RECORD OF EXECUTIVE DECISIONS

The following is a record of the decisions taken at the meeting of **CABINET** held on **Wednesday 18 September 2024.** The decisions will come into force and may be implemented from **Monday 30 September 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(15), 2025/26 – 2028/29 and Review of the Local Council Tax Reduction Scheme and Council Tax Discretionary Discounts and Premiums Policy
Key Decision: CORP/R/2024/001

Summary

The Cabinet considered a report of the Corporate Director of Resources which provided an update on the development of the 2025/26 budget and the Medium Term Financial Plan (MTFP(15)) covering the period 2025/26 to 2028/29, plus the initial consultation to be undertaken across the next few months.

The report also considered a review of the Local Council Tax Reduction Scheme for 2025/26 and makes recommendations to be presented to Council in September 2024 in this regard.

This report provided an overview of the key financial planning assumptions underpinning the fifteenth annual version of the Council's Medium Term Financial Plan (MTFP 15) – which covers a four-year planning period from 2025/26 to 2028/29.

MTFP 15 has been developed in line with the ambitions and priorities set out in the County Durham Vision 2035 and the Council Plan 2024-2028, most notably the ambitions relating to Our Economy, Our Communities, Our People, Our Environment and Our Council.

Plans have also been developed in line with recently updated Best Value standards, and the seven themes:

a) Continuous improvement;
b) Leadership;

c) Governance;
d) Culture;
e) Use of resources;
f) Service delivery; and
g) Partnerships and community engagement.

The Council's medium term financial position remains challenging and uncertain. The recent General Election has ushered in a new Government with a substantial majority, but one which has inherited a range of significant financial challenges.

The Council has lobbied the new Government as a single council and as a regional group of north-east councils to identify a range of measures / formula changes which could be implemented by the new Government to more effectively target and allocate funding across local government, which would benefit this council. It is not clear at this stage whether any of those proposed changes will be actioned in 2025/26 or beyond.

A Comprehensive Spending Review and multi-year financial settlement will not be forthcoming this year, with the Government announcing that a Comprehensive Spending Review will be undertaken in 2025. It is likely therefore that there will be a short-term financial settlement for one year for 2025/26, with no indications at this stage that there will any additional investment into the sector. This means that our historic and ongoing low-tax raising capacity due to a relatively low tax base, the significant ongoing financial pressures in children's social care (both in terms of numbers and unit cost price pressures), cost pressures in adult social care due to increases in the National Living Wage and other service provision budgetary pressures for which the Council will need to make additional budgetary provision across the four years of the medium term financial planning period may not be supported through sufficient national funding once again.

Local government has been under-resourced and faced significant financial uncertainty and challenges for a number of years now, with a series of one-year settlements inhibiting effective medium term financial planning. The last Comprehensive Spending Review was published in November 2015 and covered the period 2016/17 to 2020/21.

Local Government have previously been promised a "Fair Funding Review", initially announced in 2016 and proposals consulted on up to 2019, which has not been implemented and has been continually delayed, whilst the financial pressures faced by the sector – particularly in Childrens Social Care, Home to School Transport and Special Educational Needs provision (which were not significant features in the previous Fair Funding Review proposals) - have continued to escalate and outstrip the resources available – with inflation and interest rates being higher and more volatile in recent years also.

Progress to implement a Fair Funding Review stalled under the outgoing Government, and the Council, along with other North-East Unitary Authorities will lobby for this work to be urgently restarted – but hopefully with the Councils' concerns over the previous proposals addressed, in a new set of proposals. Significantly, and something that was absent from the initial review in 2016, any future review should assess whether the sector is adequately funded alongside how that funding is allocated between authorities. It would appear highly unlikely that any significant formula changes will be implemented until at least 2026/27 now, and any changes may be gradually phased in to mitigate the impact for councils at risk of losing funding from such a review.

The new Government has signalled its intentions to abolish Business Rates, but it is not clear what it intends to replace Business Rates with, and what the fiscal implications of this tax change would be. The timescales to implement such a change are anticipated to be well into the new Parliament, therefore it is likely that it will be a number of years before any changes take effect. In the meantime, there is a need for the new Government to undertake a business rate reset as part of any changes to the Business Rate Retention (BRR). This did not progress as planned, 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.

The financial planning position for the Council therefore remains very challenging over the next four financial years, with a significant budget deficit / savings requirement of £64.130 million forecast, unless additional funding is forthcoming. These forecasts are after an assumed annual 2.99% increase in our council tax charges every year across the MTFP(15) planning period and assume the circa £8.3 million of savings proposals agreed in February 2024 that impact on the MTFP(15) planning period are delivered. The overall position is set out in the Table below, which compares the latest updated forecasts to the position that was set out in February 2024 when the 2024/25 budget and MTFP(14) forecasts were approved.

	2025/26 £'000	**2026/27 £'000**	**2027/28 £'000**	**2028/29 £'000**	**TOTAL £'000**
MTFP(15) Forecast Budget Deficit / Savings Requirement – Sept 2024	21,720	23,671	10,622	8,117	64,130
MTFP(14) Forecast Budget Deficit / Savings Requirement (2025/26 to 2027/28 Only) – Council Feb. 2024	16,789	11,915	9,129	N/A	37,833
Increase / (Decrease) in Forecast Budget Deficit / Savings Requirement Between MTFP 14 and MTFP 15.	**4,931**	**11,756**	**1,493**	**8,117**	**26,297**

The MTFP(14) forecasts approved in February 2024 did not extend to 2028/29, so £8.117 million of the increase in the forecast budget deficit / savings requirement relates to year four (2028/29) of the new MTFP planning period. Excluding this year, the forecast shortfall for the three years between 2025/26 and 2027/28 (which represented years 2-4 of the MTFP 14 planning period) have increased by £18.180 million.

In 2025/26, the forecast budget deficit / savings requirement has increased by £4.931 million. This is primarily due to an increase in Children's Social Care Pressures of £8.729 million and the inclusion of various additional budgetary growth items totalling £2.630 million, which are detailed in this report and where the most significant element relates to investment into our Early Help, Inclusion and Vulnerable Children service to provide additional resources to deal with Education, Health and Social Care Planning.

These budget pressures have been partially offset by the reprofiling and delaying of the required increases in capital financing costs - due to the timing of borrowing needing to be drawn down to finance the current capital programme commitments and the recent refinancing of loans - of £5.670 million. Additional funding, whether it be from government grant funding or local taxation, assuming no significant additional investment into the sector by the new Government or any changes to the allocation formula in lieu of a new Fair Funding Review, is simply not keeping pace with these spending demands, and is only forecast to increase in net terms in 2025/26 by £0.549 million when compared to the MTFP(14) forecasts previously reported.

Savings are required in all years of the MTFP(15) planning period, with 71% of the forecast deficit / savings requirement falling into the next two financial years. This budget gap arises as a combination of unavoidable base budget pressures from expected inflation, demographic changes and other legislative changes, for which there is no immediate sign of these pressures being offset by new government grant funding. These unavoidable spending pressures outstrip the Council's ability to generate additional income locally from business rates and council tax and why, unless there are legislative changes and the underlying funding arrangements are addressed by the new Government, this Council will face continual and increasing challenges in balancing its budget.

The achievement of an additional £64.130 million of savings over the next four years will be extremely challenging and should not be under-estimated. The Council's Corporate Management Team are developing savings proposals to mitigate the budget deficit in 2025/26, however a more fundamental transformative review of the Council's service delivery model will need to take place to ensure the Council's budgets are able to work within a real terms' reduction in funding.

The emphasis since 2011/12 has been to minimise savings from front line services wherever possible whilst maximising savings in management and support functions and by targeting increased income from charging. It is however becoming much more difficult to continue to achieve significant savings in this way given the delivery of £270 million of savings up to 31 March 2025.

