



RECORD OF EXECUTIVE DECISIONS

The following is a record of the decisions taken at the meeting of **CABINET** held on **Wednesday 14 February 2024**. The decisions will come into force and may be implemented from **Monday 26 February 2024** unless the Corporate Overview and Scrutiny Management Committee or its Committees object to any such decision and call it in.

Medium Term Financial Plan 2024/25 to 2027/28 and Revenue and Capital Budget 2024/25

(Key Decision: CORP/R/2024/001)

Summary

The Cabinet considered a report of the Corporate Director of Resources which provided comprehensive financial information to enable Cabinet to agree the 2024/25 balanced revenue budget, an outline Medium Term Financial Plan MTFP(14) 2024/25 to 2027/28 and a fully funded capital programme.

Cabinet is committed to strong financial governance and getting value for money for public money whilst ensuring that the council sets a sustainable balanced budget with any council tax increases being justified and affordable. The budget and medium-term financial plan seeks to balance the need for short and long term investment in front line services with the need for financial prudence and reasonable council tax increases. In summary the budget proposals in the report include:

- (a) careful consideration of the impacts of the Autumn Statement (AS) and the Provisional Local Government Finance Settlement announcements in November and December 2023 respectively, which included government grant allocations increases of £27 million in 2024/25 but by only a forecast £2.6 million in 2025/26 – with the increase in 2024/25 being £1.8 million less than was initially forecast based on the 2022 announcements. No new additional funding was announced as part of the provisional settlement this year, as the sums to be received were announced in the 2022 Autumn Statement.
- (b) consideration of the announcement by the Government on 24 January 2024, after intense lobbying across local government, of an additional £600 million of funding being made available in 2024/25. The £600

million includes an additional £500 million allocation to the Social Care Grant, £15 million for the Rural Services Delivery Grant and a forecast £85 million for an increase in the Funding Guarantee from 3% to 4%. The council will only benefit from the increase in the Social Care Grant and is forecast to receive an additional £5.880 million in 2024/25, beyond the sums announced in the provisional local government settlement. Although this additional sum is welcome and has reduced the reliance on reserves to balance the budget next year to £3.720 million, the council still faces significant uncertainty and pressure on the revenue budget beyond 2024/25, which also reduces our capacity to invest in the capital programme.

It is of note that the new additional funding comes with some conditions. Local authorities are to be requested to produce productivity plans which will set out how they will improve service performance and ensure every area is making best use of taxpayers' money. The Government will monitor these plans, and funding settlements in future years will be informed by performance against these plans. The Government are to establish an expert panel to advise the Government on financial sustainability in the sector which will include the Office for Local Government and the Local Government Association. No further information on these requirements is available at this stage.

- (c) consideration of the Final Local Government Finance Settlement announced on 5 February 2024. The final settlement confirmed that the majority of government grant funding would be in line with the provisional settlement but there was an announcement of an increase in the Services Grant of £10.5 million with the council receiving an additional £0.078 million. The increase in Services Grant resulted from less funding being required for the Funding Guarantee than was previously forecast.
- (d) in addition to the recovery of £10 million use of the Medium Term Financial Plan Support Reserve to balance the 2023/24 budget, there is provision for £51.8 million of unavoidable base budget pressures in 2024/25, resulting from pay and price inflation (£14.9 million) – including £3.7 million to offset the 2023/24 pay award shortfall; increased costs of children's services (£12 million) and adults' social care (£12.6 million) ; increased Home to School Transport (£2.5 million); expenditure in relation to specific grants (£2.9 million), additional demand / income loss pressures in service groupings (£4.8 million), the impact of a loss of housing benefit subsidy linked to temporary accommodation and supported housing (£2.6 million); a loss of investment income as cash balances continue to decline (£1.1 million); offset by a saving from a review of the council's minimum revenue provision policy (£0.7 million) and savings from a reduction in the general contingency budget and the unwinding of the impact of the pandemic grant funding in the collection fund (£1 million);

- (e) new additional MTFP(14) capital schemes for the period 2024/25 to 2025/26 totalling £90.003 million. These proposals also produce a pre commitment of £2.880 million for 2026/27 taking total additional capital schemes to £92.883 million. This results in total investment from 2024/25 to 2027/28 being £513.656 million;
- (f) capital investments in MTFP(14) include the MTFP(13) pre commitment of £10 million to bring the Greenfield School scheme budget to over £20 million; investment of the £14.8 million Local Transport Plan (LTP) government grant in highways maintenance, supplemented with an additional £5 million from the council; additional funding of £7.5 million provided to fund the forecast £10 million demolition of County Hall; a 23% increase in the Leisure Transformation Programme, with a further £10 million of capital investment added to the £43.2 million of budget already made available; a £5 million budget to repair bridges and structures across the county; and an additional £2 million allocation for building investment to enable the council to meet Net Zero targets.
- (g) a range of savings options were presented to Cabinet on 12 July and 11 October 2023 and subject to consultation which if implemented could help support balancing budgets across the MTFP(14) period. These were augmented with further savings totalling £0.910 million that had been developed subsequently and included in the Cabinet report on 17 January 2024. Additional savings of £0.119 million are also included in this report. After taking into account the feedback in the consultation alongside the addition of the further savings considered in the January report and this report, the savings recommended for approval are £8.083 million for 2024/25 with £16.360 million across the MTFP(14) period;
- (h) a 2.99% increase in relation to the base council tax referendum limit and a necessary increase in the adult social care precept of 2.0% in 2024/25 to help meet the significant cost pressures in this budget, giving a total overall increase of 4.99% which is expected by the Government as part of their Core Spending Power calculations and assumptions;
- (i) although savings of £8.083 million are recommended for 2024/25 and a 4.99% council tax increase is proposed, there will still be a requirement to utilise £3.720 million of the MTFP Support Reserve to balance the 2024/25 budget. The use of the MTFP Support Reserve can only be a short-term solution to buy time to develop sustainable base budget savings to balance the 2025/26 budget, where the council faces a significant challenge and will be required to deliver £16.789 million of further savings that year based on the budget forecasts, which will be a significant challenge for the council.

