

DURHAM COUNTY COUNCIL

At a Meeting of **Cabinet** held in Council Chamber, County Hall, Durham on **Wednesday 17 January 2024 at 9.30 am**

Present:

Councillor A Hopgood (Leader of the Council) in the Chair

Cabinet Members:

Councillors R Bell (Deputy Leader of the Council), T Henderson, C Hood, S McDonnell, J Rowlandson, E Scott, A Shield and M Wilkes

Apologies:

Apologies for absence were received from Councillor John Shuttleworth

Also Present:

Councillor Patricia Jopling

1 Public Questions

There were no public questions.

2 Minutes

The minutes of the meeting held on 13 December 2023 were confirmed as a correct record and signed by the Chair.

3 Declarations of Interest

There were no declarations of interest in relation to any items of business on the agenda.

4 Medium Term Financial Plan 2024/25 to 2027/28 and Revenue Budget 2024/25 [Key Decision: CORP/R/2024/001]

The Cabinet considered a report of the Corporate Director of Resources which provided an update on the development of MTFP(14), covering the period 2024/25 to 2027/28 and on the development of the 2024/25 revenue budget in the light of the Chancellor of the Exchequer's Autumn Statement in November and the provisional local government finance settlement published on 18 December 2023, which have made balancing the council's budget more challenging. The report included updated financial forecasts, building on the figures previously considered by Cabinet on 11 October 2023, together with the outcome of the MTFP(14) budget

consultation process. The report also detailed some amendments to savings plans after consideration of consultation feedback as well as some additional savings options that have been developed post the previous Cabinet report. The report also outlined recommended changes to the Council Tax Empty Property Premium Charge Section 13A(1)(c) Reduction Policy, in line with proposals to apply additional Council Tax premiums for those properties classed as long term empty from 1 April 2024 (for copy of report, see file of minutes).

The Deputy Leader of the Council and Cabinet Portfolio Holder for Finance thanked officers for the report, which provided a comprehensive overview of the announcements made in the Autumn Statement in November and the provisional Local Government Finance Settlement published in December.

The updated figures included provision for increased inflationary pressures, including the impact of CPI and the National Living Wage increases next year, which had a significant bearing on Adult Social Care contracts.

The cost pressures in these areas (excluding pay inflation) totalled £23.6 million next year. The additional revenue generated from an Adult Social Care precept of £5.3m and specific grant funding for these areas fell well short of the cost pressures faced, in part due to the Council's low tax raising capacity, a matter the Deputy Leader had consistently raised with Government.

In overall terms, spending pressures faced totalled £48.3 million next year which included around £14.9 million pressure for pay inflation, with £3.7 million of this relating to the shortfall in the current budget following the local government pay award this year.

The Autumn Statement announcements and the Local Government Finance Settlement confirmed the additional investment announced in the Budget in 2022. This was welcomed, however, no further funding had been provided. This was in line with MTFP assumptions, however, it was bitterly disappointing given the lobbying undertaken, which had been expected to make some difference.

The provisional local government finance settlement provided around £1.8m reduction in funding compared to previous forecasts, due to some unexpected cuts in the Services Grant. The Council submitted a very robust response to the provisional settlement setting out its concerns. Whether the position changed on publication of the final settlement next month remained to be seen.

The Core Spending Power increase of 6.6% for the council was both misleading, for the reasons set out by the Corporate Director, but also fell significantly short of the spending pressures faced which outstripped CPI and this was not a fair comparison to make.

It was equally disappointing that Durham still lagged behind the national average Core Spending power per dwelling. Durham should be well above the national average given the deprivation linked issues and spending pressures.

The financial uncertainty from 2025/26, particularly over government funding, continued to make medium term financial planning extremely difficult, and there would likely to be significant further challenges to come in 2025/26 and beyond.

The financial modelling included in the report assumed implementation all of savings set out in the previous reports and had been subject to consultation, together with around £900,000 of additional savings proposals across Neighbourhoods and Climate Change and the Resources directorates.

