



RECORD OF EXECUTIVE DECISIONS

The following is a record of the decisions taken at the meeting of **CABINET** held on **Wednesday 4 December 2024**. The decisions will come into force and may be implemented from **Monday 16 December 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 **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, including updated financial planning assumptions, some of which reflected announcements made in the Chancellor of the Exchequer's Autumn Budget Statement, presented to the House of Commons on 30 October 2024.

The report included details of further additional savings proposals that could be considered to help balance the budget next year and beyond, in addition to the savings which were approved on 28 February 2024 as part of MTFP (14) and cut across this MTFP planning period. These additional proposed savings would be subject to a second phase of budget consultation, running from Friday 6 December 2024 to Friday 17 January 2025. The second consultation will build on the phase one budget consultation which closed on Friday 1 November 2024, the outcomes of which were outlined in the report. The Council has operated in a period of significant financial uncertainty for many years. The 2024/25 budget was approved on 28 February 2024, and the budget identified several continued challenges relating to high levels of inflation during 2022/23 and 2023/24, and a rapid / sustained increase in demand for statutory (social care) service provision in recent years. On 18 September 2024 Cabinet considered a report which set out the scale of the financial challenge facing the Council as part of its fifteenth Medium Term Financial Strategy, covering the period 2025/26 to 2028/29 – known as MTFP (15).

That report noted that the financial planning position for the Council remained very challenging over the next four financial years, with a significant budget deficit / savings requirement of £64.130 million forecast - £21.720 million of which was forecast to fall into 2025/26.

It was identified that the deficit would not be addressed unless additional funding was forthcoming or further extensive savings could be found to reduce the Council's cost base, The report highlighted that a comprehensive Transformational Change Programme to address the medium-term financial challenges would be required.

The financial forecasts presented to Cabinet on 18 September 2024 assumed annual 2.99% increases in the Council's Core Council Tax charges every year across the MTFP (15) planning period and assuming the savings proposals agreed in February 2024 for the period between 2025/26 to 2027/28 were all delivered. The overall position in September 2024 was set out in the report which compared the updated forecasts at that time to the position that was set out in February 2024 when the 2024/25 budget and MTFP (14) forecasts were approved.

Since the September report was considered, the MTFP (15) forecasts have needed to be updated. Several of the specific assumptions made when the previous forecasts were prepared, including assumed incremental changes in forecast government funding, council tax and business rate income, as well as updated assumptions on base budget pressures that need to be addressed and catered for in our MTFP planning across the next four financial years have changed. The updated forecasts have also been informed by the new Government's Autumn Budget Statement, which was presented to the House of Commons on 30 October 2024.

Whilst the Autumn Budget Statement provided an indication of some additional funding for local government, the method by which some of this funding will be distributed remains uncertain and will not be known in more detail until the Local Government Finance Settlement is announced on 19 December 2024. The Government subsequently indicated that local authorities will be able to raise council tax by 5%, however this is to be confirmed, when the Local Government Finance Settlement is published.

The updated MTFP (15) forecasts set out in the report reflected amendments in relation to:

- (a) Additional social care grant which has been allocated to local government as part of the Autumn Budget Statement (£7 million), which is however dwarfed by the significant unavoidable additional costs the council will face in both adult and children's social care next year (£28.282 million).