The total current savings required for 2025/26 to balance the budget next year are forecast to be £21.720 million, although this figure could change depending on government grant announcements for 2025/26 and whether the Council needs to revise upwards the financial pressures it faces relating to demand pressures (most notably in Children Looked After and in Home to School Transport), income losses and inflationary pressures, most notably in the National Living wage from April 2025 (where a 5% increase is currently forecast) or a dampening in the forecast growth in the local tax base.

The situation could improve also once the Council has some clarity on any New Burdens funding for the implementation of weekly food waste collection from March 2026, with the additional net revenue costs of implementing this change estimated to be £1.6 million in 2026/27.

The position could also get worse if the pay awards in the current or future years exceed the current budget / MTFP(15) planning assumptions. Across the MTFP(15) planning period it is currently assumed that there will be 2% annual pay awards, building on the 4% uplift budgeted for in 2024/25. Every 1% of pay award adds circa £2.9 million of costs into the council's base budget.

The National Living Wage (NLW) increases across the coming four years will be material considerations both in terms of its impact on Adult Social Care fees, but also in terms of the pay award for local government. The MTFP(15) planning assumptions are predicated on a 5% increase in the NLW in April 2026 and 4% increases per annum thereafter. Every 1% increase in the NLW adds circa £1.22 million of costs into the council's base budget for Adult Social Care.

The updated MTFP(15) forecasts assume a 2.99% increase in Council Tax, in each year of the MTFP planning period. At this stage, the Council has assumed local authorities will not be able to further increase the Adult Social Care Precept, from 2025/26 onwards. Decisions on council tax are ultimately matters which are reserved for County Council at budget setting in February 2025, but have a material impact on the forecasts.

Every 1% of council tax increase generates additional revenue of £2.836 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 £2.836 million for every 1% it chooses not to levy below the expected level. Without a sustainable strategy to meet the additional challenge, this would not represent prudent fiscal management of the public finances.

The Council has previously challenged the new Government to seek to comprehensively review 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.

The inability to significantly grow the Council's taxbase, due to a highly skewed proportion of Band A-C residential properties, exacerbated by the expansion of the University over the last 10 years which has resulted in a significant increase in student exemptions, further inhibits the ability of the Council to effectively deal with rising demand and price challenges, and to offset the real-term reduction in Government funding allocations. The Government formula funding currently fails to sufficiently compensate for disparities in council tax raising capacity across local authorities with varying economic and demographic characteristics. This has adversely impacted those authorities with low tax bases and low tax raising capacity more acutely – i.e. those authorities with higher demand due to higher levels of deprivation lose out on growth in council tax funding.

Officers will continue to develop a range of savings plans for 2025/26 and beyond over the coming months, alongside proposals for a Transformation Programme to deliver the service changes that would be required to enable a balanced budget to be set and limit the reliance on reserves to balance the budget.

The MTFP Support Reserve is available to support the budget and smooth in savings and presently has an unallocated balance of £32.579 million following the review of reserves agreed by Cabinet in July and the application of £3.72 million of the reserve to balance the current years' budget. This balance may also be required to be utilised in part to absorb an anticipated overspend in 2024/25. It is not financially sustainable to place an over-reliance on this reserve to balance the Council's financial position in 2025/26 and in later years and application of the reserve should only be considered a short-term fix whilst more sustainable solutions are developed.

Cabinet will be aware that 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, although two other authorities (Northumberland CC and Stockton BC) now also provide up to 100% LCTRS reduction, having reviewed their schemes in recent years and increased the level of support they provide.

This policy has protected vulnerable residents at a time when welfare reform changes and, in recent years, the pressure on household incomes from cost-of-living increases, have had a significant adverse impact.

The report recommended that the current LCTRS policy is again retained and remains unaltered for a further year into 2025/26. Should Cabinet agree these proposals, the Council will need to formally adopt this policy at Full Council prior to 11 March 2025, with a report scheduled for consideration by Council on 25 September 2024, as decisions on these matters are material to the tax base calculations that underpin the budget setting process.

Decision

The Cabinet:

(a) noted the updated MTFP forecasts and the requirement to identify additional savings of £64.130 million for the period 2025/26 to 2028/29 attached at Appendix 2 of the report;

(b) noted that these forecasts could change significantly based upon decisions on council tax, tax base growth, the outcome of future government funding settlements, the timing and impact of any future Fair Funding Review and the ongoing impact of demand for services and inflationary pressures upon the Council;

(c) noted that at this stage it is forecast that additional savings of £21.720 million are required to balance the 2025/26 budget (£4.931 million more than the level of additional savings that were forecast as being required in 2025/26 as part of the MTFP (14) planning process);

(d) noted the previously agreed MTFP(14) savings proposals agreed as part of the 2024/25 budget and MTFP(14) at Council in February 2024 and attached at Appendix 3 of the report;

(e) agreed the high level MTFP(15) and 2025/26 budget setting timetable contained in the report;

(f) agreed the approach outlined for consultation on the 2025/26 budget and MTFP(15) proposals;

(g) agreed the proposals to continue to build equalities considerations into decision making; and

(h) agreed that Cabinet recommend to Full Council that the Local Council Tax Reduction Scheme should remain unchanged for 2025/26.

Simpler Recycling: Introduction of Food Waste Collections and other waste collection changes across County Durham
Key Decision No. NCC/2024/003

Summary

The Cabinet considered a report of the Corporate Director of Neighbourhoods and Climate Change that outlined the new statutory requirements for local authority waste management functions arising from the Environment Act 2021 and associated regulations, collectively termed Simpler Recycling reforms.

The report also asked Cabinet to consider and select from options, a favoured method for weekly separate collection of household food waste which is required to be in place by 31 March 2026 and for some larger trade waste businesses by 31 March 2025, with separate collections for smaller businesses being in line with the household weekly collection changes.

The report set out plans to make changes to the current recycling service, with the proposal to introduce co-mingling of glass into the main (blue lidded) recycling bin, which will help limit the number of receptacles for residents, improve operational efficiency and improve health and safety for our Refuse and Recycling collection workforce. The proposals also allow for the separate collection of batteries, currently a fire hazard when transported as part of residual waste loads.

The report asked Cabinet to approve commencement of the procurement processes necessary for delivery of the new food waste services, including the ordering of vehicles and caddies, procuring services for the treatment of the food waste and developing any bulk haulage arrangements that may be required, noting that the capital allocated by Government may not on its own be sufficient to deliver the scheme's capital needs, and that the revenue support for these New Burdens is unknown at this time.

Under the Simpler Recycling reforms, introduced by the previous Government under the Environment Act 2021 and associated regulations, there is now a statutory requirement for Waste Collection Authorities (WCAs), which includes this Council, to collect the same range of recycling materials across the country, to ensure minimum standards and allow packaging to be standardised making it possible for householders to be better informed about what can and what can't be recycled.

Whilst many of the required recyclates such as glass, plastic, cans, paper and cardboard, as well as garden waste (also set to be standardised and which will be subject to a separate report) are already collected in County Durham, the biggest change for this Council will be a statutory requirement for separate weekly food waste collections to households, which is required to be in place by 31 March 2026. For larger businesses the collections where requested should be in place by 31 March 2025 and smaller ones by 31 March 2026.

The associated regulations provide for the conditions of introduction only where it is Technically, Environmentally and Economically Practicable (TEEP), potentially allowing exclusions or different solutions where it is not practicable to introduce, such as might be the case in remote or other hard to reach locations.

The previous Government allocated Durham County Council £4,716,813 for the anticipated capital cost of food waste vehicles and caddies. At this stage, no announcements have been made on any additional revenue funding that will be received to offset the anticipated running costs (staff, fuel, gate fees etc) of introducing these new services, which would be a New Burden on councils like ourselves.

To help plan for the implications of adhering to these new statutory requirements, the Council commissioned the Waste and Recycling Action Programme (WRAP), a Non-Governmental Organisation at the forefront of waste advice nationally, to consider and cost options around the delivery of separate weekly food waste collections and to also consider opportunities for the co-mingling of glass in the main recycling (blue lidded) bin. They built on work undertaken for the Council in 2018, refining and updating their assessments and utilising learning from other areas that had voluntarily already implemented separate weekly food waste collection services.