The report detailed the comprehensive consultation that had been undertaken and Councillor Bell thanked everyone involved in the consultation exercises. The feedback received was set out in the report and would be taken into account once proposals had been finalised and ultimately delivered.

Should all the savings developed to date be agreed next month, the total identified savings across the MTFP14 planning period would be £16.240 million, with £7.964 million (49%) falling into next year.

The forecasts factored in Council Tax increases in line with the Governments expectations where the Council Tax core referendum limit is 2.99% and the Adult Social Care precepting powers are an additional 2% next year. The clear expectation from Government was that the increases are applied as these are factored into the core spending power figures. The strong recommendation from the Council's S151 officer is that the full Council Tax increases are taken.

Assuming that Council increases the Council Tax by the maximum permissible without a referendum and that the updated savings proposals are ultimately taken and delivered, then the budget shortfall next year would be £6.447 million – rising to £42.183 million over the four-year planning period.

The cost estimates beyond next year were more indicative and would change into the MTFP15 planning period. There remained significant uncertainty over the funding settlements beyond 2024/25, both factors could materially change the medium term forecasts.

The Council would need to be flexible in its approach in terms of planning for the next four financial years to ensure that residents could continue to be supported in County Durham in the best way possible. Work had already commenced on the development of options to address such challenges.

This would require some very difficult decisions to be made and unfortunately, could impact on front line service delivery as things stood at present. The same situation applied across many other local authorities.

A 4.99% increase in our Council Tax next year represented an increase of around £1.15 per week for the majority of households across the County, who reside in a Band A property, with those on low incomes fully protected through the Local Council Tax Reduction scheme.

Government were clearly expecting local authorities to increase council tax to help to fund local services, and in particular social care. This would need to be carefully considered against the need to set a balanced budget next year, as well as considering the financial forecasts for future years which were set out in the report.

The Council were faced with using £6.447m of out MTFP Support Reserve to balance the budget next year, continuing to utilise such sums is simply not sustainable, despite us being encouraged to do so by Government.

Underpinning the budget indefinitely from reserves was not a strategy to subscribe to. However, utilising the MTFP reserve next year would buy time to develop proposals to minimise, as far as possible, the impact on front line service delivery and help balance the budget on a more sustainable position from 2025/26.

Councillor Bell concluded by welcoming the updates made to the S13A policy on the back of the policy decisions taken by Cabinet in November on the Long Term Empty Property Premiums.

The Leader of the Council also thanked officers for the work undertaken in preparing the MTFP14 update report, the Portfolio Holder, Councillor Bell and others for their contributions.

This report built upon the information considered in July and October and updated the financial forecasts for 2025 and beyond and included a comprehensive overview of the consultation feedback on the budget strategy and savings proposals set out in the July and October reports.

As the Corporate Director had outlined, a number of necessary revisions to previous Medium Term Financial Planning assumptions had been made which updated forecasts for pay and price inflation and other unavoidable budget pressures, in addition to the outcomes of the local government finance settlement published just before Christmas following the Autumn Statement published in mid-November.

The Leader explained that she had attended the CCN conference in November where the Secretary of State for Levelling Up, Housing and Communities alluded to 'good news' in the Autumn Statement and Local Government Finance settlement, in line with the significant lobbying that had taken place. It had been disappointing that no new money was made available and a blow that the grant settlement for Durham was worse than had been previously forecast.

This had made the challenge in terms of next years budget and MTFP forecasts, both revenue and capital, all the more challenging.

The scale of the challenges faced in terms of the unavoidable cost pressures in pay, waste and transport contracts, from the impact of National Living Wage increases and from enduring cost and demographic pressures in looked after children and in home to school transport budgets could not be understated.

The Council were challenged by its inherent low tax raising capacity and had an underlying inability to balance budgets because of this and a continued reliance on

sufficient additional government funding being made available each year just to stand still.