November 2023 Autumn Statement

On 22 November 2023 the Chancellor of the Exchequer published an Autumn Statement (AS). The AS contained important announcements on future forecasts for government borrowing, taxation, and public sector expenditure, alongside the Office for Budget Responsibility forecasts for inflation, economic growth and taxation yields.

The government fiscal mandate is to have debt falling as a percentage of Gross Domestic Product (GDP) by 2027/28. The Office for Budget Responsibility (OBR) updated forecasts, indicated that increases in taxation income would result in this mandate being achieved in 2027/28, with £20 billion of 'fiscal headroom'.

The Chancellor of the Exchequer announced in the AS that the fiscal headroom would be utilised to finance tax cuts and provide business incentives with the aim of stimulating economic growth. Reductions in business taxes and introduction of incentives to businesses announced in the AS will cost £11 billion, whilst a 2% cut in employees national insurance rates from 6 January 2024 will cost £9 billion, utilising the full £20 billion available, with none of the headroom available being used to provide any additional funding to local government, despite the significant lobbying by the council, the Local Government Organisation (LGA), the County Council Network (CCN) and the Special Interest Group of Municipal Authorities (SIGOMA) demonstrating the need for additional funding to be made available to meet the unavoidable cost pressures being faced across the whole sector.

In addition, the Chancellor of the Exchequer also announced in the AS that the National Living Wage (NLW) would increase in 2024/25 to £11.44 per hour (a 9.8% increase) meeting the long-held strategy of reaching 66% of national median wages. The Low Pay Commission has been asked to produce a report in 2024 on the future trajectory of the NLW. The council's original MTFP forecast was based upon a £11.43 per hour NLW in 2024/25, and whilst it was hoped this would be a worst-case position, the NLW announcement was in line with our financial planning assumptions.

The rapid increase in the NLW over recent years has placed significant pressure upon adult social care commissioning and home to school transport costs, but also resulted in the bottom pay scales in local government being very close to the revised NLW. Prior to settling the 2024/25 pay award, the bottom grade in local government will only be 11p per hour more than the updated NLW as at 1 April 2024. This situation puts pressure on the national local government employers to seek to increase the pay of the bottom pay scales within local government to maintain pay differentials at 1 April each year, given that historically the pay award has not been able to be agreed in advance of the start of the financial year.

In the last two years the local government employers have applied fixed sum increases of £1,925 to all grade points in an attempt to maintain differentials. This had the effect of increasing the council pay bill by 6.6% in 2022/23 and 6.5% in 2023/24, which was higher than budgeted, producing in-year budget overspends and unavoidable cost pressures into the following years budget. At this stage a 4% uplift in the pay bill is included in our 2024/25 budget forecasts for the local government pay award in 2024/25.

At the time of the provisional local government finance settlement, the Government advised that local government would see an increase in Core Spending Power (CSP) of 6.5%, which is higher than the current Consumer Price Index of 4.0%. Whilst this is correct, the pressures facing local government are way above the CPI rate of 4.0%, and CPI takes no account of demand pressures in social care services that the council has a statutory duty to provide and which consume such a large proportion (over 60%) of the councils total revenue spending. The major element of funding increase included in the 6.5% CSP increase however, also relates to the ability for upper tier local authorities to increase council tax by 4.99% in 2024/25. The 4.99% increase consisting of a 2.99% increase in core council tax (in line with the referendum limit) and a 2% adult social care precept. A total of 2.5% of the CSP increase relates to assumptions on council tax increases.

As part of this, the Government has also assumed that the authority's council tax base will increase and generate £3 million of additional spending power in 2024/25 compared to 2023/24. The actual council tax base increase is only generating £0.850 million of additional spending power for the council and this assumption is therefore flawed. The CSP increase also includes £2.885 million of additional specific grants, which need to be applied to specific new expenditure so are not available to meet the councils underlying budget.

The final CSP figures published in the provisional local government finance settlement were updated in the final local government settlement, as a result of the additional £600 million funding announced on 24 January 2024. In terms of distribution, the additional £600 million of funding for local government will result in an additional 1% increase in Core Spending Power bringing the total CSP increase to a forecast 7.5%. The increase for the majority of authorities is between 0.9% and 1.1%, with the increase for the council being 1%. The revised CSP figures, once published, will be factored into the final budget report presented to Full Council on 28 February 2024.

Regardless of this, even a 7.5% increase in CSP for local government would not provide sufficient funding to cover the unprecedented cost pressures being faced. The lack of any additional funding announced at the time of the provisional settlement (over and above the 2022 published figures) was contrary to widespread expectation that there would be, and despite a number of authorities publishing or commenting that they may be required to publish Section 114 notices given their precarious financial position. Had the Government maintained its position of providing new additional funding, there

would be even more significant implications for the council's spending going forward necessitating urgent and unprecedented action during the coming twelve months. As it stands, the additional funding announced on 24 January 2024 has helped to relieve some of the immediate pressure but in no way fully resolves the underlying budget pressures facing the council and the wider sector.

The unprecedented increases in demand for council services – in particular social care and home to school transport, coupled with significant uncertainty over future funding, presents a real risk that savings will need to be made in future years to the services that local communities have valued and relied on for many years. Of equal concern was the Chancellor of the Exchequers confirmation that the public sector would only see a 1% real terms increase in funding for the period 2025/26 to 2027/28. The health service, education and defence normally receive protection in this regard. It is forecast therefore that unprotected government departments, such as local government, will face very tight financial settlements over this three-year period and inevitable cuts in funding rather than much needed increases. This is particularly concerning as local authorities have statutory responsibilities that have to be met which are becoming more and more costly to provide, at a time when government support is not keeping pace with demand.

Many commentators, as well as the OBR itself, have noted that tight financial settlements for areas such as local government are unrealistic and will result in sector wide challenges. It is telling that the OBR have drawn this conclusion despite their assumption that council tax increases will continue to be 4.99% year on year in the three years 2025/26 to 2027/28. The Government however have only confirmed this position for 2024/25. The councils MTFP forecasts currently assume a 2.99% council tax increase is applied beyond 2024/25.