From the different scenarios examined and costed, the separate weekly collection of food waste in stillage vehicles emerged as the recommendation based on total costs (including savings on waste disposal charges), impact on recycling performance and operational practicalities and efficiencies. These stillage vehicles have small compartments which will allow for the household collection of small lithium-ion batteries and used vapes which (if not taken directly to a network supermarket or community outlet) otherwise pose a fire hazard when mixed with residual waste.

The WRAP work also highlighted that a move from a dedicated box for glass collection to allowing co-mingling in the main recycling bin was cost effective.

Even though separate weekly food waste collection in stillage vehicles was the joint least expensive scenario for capital expenditure, it is nevertheless estimated at a total cost of £5,950,703, this is £1,233,890 more than the Government grant allocation. This shortfall is largely down to the fact that the number, size and cost of vehicles required in County Durham is greater than what the Government Grant modelling was based on. This matter has been highlighted with the Department of Environment Food and Rural Affairs (Defra), with strong representation made that the grant fails to meet the New Burdens funding doctrine, where costs of new policy initiatives on local government would be fully covered.

The Council provides a trade waste collection service, fulfilling its statutory obligations to make arrangements for collection where requested. Simpler Recycling reforms are likely to increase requests from businesses for separate food waste collections. In due course it is anticipated that this activity will be integrated into the main household food waste collection rounds, just as household waste and recycling currently is.

In recognition of the requirement for larger businesses to have separate food waste collections by 31 March 2025, which is an earlier date than for households and smaller businesses, and includes some County Council facilities. It is proposed to procure three vehicles in advance for this purpose. Costs of the service would be met by the businesses themselves through charging at rates that avoid public subsidy. For the purposes of Simpler Recycling, larger businesses are defined as those which have more than 10 Full Time Employees (FTEs) There are an estimated 900 out of an estimated 3,300 DCC serviced business premises that would meet this definition and require access to a separate food waste collection service by 31 March 2025.

Other changes arising from the Simpler Recycling reforms include:

(a) All WCAs will be required to collect garden waste by 31 March 2026, but, as currently the case in Durham, they will still be able to charge for the service. This is anticipated to be delivered where practicable based on a TEEP assessment and future statutory guidance may identify duration, frequency, or both;

(b) There will be new requirements for collections of plastic film from households, businesses, non-domestic premises and micro-firms by 31 March 2027. These materials are currently not collected for recycling in County Durham so this will need to be a new item for regular recycling and future recycling contracts will need to include provision for reprocessing these materials.

(c) Introduction of a national digital waste tracking system by April 2025, which will record information about all waste from the point it is produced to the point it is disposed of – allowing improved transparency on supply chains and for envirocrime to be more readily investigated. It may well be that parts of the Councils waste management system are obliged to utilise this, such as Waste Transfer Stations, the composting facility at Joint Stocks, trade waste, Special Collections and Contractors of the municipal recycling facilities. It may also be of benefit, for instance with Neighbourhood Wardens investigating fly tipping; and

(d) Whilst no date is set, the previous Government did maintain a commitment to a Deposit Return Scheme (DRS) for cans and plastic bottles, which would provide “reverse vending” repayment of the deposit in the form of cash or vouchers.

Whilst New Burdens capital funding has been provided from Government for the introduction of separate weekly food waste collection, the transitional revenue funding required to introduce the scheme is unknown at this time. Future ongoing revenue costs associated with staffing, fuel, vehicle maintenance and gate fees for treatment have been modelled and the estimated net additional costs of introducing separate weekly food waste collection, including the proposed changes to the current dry recycling service is £1.6 million. This has been factored into the Medium-Term Financial Plan (15) financial forecasts.

It is possible that funding through application of Extended Producer Responsibility (the principal that producers pay the cost of recycling the packaging waste arising from products they place on the market) will be available to Councils to offset some (or all) of these costs, the Government has recently advised that allocations will be notified by November 2024 with the first payments towards the end of 2025. It may also be possible that the Council receives additional new burdens revenue grant funding to offset these costs.

Whilst uncertainty exists regarding sufficiency of resources, there are no indications from the new Government (at the time of writing) that the deadlines set in regulations will slip. In parallel with these changes to collection, the Council is procuring long term waste treatment utilising Energy from Waste (EfW) technology. The changes in residual waste composition arising from Simpler Recycling reforms are fully anticipated and incorporated into this modelling.

Nationally, around 42% of local authorities in England currently have a separate weekly food waste collection service, meaning that 58% do not. All will need to comply with these new statutory requirements (unless specifically exempted for instance due to existing waste disposal contracts) so there will be significant competition for vehicles and caddies, with early planning and commencement of procurement essential to ensure the Councils requirements can be met. Given this, it is important to progress with procurement to ensure vehicles are delivered on time and secure market capacity for treatment. There is currently an estimated 18-month lead in time for the delivery of these vehicles.

Introducing separate weekly food waste collection services and changes to the recycling arrangements (co-mingling of glass) will represent a significant change in arrangements for our residents and will require careful planning and good engagement with households and businesses to prepare them for these changes. A comprehensive implementation plan and communications and engagement strategy will underpin the Council’s preparation for implementing these changes.

Decision

The Cabinet:

(a) noted the variety of waste management changes for the Council arising out of the Environment Act 2021 and Simpler Recycling reforms;

(b) approved the procurement of vehicles, caddies and treatment necessary to implement a separate food waste collection service to large businesses by 31st March 2025, noting the costs of this will be fully recovered from the charges levied to those businesses who access this new service;

(c) approved progression with procurement processes necessary for separate weekly food waste collections to households and small businesses by March 2026, including the dedicated stillage vehicles, caddies and waste treatment.

(d) approved the proposed changes to the recycling service around the co-mingling of glass into the blue wheeled bin to coincide with the introduction of the separate weekly food waste collections. Noted also that opportunity is to be taken in providing for the collection of small household lithium-ion batteries and used vapes in a recycling compartment on the food waste vehicles.

(e) noted the shortfall in capital funding for the separate weekly food waste collections to households and that the Council has made representation on this;

(f) noted the uncertainty around New Burdens funding to cover transitional and ongoing revenue costs to offset the additional operational costs and that the Council has made representation on this; and

(g) noted that further reports will be provided when statutory guidance is published which will help shape such matters as exclusions (based on practicality of collections) as well as frequency or duration of garden waste collections. These reports will detail what is known or forecast regarding revenue costs, and sufficiency of grant support for those changes, which will inform MTFP forecasts, which is currently earmarked £1.6 million annually as a provisional figure.

Leisure Transformation Programme
Key Decision (REG/2024/003)

Summary

The Cabinet considered a report of the Corporate Director of Regeneration, Economy and Growth that provided a summary of the leisure transformation programme, and an update on current and planned works and completed project delivery to date.

The report noted the due diligence work undertaken on site options for Seaham and development and cost appraisals work across all sites, following the report to Cabinet in September 2021.

The report outlined the challenging financial environment facing the council in its overall operation and regarding the delivery and operation of leisure facilities and also highlights the overall costs of the programme. Within that context it outlined the proposed approach to the facilities that have not yet commenced in the programme.

The report outlined an update relating to the £10 million Medium Term Financial Plan (MTFP) commitment for Seaham and Chester-Le-Street Leisure Centres.

In January 2020, Cabinet agreed a set of recommendations setting out an ambitious leisure transformation programme focussed on the council's leisure centre venues. The aims of the programme were to modernise the leisure offer and support health and wellbeing outcomes in the wider population. The estimated costs of the programme at that stage were £62.8 million to support planned investments across leisure centres which included new build facilities in three locations and regenerated facilities or lighter touch improvements across a further twelve locations.

When a local authority commits to major investment programmes such as the leisure transformation programme, budget and funding arrangements often cover multiple budget planning periods. In January 2020, the council’s Cabinet committed publicly to an ambitious investment programme in its leisure centres. It did so in the knowledge that the budget provision was not at that stage available but was expecting to be in a position to draw down the necessary funding across a number of future budget planning cycles.

