all three proposed changes are an increase to a Council Tax charge this may cause negative financial impact on some individuals. To mitigate this our Section 13A policy will be reviewed following the consultation to ensure the appropriate support is available. For example, we are currently offering support to those taxpayers who attract a premium but are having difficulties selling their property due to renovations being carried out.

Please provide **brief** details of positive impact. How will this policy/proposal promote our commitment to our legal responsibilities under the public sector equality duty to: • eliminate discrimination, harassment and victimisation, • advance equality of opportunity, and • foster good relations between people from different groups?
Due to all three changes being an increase to the Council Tax charge this is unlikely to have a direct positive impact on any group, but may have an indirect benefit should the proposed changes encourage properties to be brought back into use and the positive impact this can have on the area.

Evidence

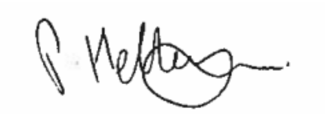
What evidence do you have to support your data analysis and any findings? Please **outline** any data you have and/or proposed sources (e.g. service user or census data, research findings). Highlight any data gaps and say whether or not

you propose to carry out consultation. Record your detailed analysis, in relation to the impacted protected characteristics, in section 2 of this assessment.
A public consultation is proposed to run for 8 weeks starting on the 19th July. Following which responses will be analysed and our Section 13a policy reviewed if necessary. A review of our current empty homes is scheduled to be undertake prior to any change to ensure only those eligible properties attract the premium.

Screening Summary

On the basis of the information provided in this equality impact screening (section 1), are you proceeding to a full impact assessment (sections 2&3 of this template)?	**Please confirm (No)**

Sign Off

Lead officer sign off: 	Date: 09 06 2023
Equality representative sign off (where required): Mary Gallagher	Date: 12 06 2023

If carrying out a full assessment please proceed to sections two and three.

If not proceeding to full assessment, please ensure your screening record is **attached to any relevant decision-making records or reports**, retain a copy for update where necessary, and forward a copy to **equalities@durham.gov.uk**

If you are unsure of assessing impact please contact the corporate equalities team for further advice: **equalities@durham.gov.uk**

Appendix 6: MTFP (14) Equality Impact Assessment Summary

Adult and Health Services (AHS)

Saving Description	Element of saving with equality impact	Equality impact and analysis	Mitigation
Staffing - Turnover	Staffing turnover assumption	Disproportionate equality impact is not expected. Will not apply to statutory posts.	Further analysis will be carried out if turnover affects service delivery.
Service Provision to other bodies	Targeted review of contractual arrangements	No equality impact.	
Community Alarms – Contribution Removal	Removal of historic contribution towards community alarms in in-house extra care schemes	The contribution is not part of an assessed need, it is a standard charge applied to all tenants in flats in the extra care sites. Potential financial impact on tenants who are mainly older and/or have disabilities if additional costs are passed on by housing provider. It should be noted that in the Extra Care sites where the care is delivered by the independent sector the tenants pay the community alarm contribution. Therefore, the proposed change in arrangement would ensure equity by bringing the arrangements for	Further work to be carried out. Anchor (housing provider) have advised that similar work has already been done in other LA areas, so some wider precedent to explore. If the proposal progresses a joint plan between the council and Housing Provider will be developed to include communication plans for tenants / families which will be implemented jointly. Operational teams will also be updated with information to respond to queries.

Saving Description	Element of saving with equality impact	Equality impact and analysis	Mitigation
		the community alarm charges in line with the other 3 extra care sites in County Durham.	
Commissioning Efficiencies	Savings in relation to commissioning efficiencies	Commissioned Services will be reviewed in terms of efficiency savings. No specific equality impact anticipated at this stage.	More detailed work in terms of equality impact will be carried out as part of the service review process, if required.

Corporate

Saving Description	Element of saving with equality impact	Equality impact and analysis	Mitigation
LCTR Grant to Town and Parishes	Consideration of a 50% reduction in funding over two years for Town and Parish Councils	A reduction in funding is likely to adversely impact across the protected characteristics. The council is one of a few across the country and the only one in the north east that still pays a grant to T&PCs in respect of LCTR tax base impacts. There are no council tax capping requirements for Town and Parish councils.	This is a grant reduction, not a removal, half of the grant will remain in place. There is an expectation that normal taxbase growth of circa 1% alongside additional tax base income growth from utilising council tax additional flexibilities for empty and second homes will enable the impact of the grant loss to be mitigated. The impact of the grant reduction on individual

Saving Description	Element of saving with equality impact	Equality impact and analysis	Mitigation
			authorities will be very much determined by the decisions individual authorities make upon increasing council tax.
General Contingencies	None	No equality impact	
Member Budgets	It is expected that the number of members will reduce from 126 to 98 from May 2025. It is forecast that a saving will be realised from total member related budgets.	An overall reduction in Member Budgets will reduce the total investment. This will result in investment being spread across larger populations as the overall number of members reduce and wards become larger. Member budgets cover a broad range of activity therefore there is likely to be some impact on protected characteristics in terms of a reduced capacity to support projects and/or individuals which will impact across the population age ranges.	Although there could be an impact, the level of investment will still remain high with the council Member budgets being higher than the average across the country.