Provisional Local Government Finance Settlement

The provisional local government settlement was published on 18 December 2023, with the final settlement expected to be confirmed in early February 2024. The provisional settlement confirmed the additional funding for local government was as announced in the 2022 AS and re-announced in the 2023 AS. The settlement was a one-year settlement again, so whilst the additional sums for 2024/25 were detailed, at this stage there are no approvals for 2025/26 or beyond. This continues to make financial planning very difficult. Forecasts have been included as to what the sums forthcoming may be for 2025/26 and beyond for inflation uplifts in BRR but cash flat assumptions are forecast for all other government grants have been retained at this stage.

The provisional settlement confirmed the additional allocation for the council from the Better Care Fund (BCF) - Adult Social Care (ASC) Grant of £2.885 million in 2024/25 bringing the BCF ASC Grant to up to £7.212 million next year. This specific grant is ring fenced and must be pooled with a similar allocation that is being made to the NHS and is to be utilised to facilitate early

discharge of patients from hospital. An additional sum of £5.739 million in 2024/25 was also confirmed from the Market Sustainability and Improvement Grant alongside an additional £9.413 million allocation for the Social Care Grant which seeks to support both children's and adults social care, though falls woefully short of the pressures faced in these areas.

After discounting specific grants being transferred into the Social Care Grant from next year, the council will receive an additional sum of £15.152 million in 2024/25. Whilst this may seem positive, and is to be welcomed, this sum will in no way fully address the demographic, base budget and pay and price inflationary pressures in Children and Adult Social Care alone - of £35.976 million in 2024/25.

The settlement also confirmed a 6.7% CPI uplift in Revenue Support Grant of £2.185 million (RSG receivable in 2024/25 will total £35.176 million) as well as a 6.7% CPI uplift in business rate retention linked funding of £11.050 million in 2024/25 (business rate retention, top up and associated s31 grant funding will total £179.0 million in 2024/25).

Unfortunately, the provisional settlement also contained an unexpected and significant reduction in the Services Grant of £4.338 million. It is understood that the reduction in the Services Grant has been utilised to partially finance the increase in the Social Care Grant, the inflation uplifts in RSG and to finance the 3% Funding Guarantee for authorities whose CSP increase excluding council tax increases are below this level (mainly District Councils). In this respect the Government have withdrawn funding in one hand to provide the council with uplifts in funding in the other hand. Based on the provisional settlement, it is forecast that the 2024/25 Services Grant will be £0.810 million, representing a year-on-year reduction of 84%, and will be fully withdrawn in 2025/26.

This reduction in Services Grant is significantly higher than the council and the whole of local government were expecting and has caused widespread concern in the sector, resulting in the provisional settlement being worse than was widely forecast. Local authorities are generally very unhappy that the promised increases in RSG and social care grants are being financed from reductions in other local authority mainstream funding. On that basis, much of the promised additional funding is not 'new money' and allied with the overstating of our tax base growth, together with the inclusion of specific grants in the Governments CSP calculations, leads to a what can only be described as a misleading position being reported in terms of the support being made available to this council.

Alongside this reduction, the council's New Homes Bonus allocation for 2024/25 based upon new housebuilding over the previous 12 months is only £0.640 million, resulting in a year-on-year reduction of funding of £1.220 million from the current £1.860 million allocation. It is forecast the 2024/25

New Homes Bonus payment of £0.640 million will be fully withdrawn in 2025/26.

In overall terms, although the provisional settlement confirmed the additional funding announced in the 2022 AS, it did not address the significant additional demand and inflationary pressures faced by the council and the wider sector, and in overall terms the announcements in relation to non ring fenced funding were £1.751 million less than the council was previously forecasting. Despite the fiscal headroom available to tackle some of the challenges faced, the Government had chosen not to provide additional funding to the public sector and had chosen instead to announce a range business incentives and cuts to employee national insurance.

It is of significant concern and disappointment that the Government, in the 5 December 2023 Policy Statement, openly encourages local authorities to utilise reserves to balance their budgets and invest in statutory social services rather than address the underlying position. Given the financial pressures facing councils, using reserves to continually balance annual budgets is not as sustainable approach. The Section 151 Officer will set out the council's reserves position as part of his Section 25 report to Council.

It is also of significant concern that there is the prospect of funding reductions for the public sector from 2025/26 onwards. On the basis that health, education and defence would likely be protected going forward, it is probable that this will lead to some tough grant reductions for that period for unprotected government departments such as the Department for Levelling Up, Housing and Communities and a potential return to austerity measures from 2025/26 onwards. At this stage, for modelling purposes, it is assumed that 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 and it is a concern that grant reductions could be a further pressure on the sector at a time when many local authorities are already declaring financial emergencies, with many others considering cutting back preventative services that are likely to result in even more financial pressures over the longer term.

Additional Funding Announcement

After the disappointment of the AS and the provisional local government finance settlement the whole of local government extensively lobbied Government, setting out in detail the significant financial challenges being faced. The Public Accounts Committee also raised significant concerns with the government on behalf of local government.

The lobbying of the Government culminated in a letter being sent to the Prime Minister and the Minister for the Department of Levelling Up and Housing by 46 MP's, including 44 Conservative MP's, expressing their concern that no additional funding had been provided to local government and advising they were unlikely to be able to support the final local government finance

settlement in a vote in the House of Commons, unless additional funding was provided.

On 24 January 2024 (after the provision settlement), the Government announced an additional £600 million of funding was being made available in 2024/25. The £600 million includes an additional £500 million Social Care Grant, £15 million for the Rural Services Delivery Grant and a forecast £85 million for an increase in the Funding Guarantee from 3% to 4%. The council will only benefit from the increase in the Social Care Grant and is forecast to receive an additional £5.880 million in 2024/25 beyond the sums announced in the provisional local government settlement. It is expected that the final local government settlement, which is expected to be published week commencing 5 February will provide full details of the allocations the council will receive.