All decisions by Cabinet (and by County Council) are taken in the context of members’ fiduciary responsibilities for public funding. Factors which are outside of the council’s control, such as the level of central government funding settlement and inflationary / demographic pressures, can and do pose significant challenges to being able to fund the council’s aspirations for investment in services for its residents.

It was agreed in principle in January 2020 that capital investment of £62.8 million would be included in 2 consecutive Medium Term Financial Plans - MTFP (10) (which covered the period between 2020/21 to 2023/24), and MTFP (11) (which covered the period between 2021/22 to 2024/25), with £38 million of the overall investment being funded on a self-financing basis. The remaining £24.8 million would be funded based on further prudential borrowing which was anticipated would be drawn down as part of future annual Medium Term Financial Planning processes.

In March 2021, Cabinet considered a report setting out the details of progress made and proposing preferred locations for new build facilities in Bishop Auckland, Chester-Le-Street, and Seaham. The revised forecast for the capital cost of the programme had increased by £15.4 million to £78.2 million at that stage, with £38 million to be funded on a self-financing basis and the remaining £40.2 million to be financed through future budgets.

The council did not fully reflect the full £78 million in the capital budgets agreed by the County Council, because it was anticipated that the leisure investment would be factored into the capital programme over at least two future MTFP planning periods due to the length of the programme. Therefore, at that point, the council set an initial budget of £39.2 million for deliverable activities in the capital programme.

The March 2021 report also noted concerns regarding the impact of the planned level and scheduling of investment on the council's VAT partial exemption position. The VAT issue was a material consideration in the decision-making around the timing, scheduling and investment decisions between March 2021 and March 2023 and constrained the pace and the planning of the leisure transformation programme.

This related to the fact that at that time most leisure income was classed as exempt, and therefore the VAT recovered on the running costs and any capital investment in leisure centres formed part of the council's calculations for Partial Exemption. If a certain threshold of the council's overall VAT claim for input tax related to the provision of services which were classed as exempt from VAT, the council would have had to repay somewhere in the region of £14 million in previously reclaimed VAT.

A subsequent a legal case which Chelmsford Council won against HMRC changed the status of most leisure income from 'exempt' to 'non-business' which resulted in any VAT on Leisure Capital Expenditure falling outside the partial exemption calculation. HMRC revised its guidance (to the benefit of the council and the wider sector in March 2023), and this issue no longer poses a financial risk to the council.

A further report was presented to Cabinet in September 2021, which followed additional due diligence on the preferred site locations for the proposed new builds. This resulted in preferred locations being set out for Bishop Auckland at the current site of Woodhouse Close and the former civic centre site in Chester le Street. It identified that further work was required on site options for Seaham. The revised programme was still forecast to be £78.2 million at that point in time. However, the actual Capital Budget was not adjusted to reflect this increased commitment at that stage.

The September 2021 report also set out the approach to scheduling the non-new build capital programme based on the VAT context at that time and level of design progression and deliverability; alongside the level of public consultation that would be required depending on the scale of change proposed. At that time, it was anticipated that the entirety of the original aspirations would be delivered.

The current forecast programme costs to deliver on the original aspiration now far exceed the figures originally agreed in 2020 and updated in 2021, which reflect several factors, the most significant of which is the extraordinary inflationary pressures since 2021, as well as the more advanced stage of development and delivery and therefore cost certainty across all sites; and the worse than anticipated condition of the facilities.

The costs of borrowing to fund this extensive and ambitious programme have also risen due to higher interest rates on borrowing. A table outlining the estimated costs is shown below, with details on a site-by-site basis set out at Appendix 4 of the report. This shows that the council would now need to spend at least circa **£109.2 million** to deliver the original aspirations of the Leisure Transformation Programme:

Category and facilities	**Original January 2020 Capital Estimates (Excluding Capitalised Maintenance Investment) £m**	**Updated March 2021 Capital Estimates (Excluding Capitalised Maintenance Investment) £m**	**Latest Forecasts to Meet Original Aspirations (Including Capitalised Maintenance Investment) £m**	**Current Funded Budget Provision (Including Capitalised Maintenance Investment) £m**
New build facilities	48.000	58.900	79.346	26.645
Regenerated and refurbished facilities	12.820	17.273	26.721	22.971
Riverside (develop through partnership)	2.000	2.000	3.100	3.100
Unprogrammed / Unallocated	0.000	0.000	0.000	10.104
TOTAL CAPITAL	**62.820**	**78.173**	**109.167**	**62.820**
Additional Budget Required to Meet Original Aspirations			***46.347***	
Additional annual Revenue Borrowing Costs to Meet Original Aspirations			***2.519***	

Note - The current budget includes transfers from capitalised maintenance budgets to address issues across the sites in scope.

The original £39.2 million capital budget agreed in February 2021 has been increased at various stages to its current level of £62.8 million, as summarised below:

Capital Budget	**£'m**
Capital Budget Approved in February 2021	39.2
Additional Borrowing for Woodhouse Leisure Centre New Build	4.0
Sport England Grant for at Woodhouse Leisure Centre New Build	2.5
Capitalised / Structural Maintenance transfer across leisure sites in scope of programme	5.4
Revenue Contribution	0.1
Environment Budget Transfer	0.3
Co-location of Spennymoor Library	1.3
Sub-total	**52.8**
Ring-fenced Allocations for Chester-Le-Street and Seaham Leisure Centres – February 2024 MTFP 15 Budget Report	10.0
Grand Total	**62.8**

If the council were to deliver the full original programme, the capital budget would have to be uplifted by a further £46.347 million.

The council's financial position has deteriorated since the 2024/25 budget was approved in February 2024 and is more profoundly challenging than it was in 2020 and in 2021 when the initial aspirations were set out. The latest Medium Term Financial Plan (MTFP) forecasts show an extremely challenging financial outlook for the council, with a funding gap of circa £64.130 million across the next four years – despite an assumed annual 2.99% increase in council tax across this period

A £62.2 million investment in the health and wellbeing agenda through the commitments to the current leisure centres in the capital programme remains exceptional in the current climate. There are very few areas nationally providing such a level of public investment into the discretionary service of leisure.

Councils don’t provide leisure facilities for commercial return; the primary driver for this discretionary service provision is to support access to affordable facilities for residents and the resulting health, wellbeing economic and social benefits created for our communities.

Durham County Council works in close partnership with health, sport, and community partners to maximise the impact of its investment and will continue to innovate in this area; however local authority leisure facilities generally make a net loss unlike private sector operators such as large budget gym chains which are not bound by local authority pay structures, in many cases have lower overhead costs to recover and are not delivered on the basis of a public benefit requirement.

Leisure delivery is a significant cost to the council. The council’s net revenue budget to fund Leisure Services in 2024/25 is £8.330 million. This budget was increased by £1.0 million in 2024/25, as part of MTFP (14), to reflect the challenges in leisure centres generating sufficient income and followed an overspend in leisure provision of £1.916 million in 2023/24 - which was due in large part to shortfalls in income during periods when facilities were closed whilst refurbishment and redevelopment works took place and an underlying reduced usage of these facilities post Covid.

In the current year, there is a forecast overspend of £1.325 million due to challenges in meeting revised income targets at completed leisure sites, higher business rates costs, challenges meeting staff saving targets and additional catering costs. These forecasts suggest the costs of delivering the current range of leisure services is becoming more challenging, within the context of wider budgetary pressures facing the council.

In terms of the Leisure Transformation Programme aspirations, the key financial issues are the affordability of implementing the original intended programme given:

a) the increased capital costs of delivering the original programme aspirations;

b) increased cost of borrowing due to the interest rate rises over the last three years [bank base rates have increased from 0.1% in March 2021 to 5.25% in September 2023 before reducing marginally to 5.00% in August 2024] and the increased costs of the programme that would need to be funded from additional borrowing;

c) risks over the ability to generate the income levels to sustain the self-funded borrowing given the cost-of-living crisis, higher operating costs, and squeeze on household income; and

d) impact of additional borrowing requirements on our MTFP planning (which would result in increased cuts and risk to statutory service delivery.