The uncertainty over the funding beyond 2025/26 was a real concern. MTFP forecasts at this stage did not factor in any loss of Government grant in 2025/26 and beyond, which was a distinct possibility.

The updated forecasts showed that even if council tax raising powers were maximised over the next four years, which the Government expected the Council to do, and all the savings proposals set out in this report were delivered, there would remain a £42 million shortfall to bridge over the next four years with £6.447 million of this falling next year.

None of the proposals consulted on had been withdrawn at this stage and the report included some additional savings proposals in Resources and Neighbourhoods and Climate Change.

The £6.447 million deficit would need to be drawn from reserves to set a “balanced” budget next year. This was not a sustainable position to be in and could only be accommodated on a short term basis.

Increasing the council tax was a decision that should not be taken lightly. However, not increasing council tax was not a sustainable or prudent strategy to adopt and would not be in line with the Governments expectations and in line with the advice from the S151 officer.

If council tax was not increased in the 2024/25 budget the position would be much worse. In the absence of more funding being made available by Government it effectively became a binary choice of implementing council tax increases versus increasing the cuts to vital public services.

It was important to recognise that those on low incomes in County Durham were afforded significant protection through the Council Tax Reduction Scheme. The Leader was delighted that County Council endorsed the continuation of the scheme into next year, which, unlike virtually every other Council in the country did not seek to limit or cap the level of support working age households could receive.

It was more important than ever for the Council to have a well-managed medium term financial planning process, planning for the worse, whilst hoping for the best.

Many authorities had fallen foul of not planning sufficiently well ahead, of not taking the tough decisions on council tax and on savings and using reserves to unsustainable levels. This would not be allowed to happen at Durham.

Resolved:

That the recommendations in the report be approved.

5 Concessionary Fares Budget [Key Decision: REG/2024/001]

The Cabinet considered a report of the Corporate Director of Regeneration, Economy and Growth which provided a financial update on spending under the English National Concessionary Travel Scheme (ENCTS) in 2022/23 and 2023/24 and how that underspend has been deployed to support bus service provision in line with the decision taken by Cabinet in October 2022. The report proposed that the underspend forecast in the ENCTS budget should continue to be redirected to support for bus services in 2024/25 and beyond, given that bus patronage continues to remain subdued (for copy of report, see file of minutes).

Councillor E Scott, Cabinet Portfolio Holder for Economy and Partnerships explained that the huge reductions of patronage and changes in travel demands continued to place great strain on the sector. A viable network had been maintained through commendable partnership work between council officers and the local bus operators. This was vital for the residents of County Durham and had been feasible as Cabinet were keen to ensure that underspends in one part of the service were being utilised to support the wider bus network. Bus services were a lifeline for residents in County Durham, helping them get to and from their places of work, schools or colleges, and to enable them to access essential services.

Councillor M Wilkes, Cabinet Portfolio Holder for Neighbourhoods and Climate Change explained that local bus services were vital in getting residents to work, to school and to access essential services. Since COVID bus services, despite additional government funding had seen the number of people using free bus passes falling, as had the number of paying passengers. With this report the Council were ensuring that every penny of the funding provided went back into bus services and Councillor Wilkes pleaded for bus companies operating in the county to do all they could to ensure that bus services were operating efficiently and to bring back as many services as they could manage financially. The taxpayer and Council were providing significant subsidy to these companies and it was often referenced that services were not up to the standards expected by the public.

Resolved:

That the recommendations in the report be approved.

6 Adult Social Care Assessment Framework - Self Assessment

The Cabinet considered a report of the Corporate Director of Adult and Health Services which presented the adult social care self-assessment document which will be required by the Care Quality Commission (CQC) as

part of the assessment of Durham County Council's (DCC) Adult Social Care (for copy of report see file of minutes).

Councillor Chris Hood, Cabinet Portfolio Holder for Adult and Health Services highlighted that it was clear from the report that an effective process had been undertaken to develop the self-assessment required by the CQC. As outlined in this report, significant work had been undertaken in preparation for the self-assessment document. This included a robust governance process and engagement work with cabinet members, service users, carers, staff, members, leaders partners and stakeholders. Cabinet were asked to note the submission of the self assessment document.