Although the additional funding is welcome, the sums received are not sufficient to fully cover the pressures the council faces nor to enable us to reduce our need for savings. In addition, at this stage, there is no confirmation if the funding will be for 2024/25 only although it is hoped that the additional funding will be recurrent and the MTFP planning assumptions in this report assume the funding is recurrent – although this is a risk that needs to be recognised as part of setting the budget and Medium Term Financial Plan. It is also not clear how the additional funding being made available will be funded by Government as these sums were not factored into the Chancellors projections in the Autumn Statement. Details of how this additional spending will be accounted for will be set out in the Chancellors March Budget Statement.

Overall, after taking into account the additional RSG and Business Rate Retention inflationary uplifts, the additional non-ring-fenced funding announced in the provisional local government finance settlement and the forecast additional £5.880 million Social Care grant it is estimated that the council will receive from the additional funding announced on 24 January 2024 for next year the increase in government funding will be £30.159 million. However, our unavoidable cost pressures, including the recovery of £10.028 million use of the MTFP Support Reserve to balance the 2023/24 budget, totals £58.940 million, leaving £28.781 million to fund from a combination of council tax increases, council tax and business rates tax base growth, savings and efficiencies and council reserves in order to balance the budget.

Final Local Government Finance Settlement

The Final Local Government Finance Settlement was published on 5 February 2024. The final settlement confirmed that the vast majority of the 2024/25 core government grant payments to the council would be in line with the provisional settlement and the 24 January 2024 additional funding announcement but the final settlement included an increase in the Services Grant nationally of £10.5 million, with the council receiving an additional £0.078 million. The increase in

Services Grant resulted from less funding being required for the Funding Guarantee than was previously forecast.

Savings Plans

The council constantly strives to identify efficiency savings which can be realised without unduly impacting upon front line service delivery. A range of savings options were detailed in the 12 July 2023 and 11 October 2023 MTFP(14) Cabinet report and were part of the MTFP(14) consultation process between September and December 2023. These were augmented with further savings totalling £1.109 million that had been developed subsequently and included in the Cabinet report on 17 January 2024 and in this report.

Taking into account the need to balance the 2024/25 budget, to protect front line services and also taking into consideration consultation responses £8.083 million of savings are recommended for 2024/25. In addition, £8.277 million of savings are recommended in the later years of MTFP(14) bringing total savings recommended to £16.360 million across the four years 2024/25 to 2027/28. The vast majority of savings recommended as part of these proposals have limited or no impact upon front line service provision. This will not be the case going forward as the scale of the challenge, on the back of the savings that have had to be delivered since 2010, and the need to meet the escalating costs of statutory social care service, will mean that there will be a need to reduce discretionary service provision going forward.

The report highlights that in response to a motion agreed by Full Council on 24 January 2024, the removal of the council owned car park free after two policy, which was implemented in January and factored into the budget proposals for 2024/25 (£350,000 increased income), will be reviewed over the coming months with an evidenced based options report to be considered by Cabinet later in the year. The removal of free after two is retained in the 2024/25 budget plans at this stage, pending completion of the review and consideration of the options that will come forward.

Capital Investment

The council continues to prioritise investment in its assets through an ambitious and extensive capital programme. In developing the capital programme, the council must always be minded to the revenue consequences of any capital investment decisions, both in terms of financing costs (any prudential borrowing impacts) and on running costs. MTFP(14) contains significant additional investment in the capital programme, with new additional MTFP(14) schemes for the period 2024/25 to 2025/26 totalling £90.003 million. These proposals also produce a pre commitment of £2.880 million for 2026/27 taking total additional capital schemes to £92.883 million. This results in total investment from 2024/25 to 2027/28 being £513.656 million.

Capital investments in MTFP(14) include the MTFP(13) pre commitment of £10 million to bring the Greenfield School scheme budget to over £20 million.

The council will invest the £14.8 million Local Transport Plan (LTP) government grant in highways maintenance, supplemented with an additional £5 million from the council. There is a 23% increase in the Leisure Transformation Programme, with a further £10 million of capital investment added to the £43.2 million of budget already made available. Additional funding of £7.5 million is provided to fund the forecast £10 million demolition of County Hall, a budget of £5 million is provided to repair bridges and structures across the county, with an additional £2 million allocation for building investment to enable the council to meet our Net Zero targets.

Maintaining capital expenditure at this level will not be possible beyond the MTFP(14) planning period as provision for additional prudential borrowing will be difficult to accommodate within the revenue budget given the scale of the financial challenges we face and the impact that inclusion of excessive prudential borrowing provision could have on wider service delivery across the council. The Section 151 Officer will remind members of the requirement for the levels of prudential borrowing to be affordable when making spending decisions.

Council Tax

In the setting of council tax levels for 2024/25, careful consideration needs to be given to the significant current and future financial pressures facing the council and the lack of information in relation to future financial settlements beyond next year – particularly from 2025/26 onwards. All members have a fiduciary responsibility for managing public finances and for facilitating the setting of a balanced budget. These responsibilities are set out at Appendix 7 of the report. Consideration also needs to be given to the Government's expectations and to the impact of increases in council tax on residents.

The Government has confirmed that the council tax referendum limit for 2024/25 will be 2.99%. The council also has the option to increase council tax by an additional 2% for an adult social care precept. The Government published Core Spending Power figures assume all upper tier local authorities utilise the full ability to increase council tax by the maximum possible sum in 2024/25 which for the council would be 4.99%.

After considering the impact on the council's budget and on local council taxpayers, the most financially vulnerable of which continue to be fully protected by our Local Council Tax Support Scheme, and the support available through the council's welfare assistance programme, this report recommends that the council utilises the full 4.99% council tax increase available to it without a referendum.

Costs within Adult Social Care and Health, which are some of the largest budgets the council has, are increasing significantly in 2024/25 especially due to the 9.8% increase in the national living wage and the impact this has upon care fees. On that basis a 2% increase in the adult social care precept will help ensure that the increased costs in adult social care can be funded in 2024/25.