In this affordability context the current committed programme set out in this report maximises the available budget to achieve the aims of leisure transformation.

As noted in the September 2021 Cabinet report, projects would all be subject to a leisure conversation - (a focussed period of consultation and engagement activities) as and when proposals progressed to a sufficiently developed stage, where meaningful details could be shared with stakeholders.

Therefore, the phasing of projects is the result of progressed designs, deliverability and any subsequent design changes indicated because of the leisure conversation and in the context of the VAT constraints at the time.

Woodhouse Close was prioritised as the first new build facility using the criteria set out in paragraphs 107-155 of the report. The centre is the oldest facility in the council's leisure estate, serving our most challenged communities. This project aligns most closely to Sport England priorities, allowing the council to successfully bid for a £2.5 million capital grant.

Review of the strategic leisure demand and provision assessment (107-155) confirms that the programme will realise optimum strategic benefit in the available budget.

Utilising insight and inputs from across the leisure sector and working with national bodies such as Sport England, we have gathered the necessary evidence to understand and prioritise both the service and facility interventions which will bring about the most positive impacts and support the council's vision for 2035. The current committed programme is set out in the following table. It will achieve one new build facility, five refurbished or regenerated sites and two sites will be safeguarded until such a time when an affordable new build or regenerated site programme can be achieved.

CURRENT COMMITTED PROGRAMME			
Project	**Description**	**Budget £m**	**Status**
Abbey	Refurbishment including new Move Hub, fitness facilities, play offer and Café.	£4.128	Complete
Peterlee	Refurbishment including new fitness facilities, play offer, tenpin bowling and Café.	£5.966	Complete

CURRENT COMMITTED PROGRAMME			
Project	**Description**	**Budget £m**	**Status**
Louisa Centre	Refurbishment including (Phase 1) new fitness facilities, Move Hub, play offer and Café. (Phase 2) Clip & Climb and Tag Active.	£6.147	Phase 1 complete Phase 2 due to complete Autumn 2024
Spennymoor	Refurbishment including (Phase 1) New centralised reception and colocation of the library. (Phase 2) Swimming pool improvements, play offer and Café.	£5.036	Phase 1 complete date Phase 2 due to complete in late Autumn 2024
Teesdale	Refurbishment including refreshed play offer, new fitness facilities, Move Hub, new pool changing and general improvements throughout the site	£1.693	Due to be complete in the Autumn 2024
Bishop Auckland	New Build replacement of the existing leisure centre at Woodhouse close	£26.608	Due to commence in the Autumn 2024
Chester le Street and Seaham	Monitoring building condition and undertaking essential work to keep centres in operation	£10.000	To be drawn down when required

Each project has been developed carefully in line with the strategic framework set out in 107-of the report, cognisant of the strategic priorities of the council and achieve the outcomes of the leisure transformation programme.

Remaining new builds- Chester le Street and Seaham

The estimated new build costs of new facilities at Chester le Street and Seaham have risen from an assumed £32 million in 2020, to an estimated combined cost of £52.7 million based on the updated high-level estimates, with a strong likelihood that costs could well be in excess of this.

Significant design work was undertaken across the life of the programme to identify viable options for new builds or regeneration/extension.

Further work was carried out to identify customer focussed improvements following the allocation of £10 million in the February 2024 budget report to

Cabinet and County Council. This identified that such improvements across both sites would be unaffordable given the buildings' condition, and furthermore that the cost of such improvements could be abortive in light of any new build or extensions.

Given the age of the facilities and likely requirement for emergency or essential works to maintain operations, the £10 million allocated will remain ringfenced for this purpose.

Currently non-programmed sites: Riverside, Shildon, Meadowfield and Freeman's Quay

Initial proposals for the Riverside reached a well-developed and workable stage and these proposals have been subject to significant community consultation and engagement. The proposals were based on partnership arrangements that would support the requirement for a largely self-financing scheme. There remain significant local concerns and divergence of opinion on the proposals. This means that the proposed and largely self-financing scheme will not be taken forward and the development of any further proposals will be paused while the council works with communities and stakeholders to consider the optimum approach for the site.

Shildon Leisure Centre was part of a dual-use site which hosted both the leisure centre and Shildon Sunnydale Comprehensive schools. As a result, the leisure centre was not subject to a designed scheme, as the arrangements for the attached Sunnydale school site were subject to further consideration.

Following consultation, the school was consolidated in the Greenfield College site at Newton Aycliffe and the Sunnydale School site has been demolished. The leisure centre has a small and reducing membership, which reflects the impact and reach of the larger Newton Aycliffe Leisure Centre offer which is in close proximity to Shildon. Memberships are also anticipated to continue to decline when the new build facility at Bishop Auckland opens.

In the current challenging financial environment, there is a very limited strategic case for developing design proposals for Shildon Leisure Centre as part of leisure transformation. As a result, the £1.6 million nominally allocated in the 2020 budget forecast has been reduced to nil on affordability grounds and reallocated to meet the increased costs of the wider programme.

Shildon remains an important hub for the development of football and outdoor sport, therefore £128,506 has been ringfenced from a total £300,000 set aside to support match funding for an external bid for a replacement and relocation of the current 3G pitch facility. This will support Shildon Football Club towards a circa one-million-pound 3G development which will be required as a condition of funding to be open to the wider community. Further partnership opportunities will continue to be explored.

Meadowfield Leisure centre has not been subject to formal design scheme at this point in the programme and not prioritised in the initial phase of the programme. It has seen a 30% drop in membership despite enhanced marketing campaigns. The close proximity of higher quality council leisure centres at Abbey and Freemans Quay and high-quality private sector facilities indicates a continued downward trend in membership and continuing lower prioritisation for the council.

In the challenging financial environment, there is a very limited case for developing design proposals for Meadowfield Leisure Centre as part of leisure transformation. The budget of £1.1 million nominally allocated in the 2020 budget forecast has been reduced to nil on affordability grounds and reallocated to meet the increased costs of the wider programme. The council will continue to work to support a leisure offer in this area.

Freemans Quay Leisure Centre was not subject to a formal design scheme as previous profit share contractual agreements would have made any scheme unviable. The budget of £633,490 nominally allocated in the 2020 budget forecast has been reduced to nil on affordability grounds. As one of our newest and most popular centres we will continue to ensure that programmed activity is high quality and relevant to the needs of its users and communities.

Customer feedback from the transformed sites has been highly positive; of particular note is the increase in use by families and young people in the soft play and tag active zones, and by older people and those needing a more introductory level or rehabilitation gym offer in the ‘Move Hub’. These two user groups are particularly key in terms of increasing activity levels across the county, and in addressing health inequalities.

Membership sales and income have performed well, with substantial development upon pre-transformation levels of performance. However, achieving the levels of anticipated income forecast has proved challenging given the wider financial context and due to the same external pressures operating costs are currently tracking higher than anticipated.

Cost pressures are partly due to increased staffing requirements for new products in the transformed facilities because of health and safety assessments which require higher staffing ratios than those in other operational contexts where the new products are delivered such as the private sector. Cost pressures are also arising from utility costs and general provision of supplies and services, forecast costs budgeted for in 2024-25 are in the region or 50% higher than those in 2018-19.

The council chose a commercial partner to pilot new food and beverage arrangements., This approach has proved successful in terms of with a good quality offer in place, which has been very well received by patrons, however, it has proved more costly to deliver catering provisions than originally forecast.

These pressures have emerged through the cost of goods and materials where the ongoing global challenges and domestic economic context.

The programme to date has also made a significant contribution to the council's Climate Emergency Plan.

The council declared a Climate Emergency in 2019 and has adopted a target to be Net Zero in its operations by 2030. The route to Net Zero is set out in the council's Climate Emergency Response Plan, the third edition of which was adopted in July 2024.

Leisure centres, particularly those with swimming pools, are high consumers of energy and are therefore crucial buildings to consider on the road to net zero. Without significant decarbonisation across the leisure portfolio the council will not meet its Net Zero ambitions. Nine of the top twenty most carbon emitting buildings in the council's ownership are leisure centres, with seven in the top ten.