Children and Young People (CYPS)

Saving Description	Element of saving with equality impact	Equality impact and analysis	Mitigation
Home to School Transport	Review of systems, cost and policies for Home to School Transport	Proposals involve passenger assistants for children with SEND, independent travel training, pick-up points, safe walking routes and ‘concessionary’ fare increases. There are potential impacts (both positive and negative) in relation to the protected characteristics of disability, age and sex (women). A full equality impact assessment and public consultation has been undertaken and Cabinet updated on 14 June 2023, with consultation outcomes, recommendations and actions to address mitigations going forward.	Charges for the Standard and Maintained Concessionary scheme of £2.00 for the 2023/24 academic year aligns with the Bus Service Improvement Plan offer and is lower than the £2.80 fare proposed as part of the consultation. This should mitigate some of the financial impact for working age families, and potentially (disproportionately), women. Programme established to review the needs of those individual children who are in receipt of single person transport and/or a passenger assistant to ensure that the most appropriate transport assistance relevant to their (disability related) needs is provided. Trial of pick-up points.

Saving Description	Element of saving with equality impact	Equality impact and analysis	Mitigation
			Review of personal budget scheme to ensure it is fit for purpose. Programme of reviews to consider routes which are currently assessed as unsafe and the feasibility of making them safe, as well as the current configuration of school transport journeys with an initial focus on those schools which have the highest number of vehicles and/or cost associated with transporting pupils to their school
Reduction in Historic FE Liabilities	None	No equality impact	
Review of Music Service	A review of the current model of delivery which will include price policy and current accommodation.	Further clarification is required to determine whether the price policy will have an equality impact on families and young people accessing the service.	Further detailed of the review is required as the proposal progresses to understand impact.
Review of Early Years service	Budget commitment to nursery schools is now covered via DSG grant funding rather than the	No equality impact to a change in funding source for nursey schools.	No adverse equality impact therefore no mitigation required.

Saving Description	Element of saving with equality impact	Equality impact and analysis	Mitigation
	Education service budget. New ways of service delivery are improving efficiencies leading to a reduction in service costs.	Working practices have evolved to include efficiencies without adversely impacting service users.	
Fees and Charging	A review of fees and charges across CYPS, which includes some service level agreements.	Further specific detail is required to determine the equality impact of the review on the services identified.	Further equality analysis will be undertaken as the proposal develops.
Review of Safeguarding Approach	Development of Family Help approach in line with national reform programme.	To create greater flexibility of service proposal There will be no equality impact on service deliver, children who require a statutory service, will receive support within a family help model. Need to review potential for increased workload on existing staff.	Further analysis is required as the proposal progresses to fully assess equality impact.
Review of Early Help Model	Removal of vacant posts and gradual change in service offer linked to Family Hubs.	A review of council funded posts will allow savings to be generated through removal of vacant posts	Further analysis is required as the proposal progresses to fully assess equality impact.

Saving Description	Element of saving with equality impact	Equality impact and analysis	Mitigation
		and gradual reduction in council funded posts in the service. It is not anticipated that this will have an equality impact, as the review will focus on vacant posts.	

Neighbourhood and Climate Change (NCC)

Saving Description	Element of saving with equality impact	Equality impact and analysis	Mitigation
Increase in fees and charges in community protection	Increases to existing charges and some new charges will also be introduced.	Further detail is required to determine if any equality impact exists.	
Increased income in Highways	None	No equality impact	
Reduction in PACE Grants and contributions	Reduce grants and contributions to outside bodies	A reduction in grant funding for the voluntary and community sector is likely to impact on protected characteristics in terms of a reduced capacity to support community projects which provide benefit across different groups.	The level of grant reduction is low and conversations will take place with organisations affected to minimise any adverse impact, such as providing support to secure alternative funding streams.
Increase in fees and charges within Environmental Services	Increases would mainly relate to bulky waste in Refuse & Recycling	Although any price increases impacts all customers there is a potential disproportionate impact on disabled and older residents	The service will continue to provide assisted bulky good collections (e.g. from yard/garden rather than