The overall council tax increase, including the resources generated from the Adult Social Care precept, will generate additional council tax income of around £13.350 million next year. The increase would result in a Band D increase of £1.76 per week and an increase of £1.15 per week for the majority of Council Taxpayers in County Durham, 56.7% of whom live in the lowest value properties (Band A).

The council has been able to set a balanced budget for 2024/25 with £8.083 million of savings but also with the utilisation of £3.720 million of the MTFP Support Reserve. It is forecast that significant additional savings will be required over the period 2025/26 to 2027/28 to enable budgets to be balanced in future years. The savings shortfall will be very much influenced by the outcome of any possible restriction in funding for the public sector from 2025/26 onwards, by the outcome of any fair funding review but also by the emergence of any further inflationary and demographic base budget pressures. At this point the forecast savings shortfall for the period 2024/25 to 2027/28 is £37.833 million, with £16.789 million (44.4%) of this falling into 2025/26.

Despite the comments in the Government's Policy Statement in early December 2023, the council must not rely on reserves to balance the budget over coming years as this is not a sustainable budget strategy to adopt and in any event, the council will not have sufficient reserves to meet the challenges it faces. In this regard CIPFA's Resilience Index data for 2022/23 highlights the council as seeing one of the highest uses of reserves of any upper tier in the authority over the last three years. This is likely to result in questions being asked of the council by the Office for Local Government (OFLOG), though the level of reserves held is considered sufficient and prudent at this stage. The report includes an analysis of the latest data published under the Resilience Index and highlights the significant implications of the statutory override on the treatment of High Needs deficits being withdrawn without compensatory funding and the cumulative deficit crystallising in the General Fund in future.

Despite this very challenging financial period and the significant base budget pressures faced by the council, this report includes some very positive outcomes for the people of County Durham including:

- (a) continued support to protect the over 53,600 households in receipt of low incomes through the continuation of the existing Council Tax Reduction Scheme, where over 81% of eligible households will

continue to be awarded 100% relief against their Council Tax payments;

- (b) ongoing work with health partners to ensure health and social care funds are maximised for the benefit of vulnerable people through the services we provide; and
- (c) significant further investment in capital expenditure including investment in school provision, in our leisure transformation programme, in our town centres and infrastructure, including new transport schemes and maintenance of our highways and pavements. In total new additional MTFP(14) schemes for the period 2024/25 to 2025/26 are included totalling £90.003 million. These proposals also produce a pre commitment of £2.880 million for 2026/27 taking total additional capital schemes to £92.883 million.

As with previous MTFP reports, equality impact assessments are also summarised to inform the consultation and subsequent decision making. Workforce implications arising from proposals for MTFP(14) savings.

Dedicated Schools Grant and Schools Funding Formula

The Schools Block allocation for 2024/25 has increased by £17.801 million year on year (4.8%). This increase includes the effect of incorporating supplementary funding from 2023/24 into the Schools Block for 2024/25. The supplementary funding in 2023/24 was £12.989 million, therefore the year on year actual increase in funding is £4.812 million (1.3%).

In 2024/25 there will be further supplementary funding provided to schools through the Teachers Pay Additional Grant, which is estimated to be £6.6 million for maintained schools and academies in Durham. The local formula to be applied in 2024/25, which is subject to approval from the DfE, is aligned to the National Funding Formula for Schools and is set out in the report.

For 2024/25 the High Needs Block (HNB) allocation is £93.977 million, which is £4.060 million (or 4.5%), higher than the 2023/24 allocation of £89.917 million. This level of increase is significantly below the average increase of 15% that has been applied over the previous four financial years. As pressures on the HNB are anticipated to continue at closer to 10% per annum, it is forecast that the cumulative HNB deficit will continue to grow from the anticipated £11.0 million at the end of 2023/24.

The significant and increasing HNB deficit position was exemplified in a report to Cabinet in December 2023 and is a very serious concern for the council and many other local authorities. An exceptional accounting override currently allows councils to exclude HNB deficits from their main council general revenue funding position, however, this is due to end after 2025/26, at which point the HNB deficit may need to be funded by council resources.

Crystallising this deficit in the General Fund without additional government funding would likely result in a swathe of Section 114 notices across the sector and is simply unsustainable.

The Central Schools Block funding allocation for 2024/25 is £2.981 million, which is £83,000 higher than 2023/24.

Other Considerations

As part of the budget setting process, the council will need to consider and agree updates to the Pay Policy, the Treasury Management Policy and Strategy, including the Prudential Indicators, and the Cash Management Strategy and Reserves Policy. Revised and updated policies and strategies, which will ensure the council continues to fully comply with relevant statutory requirements are set out in the report.

Decision

The Cabinet resolved to recommend the following to full Council for approval:

(a) 2024/25 Revenue Budget

- (i) note the fiduciary and legal responsibilities on all members to set a balanced budget by 11 March (as set out at Appendix 7 of the report);
- (ii) approve the identified base budget pressures included in Table 11 of the report;
- (iii) approve recommending the savings plans detailed in Appendix 4 of the report, which total £8.083 million in 2024/25, £3.429 million in 2025/26, £3.694 million in 2026/27 and £1.154 million in 2027/28 to Council on 28 February 2024;
- (iv) note that a report will be presented to Cabinet later in the year on the impact of the removal of the council owned car park free after two policy (which will generate £350,000 of additional income) and to consider options in this regard;
- (v) approve recommending a 2.99% 2024/25 Council Tax increase and a 2% increase which relates to the Adult Social Care precept, totalling a combined 4.99% overall increase in council tax to Council on 28 February 2024;
- (vi) approve the 2024/25 Net Budget Requirement of £564.871 million for consideration by Council on 28 February 2024.

(b) MTFP(14)

- (i) agree the forecast MTFP(14) financial position, as set out at Appendix 3 of the report;
- (ii) set aside sufficient sums in Earmarked Reserves as are considered prudent. The Corporate Director of Resources should continue to be authorised to establish such reserves as required to review them for both adequacy and purpose on a regular basis reporting appropriately to the Cabinet Portfolio Member for Finance and to Cabinet;
- (iii) aim to maintain the General Reserve in the medium term between 5% and 7.5% of the Net Budget Requirement which in cash terms is between £28.2 million and £42.4 million.