Significant progress has already been made over recent years however, with solar PV and LED lighting installed across the estate through invest-to-save funding, much of which has already paid back. Solar PV installed in 2021 paid back in just two years. Heat decarbonisation is more challenging but is supported by the governments Public Sector Decarbonisation Scheme (PSDS), which has enabled upgrades to building services, plant, and equipment at a number of leisure centres. The outcome of this investment has been a reduced requirement for fossil fuels, increased energy efficiency and the generation from on-site renewables.

There remains a significant requirement for further decarbonisation across all these sites. Work is ongoing at Newton Aycliffe investigating further decarbonisation works, with the Louisa Centre going into detailed design on a project designed to utilise waste heat from a third party at the centre, whilst further solar PV, including solar car ports are being planned across a number of sites including, Peterlee Leisure Centre, Consett Leisure Centre, and the Louisa Centre. A further PSDS application will be submitted for Freemans Quay when the new round opens in October 2024.

Decision

The Cabinet:

a) Noted the update within this report on the committed projects to transform our leisure centres and the updated Leisure Transformation Budget of £62.820 million.

b) Noted that this represents a significant commitment to the health and wellbeing of County Durham residents.

c) Agreed to ringfence the £10 million capital budget provision as part of MTFP (14) to safeguard the current buildings at Seaham and Chester le Street Leisure Centres.

d) Agreed that other than in relation to essential capitalised maintenance that there will be no work undertaken under the current leisure transformation programme at Freemans Quay, Meadowfield and Shildon leisure centres at this time, due to budget constraints.

e) Noted the outcome of consultation and stakeholder inputs for Riverside Sports complex and the resulting pause in transformation plans for the site while alternative project options are explored.

f) Noted the outcome of Chelmsford City Council v HMRC that results in VAT on leisure services now falling outside of the scope of the partial exemption calculation.

g) Noted the revenue pressures within the council's leisure centres and the work being undertaken to address this.

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

Summary

The Cabinet considered a report of the Corporate Director of Resources that provided:

a) the forecast revenue and capital outturn for 2024/25, based on the position to 30 June 2024;
b) an update on the dedicated schools grants and forecast schools' outturn as at 31 March 2025, based upon the position to 30 June 2024;
c) the forecast for the council tax and business rates collection fund outturn at 31 March 2025, based on the position to 30 June 2024; and
d) details of the updated forecast use of and contributions to earmarked, cash limit and general reserves in 2024/25 and the estimated balances that will be held at 31 March 2025.

The report also provided Cabinet with an update on progress towards achieving MTFP (14) savings in 2024/25.

The council is continuing to operate in a period of financial uncertainty and volatility. This uncertainty is being driven by continuing short term local government finance settlements for next year. The new government committed in its manifesto to providing multi-year settlements for local government to provide greater certainty and reaffirmed this in the Chancellor of the Exchequers announcements to Parliament on 29 July 2024. Whilst this is welcomed, no commitment has been given to increasing the overall resources available to local government in the immediate or longer term.

A Comprehensive Spending Review will take place in 2025 to inform funding from 2026/27 onwards, with a commitment given to providing three-year settlements and Comprehensive Spending Reviews occurring biannually thereafter. At this stage it is assumed that the local government finance settlement for 2025/26 will be a 'roll over' settlement, with the Budget / Autumn Statement scheduled for 30 October 2024, where the Government's spending and taxation plans will be published.

Our inherent low tax raising capacity due to our low tax base alongside ongoing significant demand pressures, particularly escalating demographic and cost pressures in Children's Social Care, the ongoing inflationary impact of the national living wage increases on service provision drive further uncertainty and risk in out budgets. Unless there is a fundamental shift in funding arrangements the financial outlook for the council is forecast to remain extremely challenging for the foreseeable future.

Consumer Price Index inflation (CPI) in the UK economy for the twelve months to July 2024 was 2.2%, slightly up on the position in June 2024 when it was 2.0%. Whilst CPI had briefly returned to the Bank of England's target level, since the peak in October 2022 (where CPI was 11.1%), prices and the cost pressures we face are significantly higher than three years ago and are still rising.

At its meeting in August, the Bank of England Monetary Policy Committee agreed to cut the base rate to 5.00%, but in doing so stated that we should not expect regular or significant further reductions in the coming months, with CPI forecast to increase to 2.75% this autumn before reducing back down to 2% in the New Year.

The Council's challenging financial position is largely driven by financial pressures in Children and Young People's Budgets. The forecast position as at 30 June 2024, indicates a net service grouping cash limit overspend of £5.798 million this year. The majority of the overspend relates to Children and Young People's Services where there is a forecast cash limit overspend of £7.609 million forecast related to Children Looked After placement costs and associated expenditure.

Children and Young People's Services do not have a cash limit reserve to offset this overspend so, as in previous years, this overspend will need to be financed from the General Reserve at year end and these costs are considered to be recurrent and have therefore needed to be factored into the MTFP(15) budget planning assumptions.

The Local Government Employers 2024/25 pay award offer for ‘Green Book’ employees, which covers the vast majority of the Council’s workforce, is a flat £1,290 uplift on all NJC pay points 2 to 43 inclusive. Whilst this is not yet agreed and is being challenged by Trade Unions, the offer is broadly in line with 4% uplift in budgeted costs in 2024/25. Should the offer be revised, and the pay award settled at a higher level, then any impact on the 2024/25 budget and MTFP(15) forecasts will be set out in future reports. Every 1% of pay award adds circa £2.9 million into the councils cost base.

The Chief Officer Pay award has however been agreed at 2.5%, which is in line with 2024/25 budget assumptions for this cohort.

As in previous years, the reduced income impact of temporary closures whilst refurbishment works are undertaken as part of the Leisure Transformation Programme have been treated as outside of the Regeneration Service cash limit budget and charged into Corporate Contingencies. The 2024/25 reduced income is forecast as £0.500 million.

The growth in the use of temporary accommodation has continued into 2024/25. The Housing Benefit Subsidy Grant reclaimed from the Department for Works and Pensions, on whose behalf the Council administers Housing Benefit, does not fully cover the costs of the Council providing temporary and supported accommodation to people in need of this support. Demand for this service has increased significantly in recent years. Whilst the 2024/25 budget included a £2.6 million budget increase to reflect these costs, the 2024/25 year-end forecast highlights a further net budget pressure of circa £0.900 million which will be funded corporately as outside of the service cash limit. There are no further budget adjustments factored into the MTFP(15) forecasts at this stage.

Energy prices are continuing to fall. The 2024/25 budget factored in an expected reduction in energy prices, however as the 2023/24 final outturn highlighted, prices have fallen slightly further and more quickly than previously estimated. Energy costs are presently forecast to be lower than budget (net of Joint Stocks Power Generation income shortfall) by £1.345 million in the current year. Energy costs will continue to be monitored closely in conjunction with NEPO colleagues with any impact on MTFP (15) taken into consideration.

Water costs are expected to increase by an average of 11% in 2024/25, with forecasts highlighting a cost increase of circa £0.110 million. This has been managed within cash limit budgets at this stage, however this will need to be closely monitored throughout the year and any impact on the MTFP carefully considered.

The increasing demand for statutory Education, Health and Care Plan Assessments over recent years has resulted in insufficient capacity within the council's Educational Psychology Service and the wider Early Help Team to support the volume of assessments coming through. In September 2023, a short-term contract for locum support was agreed to enable a better response to current demand within timescales whilst further work in the associated action plan and the delivery of the Delivering Better Value Programme with DfE funding is undertaken. A forecast £0.960 million has been funded corporately to support this, with the MTFP(15) forecasts including provision for permanent budget growth in this area.

Having excluded the CYPS position, the other services' cash limit budgets are forecasting a net underspend of £1.811 million, with Adult and Health Services, Resources and the Chief Executives Office underspending by a combined £2.988 million, offset by forecast overspending in Neighbourhoods and Climate Change and Regeneration, Economy and Growth of £1.177 million.