Resolved:

That the content of the report and the self-assessment document be noted.

7 Creation of a County Durham Culture Trust

The Cabinet considered a report of the Corporate Director of Regeneration, Economy and Growth which provided an assessment of the benefits of establishing a charitable trust to support the council's culture service and set out recommendations and key next steps for the creation of a County Durham Culture Trust (CDCT). The report also provided an update on the development of a fundraising strategy for the Durham Light Infantry (DLI) Museum and Art Gallery in line with recommendations agreed by Cabinet in March 2022 (for copy of report, see file of minutes).

In moving the report, Councillor E Scott, Cabinet Portfolio Holder for Economy and Partnerships explained that the recommendations in the report demonstrated the commitment of the Cabinet to deliver on the promises made in relation to the plans for the DLI Collection and the former Museum and its grounds and to reopen the DLI Museum and Art Gallery with a sustainable and realistic business plan. Currently, the council as a local authority was not eligible to receive funding from many of the trusts and foundations that supported culture, art and heritage. Nor was it able to realise tax benefits from individual donations, such as Gift Aid, which could increase the value of a donation by 25%. They were also not able to realise the tax benefits which charitable organisations were able to, nor to maximise opportunities for business. As a result, it was unlikely that the full fundraising potential for the DLI project could be realised and maximised within the council's existing resource and while acting as a local authority. Although the DLI project had been the initial driver for reviewing the ability to deliver a comprehensive fundraising strategy, the outputs of this work had identified the strategic need to look more widely across the fundraising potential and needs of the culture service.

The trust had the potential to play an important role not only in providing a mechanism to access funds, grants and donations, but to provide a mechanism to maximise the value of individual giving and philanthropic donations through gift aid.

Councillor J Rowlandson, Cabinet Portfolio Holder for Resources, Investments and Assets seconded the report and explained that it was clear that the proposed County Durham Culture Trust as a culture partner would open up considerable potential to fundraise from a myriad of trusts and foundations, individuals and corporate supporters. It was also clear that without the proposed charity and using only the councils current fundraising resource would limit fund raising eligibility. The Culture Trust would allow for significant fund raising potential and targets required to support capital and revenue programmes and minimise the prudential borrowing and ongoing revenue commitment of the council.

Councillor R Bell referred to the Hampshire Culture Trust which covered the county of Hampshire. Councillor Bell said the Trust raised income in 2021/22 of around £7.71 million including £4.98 million from government grants, £176,000 from donations and £810,000 from trading activities. Councillor Bell said that this was a significant amount of money going into the County of Hampshire that was not being financed from Hampshire County Council or Winchester City Council and it would be good to look forward to the day when County Durham would hear reports of a similar nature.

The Leader of the Council highlighted that this was not only beneficial for residents, visitors and the economy in County Durham, but was one of the priorities set by the new North East Combined Authority. The area could be a real game changer for both the County and the region as a whole and on that basis, the Leader of the Council fully endorsed the creation of the trust which demonstrated a forward thinking authority, with a desire to protect public finances, whilst at the same time providing an alternative option to invest and enhance in its facilities and wider offer in this sector.

Resolved:

That the recommendations in the report be approved.

8 Exclusion of the Public

Resolved:

That under Section 100(a)(4) of the Local Government Act 1972, the public be excluded from the meeting for the following item of business on the grounds that it involves the likely discussion of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act.

9 Horden Regeneration - Masterplan Delivery

The Cabinet considered a report of the Corporate Director of Regeneration, Economy and Growth which sought approval of the Horden Preferred Masterplan Option and plan to phase the redevelopment of the masterplan area. The report set out and updated Cabinet on the associated consultation and engagement that has taken place to inform the options presented alongside the technical evidence to support the proposed approach (for copy of report, see file of minutes).

Resolved:

That the recommendations in the report be approved.