(c) Capital Budget

- (i) approve the amendments to the 2023/24 Capital Budget and agree the revised Capital Budget of £259.187 million;
- (ii) approve the Capital Strategy at Appendix 9 of the report;
- (iii) approve the additional capital schemes detailed at Appendix 10 of the report, totalling £92.883 million (including a £2.880 million commitment into MTFP(15)). These schemes will be financed from additional capital grants, capital receipts and from prudential borrowing;
- (iv) note the option for the council to utilise capital receipts to finance severance costs utilising available flexibilities in this regard. The utilisation of such flexibility would require the approval of Cabinet;
- (v) approve the MTFP(14) Capital Budget of £513.656 million for 2024/25 to 2027/28 as detailed in Table 20 of the report.

(d) Savings Proposals

- (i) note the approach taken by service groupings to achieve the required savings.

(e) Equality Impact Assessment

- (i) consider the identified equality impacts and mitigations;
- (ii) note the programme of future work to ensure full impact assessments are included where appropriate at the point of decision once all necessary consultations have been complete.

(f) Pay Policy

- (i) approve the Pay Policy Statement at Appendix 13 of the report;
- (ii) Delegated authority is sought for the Corporate Director Resources to approve the new scale of fees for individual by-elections, in consultation with the Deputy Leader, when they have been confirmed.

(g) Risk Assessment

- (i) note the risks to be managed over the MTFP(14) period.

(h) Dedicated Schools Grant

- (i) note the position on the Dedicated Schools Grant;
- (ii) approve the local formula for schools set out in Table 22 and authorise the Corporate Director of Resources to approve any amendments required following review by the DfE.

(i) Prudential Code, Treasury Management and Property Investment

- (i) agree the Prudential Indicators and Limits for 2024/25 – 2027/28 contained within Appendix 14 of the report, including the Authorised Limit Prudential Indicator;
- (ii) agree the Minimum Revenue Provision (MRP) Statement contained within Appendix 14 of the report which sets out the council's policy on MRP;
- (iii) agree the Treasury Management Strategy and the Treasury Prudential Indicators contained within Appendix 14 of the report;
- (iv) agree the Cash Investment Strategy 2024/25 contained in the Treasury Management Strategy (Appendix 14 of the report including the detailed criteria);
- (v) approve the Property Investment Strategy at Appendix 15 of the report.

School Admission Arrangements Academic Year 2025/26 (Key Decision: CYPS/2024/001)

Summary

The Cabinet considered a report of the Corporate Director of Children and Young People's Services which sought approval of the proposed admission arrangements and oversubscription criteria for Community and Voluntary Controlled Schools for the 2025/26 academic year.

It is a mandatory requirement of the National School Admissions Code that all schools must have admission arrangements that clearly set out how children will be admitted, including the criteria that will be applied if there are more applications than places at the school.

All admission authorities must agree admission arrangements annually. However, if there are no changes proposed they only need to be consulted on at least every 7 years. The current admission arrangements were consulted on between 1 October to 31 December 2022. There is no need to consult this year other than where it is proposed that some Community and Voluntary Controlled schools have a reduction in the admission number. The proposed admission number for each Community and Voluntary Controlled School is detailed in Appendix 2 to the report.

Decision

The Cabinet agreed:

- (a) that the proposed admission numbers as recommended in Appendix 2 of the report for Community and Voluntary Controlled schools be approved;
- (b) that the admission numbers advised by Governing Bodies of Voluntary Aided Schools and Academies be noted;
- (c) that the admission arrangements in Appendix 3 of the report be approved.

Proposal to close Rookhope Primary School on 31 August 2024 (Key Decision: CYPS/2024/002)

Summary

The Cabinet considered a report of the Corporate Director of Children and Young People's Services that sought approval to close Rookhope Primary School on 31 August 2024, taking account of the Local Authority's duties as prescribed in the Education and Inspections Act 2006 to secure sufficient places and to ensure good outcomes for all children and young people in the local area.

Rookhope Primary School has the lowest pupil numbers of any school in Co. Durham and serves the least populated part of the county. There are currently 5 children on roll and these pupils are being educated at St. John's Chapel Primary School.

The breadth of curriculum and the opportunity for social development of pupils at Rookhope Primary School will be enhanced by them being educated at St. John's Chapel Primary School. All of the children involved in this move have spent significant curriculum time with other pupils across the (now) Durham Dales Federation (formerly the Upper Durham Dales Federation,) in St. John's Chapel Primary School.

No preferences were expressed for a place in Reception in September 2022 or September 2023. There is no anticipated development in this part of the county that will bring about an increase to these numbers.

The most recent Ofsted inspection (date 18/10/2017) judged the school to be 'Good. That report however did draw attention to the fact that those pupils with lower starting points did not make as much progress as their peers and that improving the quality of learning in early years remains a focus so that children are challenged to reach their full potential in all areas of the early years' curriculum.

A decision was made to enrich and widen the curriculum for pupils at the school in collaboration with other small primary schools in the upper dales including Wearhead, St John's Chapel and Forest of Teesdale Primary schools. The most recent Ofsted inspection (date 27 March 2019) judged St. John's Chapel Primary School to be 'Good' and the most recent Ofsted inspection for Wearhead Primary School (date 11 September 2019) judged the school to be 'Good'.

This group of schools became a formal Federation (the Upper Durham Dales Federation) from September 2019 all keeping their own individual URN numbers but federating under one governing body.

An Executive Head Teacher post was created with leadership oversight across all schools with all school sites used to facilitate different parts of the curriculum.

Forest of Teesdale Primary School closed on 31 August 2022 due to the fact that only one pupil was on roll at the time and the school was becoming unviable. However, the Federation now also includes Hamsterley Primary School, therefore the proposed closure of Rookhope Primary School would mean that 3 schools remained in the Federation which at the same time became the Durham Dales Federation.

It was agreed by the Corporate Director on 21 August 2023, to use their delegated powers to agree the start of a proposal to close the school on 31 August 2024.