It is forecast that the overall corporate position will be a net overspend of £4.135 million. This is after application of the budgets available in general contingencies, along with forecast underspends in corporate costs and in capital financing budgets following a managed approach to borrowing.

The combined forecast cash limit and corporate net forecast position therefore indicates a £2.324 million overspend for 2024/25 – consisting of a £4.135 million corporate overspend (including the CYPS cash limit overspend) less a £1.811 million services cash-limit underspend (excluding the CYPS cash limit overspend).

The council's current reserves policy aims to maintain General Reserve balance of between 5% and 7.5% of the net budget requirement in the medium term, which equates to a range of between £28.2 million and £42.4 million in 2024/25. The opening General Reserves balance was £32.061 million (5.68% of the 2024/25 net budget requirement).

The quarter one forecasts would result in the General Reserve position reducing by £4.135 million to £27.926 million, which is below the minimum threshold. A transfer from the MTFP Support Reserve of £0.317 million would therefore be required to replenish to minimum requirement levels should these forecasts materialise.

Total earmarked and cash limit reserves (excluding school reserves) are forecast to continue to reduce. Earmarked reserves are being expended in line with their expected use, with a forecast reduction in overall reserves of £13.378 million in 2024/25, from £176.307 million to £162.929 million. £3.720 million of the reduction in reserves relates to the use of the MTFP Support Reserve in year to balance the 2024/25 budget.

The forecast reserves position, including the General Reserve, is still considered to be adequate and prudent given the financial commitments we have, and the uncertainties facing the council and the whole of local government beyond 2024/25.

The MTFP(14) 2024/25 to 2027/28 and Revenue and Capital Budget Report to Council on 28 February 2024 highlighted the ongoing budget concerns for the council with a forecast savings requirement of £37.833 million over the 2024/25 to 2027/28 period (following the £16.360 million savings already identified during the process). However, the savings gap highlighted in the MTFP(15) report to Cabinet shows an increase in the savings shortfall to £64.130 million for the period 2025/26 to 2028/29, which will need to be addressed.

The quarter one forecast position for all current maintained schools shows a forecast net use of reserves of £5.458 million in year - £1.009 million more than the budgeted position. The forecast net retained maintained schools' balances at 31 March 2025 is £20.735 million.

The forecast position for Dedicated Schools Grant centrally retained block shows a £7.873 million overspend in relation to High Needs Block due to the significant gap between high needs funding levels and high needs financial pressures as demand continues to increase, increasing the cumulative forecast retained deficit to £16.560 million at 31 March 2025. Cabinet should note this unfunded deficit is impacting on the level of investment interest income earned due to the cash-flowing of this deficit.

The updated projected capital outturn this year is £363.260 million, with the capital budget having been augmented with reprofiled budget from underspending against the 2023/24 capital programme, new spending commitments and funding in-year since the budget was agreed, including allocations from capital contingencies and reprofiling proposals set out in the report to defer capital expenditure to future years where necessary.

Performance against the various treasury management and prudential indicators agreed by County Council in February 2024 are set out in the report and shows that the council continues to operate within the boundaries agreed.

The forecast outturn for the Council Tax Collection Fund shows an in-year surplus of £0.121 million, and a cumulative surplus of £0.957 million to 31 March 2025. Durham County Council's share of this forecast net surplus is £0.806 million.

The forecast outturn for the Business Rates Collection Fund is an in-year surplus of £2.513 million, and a cumulative surplus of £2.439 million to 31 March 2025 once the deficit brought forward from last year is taken into account. Durham County Council's share (49%) of this forecast surplus is £1.195 million.

As at 30 June 2024 the council has delivered savings totalling £5.736 million, which is 71% of the £8.083 million savings target for the year, with circa £1 million of the savings (12.5%) forecast not to be achieved in year due to delays in delivering some of the proposals agreed by Council.

Decision

The Cabinet:

(a) noted the council's overall forecast financial position for 2024/25 and the continuing significant inflationary and demand led cost pressures – particularly in Children's Social Care and in temporary accommodation budgets;

(b) agreed the proposed 'sums outside the cash limit' and transfers to and from general contingencies as set out in the report;

(c) agreed the revenue and capital budget adjustments outlined in the report;

(d) noted performance against the various prudential indicators agreed by Council in February 2024;

(e) noted the forecast use of earmarked reserves in year;

(f) noted the forecast 2024/25 net cash limit overspend of £5.798 million including the CYPS overspend of £7.609 million (£1.811 million underspend excluding CYPS) and the forecast cash limit reserves of £10.887 million;

(g) noted the forecast General Fund overspend of £4.135 million resulting in a forecast overall net council overspend in 2024/25 of £2.324 million (£4.135 million less a £1.811 million services cash-limit underspend);

(h) noted the forecast General Reserve position at 31 March 2025 (c£27.926 million) and the requirement to utilise £0.317 million of MTFP reserve to replenish the General Reserves in line with the council's policy of ensuring this reserve is 5% of the net revenue budget (i.e. a minimum requirement of £28.243 million);

(i) noted the net unavoidable demand-led and inflationary pressures which are forecast to be managed from the General Reserve;

(j) noted the Dedicated Schools Grant and Schools forecast outturn position;

(k) noted the position on the Collection Funds in respect of Council Tax and Business Rates; and

(l) noted the amount of savings delivered to 30 June 2024 against the 2024/25 targets and the total savings that will have been delivered since 2011.

Health and Wellbeing Board Annual Report 2023/2024

Summary

The Cabinet considered a joint report of the Interim Corporate Director of Adult and Health Services and Director of Public Health that presented the Health and Wellbeing Board (HWB) Annual Report 2023/24 for endorsement.

During 2023/24 the HWB has supported and led a range of work which has impacted positively on the strategic priorities in the Joint Local Health and Wellbeing Strategy 2023-28 (JLHWS).

The priorities, based on evidence from the Joint Strategic Needs and Assets Assessment (JSNAA), inform partners planning, policy, and commissioning decisions, which enable us to continue to improve health and wellbeing services to all sections of the population countywide.

One year on from publishing our new JLHWS, the Annual Report looks at how we are progressing against the four focused priorities of:

(a) Making smoking history
(b) Enabling healthy weight for all
(c) Improving mental health, resilience, and wellbeing,
(d) Reducing alcohol harms

It identifies progress, challenges, and next steps to ensure we are delivering in these key areas.

The HWB work programme has been reviewed to ensure focused discussion and development time is given annually to each of the four priorities.

Sustainable health improvement takes time and as expected there are no significant changes in the trends at the one-year point. The report looks to illustrate actions and impacts in the intended direction of travel.

Over the coming year, the HWB will continue to monitor progress against the four priorities and prioritise resources to have the maximum impact. Amongst its statutory responsibilities the HWB will publish a new Pharmaceutical Needs Assessment 2025-2028 to support health needs across the county.

The HWB will continue to support legislative change which would contribute to our vision that "*County Durham is a healthy place, where people live well for longer."* We will engage with the Combined Mayoral Authority to ensure opportunities used to improve any health outcomes.

Decision

The Cabinet:

(a) noted the work that has taken place in 2023/24 by the Health and Wellbeing Board;

(b) endorsed the Health and Wellbeing Board Annual Report 2023/24.

Adult Social Care Update

Summary

The Cabinet considered the report of the Interim Corporate Director of Adult and Health Services that provided an update on developments in Adult Social Care; including the Care Quality Commission (CQC) assessment of Adult Social Care in County Durham, a new service delivery model for Adult Mental Health Services, Unpaid Carers Service in relation to hospital discharge, and the Breakthrough Service.

To update on developments in relation to health and social care integration, particularly the advances made through the County Durham Care Partnership (CDCP) on the Transfer of Care Hub (ToCH), the Therapies Project and extended work on the Children and Young People's Integrated Services.