Saving Description	Element of saving with equality impact	Equality impact and analysis	Mitigation
		due to the fact that they may not be able to easily use alternative means of disposing of bulky waste, such as using household waste recycling centres (tips), and may therefore have no option but to pay the cost of receiving this service.	kerbside) for those that require support and/or reasonable adjustments due to a disability. Assisted bin collections and bin pull outs, are in place for disabled residents (with no other household assistance). The service will ensure the increase in charging is comprehensively communicated.
Review of Neighbourhood Protection	Identification of efficiencies within neighbourhood protection	As the saving proposal develops in subsequent years equality analysis in relation to impact on communities and staff will be added.	If efficiencies involve staff reductions HR processes will be followed to ensure fair treatment.

Regeneration Economy and Growth (REG)

Saving Description	Element of saving with equality impact	Equality impact and analysis	Mitigation
Strategic Traffic	None	No equality impact.	
Strategic Traffic	None	No equality impact.	
Economic Development	None	No equality impact.	
Planning and Housing	None	No equality impact.	

Saving Description	Element of saving with equality impact	Equality impact and analysis	Mitigation
Development Management and Spatial Policy	Deletion of vacant posts	No service delivery impact, therefore no equality impact, as the posts have been vacant for some time.	
Culture	None	No equality impact.	

Resources

Saving Description	Element of saving with equality impact	Equality impact and analysis	Mitigation
Corporate Affairs – Structure and vacancies	Review of current structure.	This proposal does not impact on service ability to provide high quality intelligence and communications. Impact on staff will be minimum as savings are expected to be made through ER/VR and deletion of vacant posts.	HR processes will be followed to ensure fair treatment of staff involved. This proposal will be supplemented by a parallel initiative through a corporate Business Intelligence product which will provide new opportunities for data analysis.
Corporate Finance and commercial services – review of service structures	Staff reduction.	A review of roles in Corporate Finance is expected to enable a reduction in the number of posts. No adverse service impact is expected.	HR processes will be followed to ensure fair treatment of staff. More effective use of Oracle is expected to enable a reduction in the resource requirement in the Capital/Systems /Commercial Team. In addition, our new commercial developments are expected to

Saving Description	Element of saving with equality impact	Equality impact and analysis	Mitigation
			reduce which could provide an opportunity to review resources. Once Oracle has been rolled out into schools a review of resource can be undertaken and with more effective working across the Team a reduction in resource could be reasonably be expected.
Legal and Democratic Services - Non-staffing reductions	None	No equality impact.	
Digital Services – further review of Service Structures	Review of service structures 2025/26	Realignment of application and digital solution delivery could lead to a reduction in management roles. This approach will ensure no adverse impact on the customer offer.	The equality impact assessment will be updated as the proposal develops. HR processes will be followed to ensure fair treatment of staff involved.
Transactional and Customer Services – Customer Feedback review	Process review with potential staff reductions 2025/26	Customer Feedback and Investigation Process Review with savings aligned to the implementation of process and technology improvements that focus on reductions in demand and increased capacity, without limiting the ability to meet statutory guidelines. This will	The equality impact assessment will be updated as the proposal develops. HR processes will be followed to ensure fair treatment of staff involved.

Saving Description	Element of saving with equality impact	Equality impact and analysis	Mitigation
		remove/minimise any negative impact for customers. The review could lead to a small staff reduction.	
Comms and Marketing – Durham County News	Durham County News to be online	Proposal affects how we communicate with residents who do not have digital access. Digital exclusion disproportionately impacts the following groups: older residents, people with disabilities and people on low incomes (possibly more women and minority ethnic).	The equality impact assessment will be updated as the proposal develops. Reasonable adjustments will be made for people with disabilities where necessary. Adjustments could include hard copies and/or alternative formats (large print, audio) distributed to those residents who request this as an adjustment.
Transactional and Customer Services – Service review	Review of service processes and structures and implementation of a new operating model to support innovation, new ways of working, increased capacity to meet changing levels of demand and effective delivery of strategic and corporate objectives.	The review could provide insight and lead to the delivery more innovative solutions and service improvements for some groups. The review could lead to a staff reduction in 2026/27.	The equality impact assessment will be updated as the proposal develops. HR processes will be followed to ensure fair treatment of staff involved.

Saving Description	Element of saving with equality impact	Equality impact and analysis	Mitigation
Internal Audit, Risk, Corporate Fraud and Insurance – Review of Re-charges	None	No equality impact.	