Following the completion of the initial consultation process, the Corporate Director of Children and Young People's Services approved the issuing of a statutory notice proposing to close Rookhope Primary School on 31 August 2024.

The statutory notice was issued on 16 November 2023. During the 4-week statutory representation period, no comments were received.

As part of the statutory process there are a range of factors that must be considered by Cabinet as the decision maker. These are covered in paragraphs 34 to 41 of the report.

Decision

The Cabinet agreed to close Rookhope Primary School on 31 August 2024.

Council Plan 2024-2028 (Key Decision CORP/R/2024/003)

Summary

The Cabinet considered a report of the Chief Executive to consider the draft refresh of the Council Plan covering the four-year period 2024-2028 before it is submitted to Council for approval.

The Council Plan is the primary corporate planning document. It details the council's contribution towards achieving the objectives set out in the Vision for County Durham 2035, together with the council's own objectives and improvement agenda. It aims to provide a readable and accessible summary for members, officers, partners and the public on the council priorities for the county and the main programmes of work that will undertake over the forthcoming four years to help achieve these priorities.

The current Council Plan covers the period 2023/24 – 2026/27 and was agreed at Council on 22 February 2023. The Council Plan is updated and refreshed on an annual basis in line with the council's medium-term financial planning and budget setting arrangements, with approval of both plans scheduled for Council on 28 February 2024.

The Council Plan aligns to both the council's Medium-Term Financial Plan which sets out how priorities will be resourced and the County Durham Plan which is a spatial representation of the ambitions contained within the Council

Plan around housing, jobs and the environment until 2035 as well as the transport, schools and infrastructure to support it.

The Council Plan is underpinned by a series of strategies and plans and service planning arrangements providing more detailed information on the actions, major projects and improvements which are being undertaken to deliver the priorities.

Our priority themes of our economy, our environment, our people, our communities and our council together with the objectives contained within these themes remain unchanged.

However, more significant changes are being made to the performance management framework of which the Council Plan forms part.

A higher level, more strategic Council Plan has been produced. This has been designed to give the reader an immediate sense of the strategic direction of the council and what we are intending to do.

A range of supporting council and partnership strategies and council service plans will provide the detail of how we all deliver our priorities.

A refreshed approach to quarterly performance reporting was also introduced in April 2023 to provide greater insight into how council services are performing.

Consultation on the design and content of the plan was conducted from 23 November 2023 to 8 January 2024. This consisted of a short online survey of the public on the council website with paper copies being made available in all council libraries and customer access points. The document was also circulated to partner organisations for comment.

The draft plan was also circulated to regular consultees such as the County Durham Partnership, County Durham Together, all Area Action partnerships, the voluntary and community sector network. The young people's forum, staff networks and the County Durham Association of Local Councils.

Individual responses were received from Durham Police and Crime Commissioner and from Durham and Darlington Fire and Rescue Service.

An analysis of the public consultation responses to the survey is provided in Appendix 2 of the report.

The following changes were made to the Plan as a result of the consultation responses:

- (a) More detail was added about plans and strategies where further detail on what the Council is planning to do with hyperlinks to the appropriate documents.
- (b) An appendix has been added to the Plan detailing all of the performance measures used by the Council in monitoring performance together with links to the relevant quarterly reports.
- (c) Further information has been added around our work with other employers as a Disability Confident Leader.
- (d) Amendments have been made to the section on our wellbeing principles.
- (e) Additions have been made to the Plan on the work the Council undertakes as part of its community safety duties and powers.

Decision

The Cabinet:

- (a) Noted the responses to the consultation and our responses summarised in the report and in Appendix 2 of the report.
- (b) Considered the content of the draft Council Plan 2024-2028 attached at Appendix 3 to the report.
- (c) Agreed that the refreshed Council Plan be considered for approval by Council on 28 February.
- (d) Delegated authority to the Chief Executive in consultation with the Leader to make any further minor amends and updates to the document as necessary before it is taken to Council for approval.

Solar Energy and Housing Needs Supplementary Planning Documents

Summary

The Cabinet considered a report of the Corporate Director of Regeneration, Economy and Growth which sought approval to commence consultation on the second drafts of the Solar Energy and Housing Needs Supplementary Planning Documents (SPDs). Both documents support the County Durham Plan (CDP) that was adopted in October 2020.

The CDP seeks to ensure that County Durham is a successful place to live, work, invest and visit by focusing on supporting and creating vibrant communities. The CDP is a comprehensive document covering all aspects of

planning however to provide more detailed advice or guidance on the policies in the plan, Government guidance allows the preparation of SPDs. SPDs are capable of being a material consideration in planning decisions but are not part of the development plan.

The Solar Energy SPD will play a role in County Durham achieving net zero carbon emissions by 2045 and contributing to energy security. The SPD does:

- (a) provide guidance on key planning issues associated with solar development including landscape character, biodiversity, heritage assets and agricultural land; and
- (b) seeks to ensure panels are appropriately sited and designed and that, where possible, wider social, economic, and environmental benefits are achieved.

The Housing Needs SPD supplements a range of policies in the CDP which seek to meet the different housing needs of residents. The SPD does:

- (a) Provide further guidance on the implementation of M4(2) accessible and adaptable housing and what constitutes a Multi-Generational Home (MGH), both of these measures are part of the CDP approach to meeting the needs of older people.
- (b) Introduce guidance as to what should be considered as part of assessments for determining local area housing needs and the need for purpose-built student accommodation.
- (c) Provide additional guidance on the application of the Nationally Described Space Standard (NDSS) in different forms of C Class development including hotels, dwellings, and houses in multiple occupation (HMOs).
- (d) Contain a First Homes interim policy statement including local eligibility criteria consisting of a lower price cap to ensure that a first home is genuinely affordable.

Consultation would be undertaken on both SPDs from 26 February 2024 to 7 April 2024. All consultation will be undertaken in accordance with the council's statement of community involvement.