On 14 September 2022 Cabinet noted the potential changes to health and care integration set out in the Health and Care act 2022 and the Integration White Paper (February 2022). Cabinet agreed that the preferred option for future health and social care integration would be a Joint Committee co-produced with the North East and North Cumbria Integrated Care Board (ICB). Cabinet also noted that detailed discussions were needed with partners and Government guidance may be published which would have an impact on the preferred option. The report gives an update on the discussions with partners, the impact of Government guidance and the likelihood of the preferred option to deliver significantly better outcomes.

CQC assessment of Adult Social Care
The CQC rated Adult Social Care in County Durham as ‘Good’ following publication on the 16 August 2024. A report outlining the assessment findings, and an improvement action plan will be presented to Cabinet on 16 October 2024.

Adult Mental Health Service Delivery Model
In January 2024, the Integrated Adult Mental Health Teams were restructured with the aim of improving service user pathways, response times and strengthening core social care functions. The reconfiguration created five Social Work Hubs which continue to provide coterminosity with the wider mental health service.

Unpaid Carers – Hospital Discharge Support
The aim of the Unpaid Carers – Hospital Discharge Support Service is to prevent carer breakdown and reduce re-admissions into hospital by providing support to carers at an early stage of the ‘cared for person’ being admitted to hospital.

Breakthrough Service
The aim of the Breakthrough Service is to support people who self-neglect and exhibit hoarding behaviours. The service is provided through County Durham Care and Support and offers a therapeutic focus which is person centred and utilises trauma informed care approaches.

Transfer of Care Hub
A Transfer of Care Hub (ToCH) is currently in development. This is a local health and social care system-level approach to coordinating care across sectors to facilitate complex hospital discharges from County Durham, and Darlington NHS Foundation Trust (CDDFT) hospitals.

Therapies Project
The aim of the Therapies Project was ‘to co-design and co-produce an integrated service response by Occupational Therapists (OT’s) from Durham County Council and those employed by CDDFT. The project has reduced duplication and helped to mitigate against unnecessary delays to ultimately benefit service users.

Children & Young People’s Integrated Services
The scope of the County Durham Care Partnership (CDCP) has recently expanded to include Children and Young Peoples integration and is focussed on four main areas, Neurodiversity, Preparation for Adulthood Complex Needs (16-25 years), Obtaining more help/ Risk support and the Mental health support Pilot. Workplans and key milestones have been confirmed for all four areas of activity.

Health and Social Care Integration Developments

Joint Committee at Place for Health and Care
The work of the CDCP is progressed through a shared vision 'To bring together health, social care and voluntary organisations to achieve improved health and wellbeing for the people of County Durham.'

On 14 September 2022 Cabinet agreed that their preferred option for future health and care would be a Joint Committee co-produced with the ICB. However, Statutory Guidance (March 2024) limited the full participation of other key stakeholders such as the voluntary and community sector (VCS) and the scope of financial delegation to a Joint Committee.

Chief officers have met to consider the limitations imposed by the Statutory Guidance and discussions have focussed upon the most appropriate option which would improve health and care outcomes for the people of County Durham. The preferred option would be the continuing development of the CDCP in conjunction with the ICB and other partners.

Decision

The Cabinet:

(a) noted the outcome of the CQC Assessment report which, with a service improvement action plan, will be presented to Cabinet on 16 October 2024;

(b) noted progress on the developments across Adult Social Care;

(c) noted the continued commitment of partners to further health and care integration through the County Durham Care Partnership (CDCP);

(d) noted the impact of the Statutory Guidance (March 2024) on the likelihood of the previously preferred option of a Joint Committee to deliver significantly better outcomes for the residents of County Durham;

(e) agreed that the Council should continue to promote and participate in health and care integration through the CDCP but the option of a Joint committee should not be pursued in the current circumstances;

(f) noted that if there are changes to Statutory Guidance or ICB proposed delegations to place based arrangements further reports will be made to Cabinet;

(g) noted the developments in relation to health and social care integration to improve outcomes for the people of County Durham;

(h) noted the extension of the integration programme to include Children and Young People's Service;

(i) receive future updates on Adult Social Care and progress on health and social care integration.

Review of Removal of Temporary Free After 2pm Parking concession

Summary

The Cabinet considered a report of the Corporate Director of Regeneration, Economy and Growth that asked Cabinet to review the removal of Free After 2pm in council owned car parks as agreed by County Council on 24 January 2024 and to consider the impact in regard of the removal of Free After 2pm.

In response to the coronavirus pandemic in 2020, the council introduced a temporary suspension of parking charges from 2pm in all of our pay and display parking areas as a stimulus to support the economic recovery from the global pandemic.

Free parking after 2pm for town centres across County Durham was introduced on 1 April 2021 where a suspension of charges would initially apply until 31 December 2021 with an option to continue the suspension to 31 March 2022 if required.

Cabinet further extended this suspension period, however parking charges were subsequently reinstated on street in Durham City on 1 April 2023.

The temporary initiative for off-street car parks continued for a further period and was to be considered by Cabinet as part of a wider Parking Strategy proposal. Removal of the temporary 'Free After 2pm' in off street car parks was agreed by Cabinet in October 2023 with charges re-instated on 1 January 2024.

At County Council on Wednesday 14 January 2024, Cabinet accepted a motion to reconsider the decision to end Free Parking After 2pm.

The impact of the temporary Free After 2pm initiative and its removal have now been assessed and the decision reconsidered based on the evidence available for the following areas:

a) Original cabinet decision on 17th March 2020;
b) Governments removal of all COVID measures from 24th Feb 2022;
c) Free after 2pm period extended beyond original agreement;
d) Principles relating to parking management;
e) Road Traffic Regulation Act 1984, Section 55;
f) Our Parking Strategy;
g) Declared Climate Emergency;
h) Air Quality Management Area;
i) Complaints received;
j) Footfall data;
k) Car park and Park and Ride usage data;
l) Neighbouring authorities; and the
m) Medium Term Financial Plan

Decision

The Cabinet:

(a) noted the outcome of the review of the decision to end Free Parking After 2pm.

(b) endorsed the decision taken by Cabinet in October 2023 that parking charges after 2pm be reintroduced with effect from 1 January 2024.

Public Space Protection Order (PSPO) to control instances of Anti-Social Behaviour in Durham City

Summary

The Cabinet considered a report of the Corporate Director of Neighbourhoods and Climate Change that provided the outcome of the consultation exercise which was carried out in relation to a potentially new Public Space Protection Order (PSPO) for begging, urinating, and defecating in public and the use of psychoactive substances in Durham City and make recommendation to Cabinet in respect of the introduction of a PSPO in Durham City.

A PSPO can be an effective tool to tackle anti-social type behaviour in areas where it has been evidenced that there is a persistent and ongoing problem that is having an adverse impact on residents, businesses, and visitors.

Introducing a PSPO for specific activities does not guarantee that the problem will be completely eradicated and should only be used along with a range of other intervention methods including education and, consideration should also be given to the resources to enforce such an order however, some types of activities can generate negative reputational concerns for both the local authority and the local areas where the PSPOs are proposed/in force.

The outcome of the consultation exercise on begging, urinating and defecating in public and the use of psychoactive substances has produced some strong results with those responders considering that the measures are necessary, and the activities considered are causing significant ongoing and persistent concern.

Consideration has been given to each relevant activity and the evidence available from crime and anti-social behaviour data as well as the consultation feedback as outlined in paras 51-55 within the report. Following further legal advice, it has been determined that there is sufficient evidence to satisfy on reasonable grounds, the conditions for making a PSPO.

Should Cabinet agree to introduce a PSPO for Durham City, it is proposed that the amount of the fixed penalty would be set at the maximum level of £100 without any reductions for early repayment.

Decision

The Cabinet:

(a) noted the contents of the report that there is sufficient evidence to warrant a PSPO for begging, urinating, and defecating in public and the use of psychoactive substances;

(b) agreed to introduce a PSPO to control the activities listed in the report; and

(c) agreed that the fixed penalty amount is set at the maximum of £100.

Helen Bradley
Director of Legal & Democratic Services
20 September 2024