Decision

The Cabinet:

- (a) approved the second drafts of the Solar Energy SPD as detailed in Appendix 2 of the report and the Housing Needs SPD as detailed in Appendix 3 of the report for public consultation from 26 February 2024 to 7 April 2024; and
- (b) delegated authority to the Corporate Director of Regeneration, Economy and Growth, in consultation with the Cabinet Portfolio

Holder for Economy and Partnerships, to make minor modifications and adopt the documents following consultation (if significant changes are required then the SPD will need to return to Cabinet for adoption).

Adoption of Rights of Way Improvement Plan and Delivery Plan

Summary

The Cabinet considered the joint report of the Corporate Director of Neighborhoods and Climate Change and Corporate Director of Regeneration, Economy and Growth that sought approval for the adoption of the Public Rights of Way Improvement Plan 4 (ROWIP4). The report also explained the co-production and public consultation of ROWIP4 and the intention of the policies and the first three-year delivery plan.

All local highway authorities have a statutory duty, under the Countryside and Rights of Way Act 2000 (CROW), to produce a ROWIP. Public Rights of Way (PROW) include footpaths, bridleways and byways. The distinction between the different types of PROWs is explained fully on the council's website (as detailed via this link: [website](#)).

The Covid-19 pandemic has illustrated that residents, more than ever before, understand the value of using the local PROW routes for the benefit of their mental and physical health. Furthermore, working habits and recreational time has changed for many residents with people spending more time in their local green spaces therefore ROWIP4 comes at a time when people use, need and value their local PROW and other recreational routes.

The ROWIP4, entitled 'Loving our Local Landscapes' as set out in Appendix 2 of the report outlines how the local authority will address the extent to which rights of way meet the present and likely future needs of the public ensuring the PROW network is fit for the 21st century. It does not replace the council's existing statutory duties in respect of PROW but seeks to develop wider aspirations for PROW in County Durham.

The previous ROWIP (as detailed via this link: [ROWIP 3](#)) ran from 2015 to 2018 and is now five years out of date. ROWIP4 is more strategic than the first three ROWIPs and the four strategic objectives and eight policies are for the next 10 years with the three year delivery plan. ROWIP4 will put the authority in a strong position to draw in external funding and help set priorities for resources already allocated for PROW improvements.

As part of drafting ROWIP4, the council carried out extensive co-production across the different council departments and with external organisations to develop a draft plan (please refer to paragraph number 20 of the report for the full list). An extensive 12-week public consultation was carried out over the

summer and has been supportive of the four strategic objectives and the eight policies that will frame PROW investment for the next 10 years.

The strategic objectives of ROWIP4 are as follows:

- (a) managing and enhancing the PROW Network so it is fit for the 21st century;
- (b) promoting a PROW network that contributes to the green economy by marketing the county's high quality environment;
- (c) empowering communities and individuals to 'move more'; and
- (d) ensuring the county's PROW are accessible to people of all abilities.

The strategic objectives have not been amended as the result of public consultation on ROWIP4. The objectives deliberately reflect key council and partner plans and strategies. For example, ROWIP4 sets out to support both the green economy and healthy workforces in alignment with the Inclusive Economic Strategy (IES). ROWIP4 supports all of the five Ps of the IES, these are:

- (a) people;
- (b) productivity;
- (c) places;
- (d) promotion; and
- (e) planet.

The above will also align to other key council strategies such as:

- (a) emerging Physical Activity Strategy 'Moving Together';
- (b) physical activity framework; and
- (c) poverty strategy.

ROWIP4's objectives have also incorporated ideas from external organisations as diverse as:

- (a) National Trust,
- (b) County Durham Sport; and
- (c) County Durham Charity (as detailed via this link: [Walk and Talk Trust](#)).

Most external stakeholders highlighted a lack of confidence residents and visitors have when using PROW due to the lack of reliable infrastructure, such as the insufficient provision of signs, which creates fear around following routes that do not have clear directions.

The headings of the eight policies to be adopted are as follows:

- (a) delivering a high-quality access network;

- (b) awareness of PROW and other routes;
- (c) making the network accessible '10 in 10';
- (d) empowering communities to 'own' their right of way network;
- (e) promoting the economy and cultural identity of County Durham through the right of way network;
- (f) ensuring the countryside code and access legislation is followed and landowners are respected;
- (g) incorporating PROW in new development; and
- (h) monitoring the use of our PROW.

A summary of the intention of each policy is contained in the main body of the report. In addition to the strategic vision and the eight policies within ROWIP4, Cabinet are also being asked to approve a three-year delivery plan, drafted by the council's rights of way team, that sets out key projects that will be prioritised under the following themes of:

- (a) linking settlements;
- (b) accessible routes (10 in 10); and
- (c) bridleways.

These themes have been derived from the strategic objectives and specifically from the commitments in policy one and policy three of ROWIP4. Policy one states priorities for ROWIP4 are to invest in PROW close to settlements and to providing a cohesive network of bridleways. Policy three states the council will establish 10 accessible routes within the 10 year lifespan of ROWIP4. These delivery plan themes were supported and informed by the public consultation.

In summary, ROWIP4 is a long-term strategy with a three-year delivery plan for the county's PROW network. These policies are a mechanism for delivering objectives for the benefits of our residents over a 10-year timeframe.

Decision

The Cabinet:

- (a) Noted the content of the report and agreed to adopt the ROWIP4 (2024-2034) as set out in Appendix 2 of the report;
- (b) Agreed the content of the three-year ROWIP4 delivery plan (2024-2027) as set out in Appendix 3 of the report; and
- (c) Noted the ROWIP4 statement of consultation as detailed at Appendix 4 of the report.

The Cabinet resolved to exclude the press and public by virtue of paragraph 5 of Part 1 of Schedule 12A of the Local Government Act 1972 during discussions on agenda item 14.

Levelling Up Fund Bids – Consideration of a potential claim for Judicial Review

Summary

The Cabinet considered the joint report of the Corporate Director of Resources and Corporate Director of Regeneration, Economy and Growth to consider whether to pursue judicial review proceedings in relation to the Council's unsuccessful bids to The Levelling Up Fund.

Decision

That the recommendations in the report be approved.

Helen Bradley
Head of Legal & Democratic Services
16 February 2024