- (b) An improved Council Tax Base position, which was set out in the report to Cabinet on 13 November and which reflects increases in house building across the county, changes to the charging arrangements for properties which are termed as long-term empty, and a number of properties being brought back into Council Tax following changes to holiday let and AirBnB arrangements (£2.8 million of additional council tax revenues).
- (c) Updated assumptions on the consumer prices index (reflecting the drop to 1.7% as per the September 2024 CPI announcement) – which reduces some cost lines of the Council in 2025/26, but also reduces the assumed inflationary increases for uplifts relating to Business Rates supplementary grant funding (reduction in Government grant uplift of £1.312 million). It is worth noting that the October 2024 CPI rate increased back up to 2.3% from the 1.7% rate reported in September 2024, which is now in excess of the bank of England’s targeted level of inflation. The assumed inflation rates for later years have been uplifted by more than the rates assumed on 18 September, to reflect forecasts set out by the Office of Budgetary Responsibility as part of the Autumn Budget Statement (increase in Government grant uplifts of £3.140 million).
- (d) Uplifted assumptions for the 2025/26 and 2026/27 Local Government pay award, considering the National Living Wage rate from 1 April 2025 announced on 30 October 2024 which will undoubtedly influence the level at which the 2025/26 local government pay award is settled. The 6.7% increase in the National Living Wage (NLW) from 1 April 2025 will result in an increase in the NLW to £12.21 per hour, was higher than the 5% increase assumed in our MTFP planning.
- (e) Increased Employer National Insurance costs because of the Chancellor increasing the employer rate of Employer National Insurance contributions from 13.8% to 15%, and more significantly, reducing the financial threshold at which point an employer pays national insurance on behalf of their employee from £9,100 per annum to £5,000 per annum. The Government have indicated that local government and the wider public sector will be fully compensated for these rising national insurance costs on their direct employment costs (estimated at c£6 million for the Council), but the quantum of funding, its source and its basis of allocation remain uncertain – the updated MTFP(15) forecasts have assumed this is cost neutral at this stage.

- (f) Increases in costs of adult social care, which are directly influenced by the higher-than-expected increase in National Living Wage rate announced on 30 October 2024 and which also needed to be updated to reflect the increased employer national insurance costs the sector will face next year which they will seek to pass onto the Council. The NLW and the Employers National Insurance changes will have a direct inflationary impact on the rates of fees charged by adult social care providers next year and beyond and have resulted in significant increases in these unavoidable forecast cost pressures across the MTFP (15) planning period (updated estimates are £5.423 million higher than forecast in September).
- (g) Increases in the budgetary growth provision made for Home to School Transport across the four-year period reflecting a more detailed analysis of the causal demand pressures and underlying drivers of these costs and the impact of NLW and Employer's National Insurance changes on these budgets (£1.591 million higher next year and £3.816 million across the four-year period).
- (h) A new and additional budget allocation of £0.680 million – building on the £2.6 million factored into the 2024/25 budget – to reflect continuing rising financial challenges relating to the Housing Benefit Subsidy loss, which is driven by an increased demand for temporary and supported accommodation, which is driven in part by the rise in unregistered housing providers across the county.
- (i) A reprofiling and change to assumptions regarding the strategically important waste management budget – including consideration of the timing of new legislation been introduced, how this will be funded and the timing of when the new Teesside Waste Facility will be coming online (£3 million budget pressure in 2026/27 reprofiled to 2028/29).
- (j) Revised assumptions around the timing and the costs of required new borrowing, and the resultant additional capital financing budgets required to service the Council's growing Capital Financing Requirement (£3.5 million of capital financing budget reprofiled from 2026/27 to 2025/26); and
- (k) Assumed savings from energy (gas and electricity contracts) following a settling in the energy markets during 2024/25, which is expected to continue into 2025/26 (£2 million budget reduction applied in 2025/26).

A significant budget pressure facing the Council relates to the increased placement costs in Looked After Children's budget, which are significantly overspending in 2024/25 and require additional budgetary growth of £23.857 million across the Medium-Term Financial Strategy. This report does not amend the growth assumptions set out in the 18 September 2024 Cabinet Report at this stage. The forecasts have been assessed in more detail as part of a detailed diagnostic exercise undertaken by Newton Europe who are specialists in analysing high-risk local authority budgets and this report outlines some of the broad findings of that review and the next steps in terms of developing an updated LAC Sufficiency and Commissioning Strategy to help manage these budgets. There is a risk however that these financial assumptions may need to be revised upwards before the budget is finalised.

Factoring in the various updated assumptions, the known outcomes of the Autumn Budget Statement and before consideration of the new savings proposals that have been developed, updated MTFP (15) Budget Deficit / Savings Requirement, has worsened when compared to the forecasts that were set out in the September report. These escalating challenges were driven by continuing inflationary and demand pressures and significant uncertainty in terms of future financial settlements for local government and how available funding will be shared between local authorities.

The Autumn Budget Statement indicated that local government will be allocated a one-year financial settlement in 2025/26, with a Comprehensive Spending Review to be undertaken in 2025/26 to inform a multi-year settlement from 2026/27. There were several announcements made on 30 October, where the finer details of will not be confirmed until 19 December 2024, late in the Budget-Setting process.

There remains some uncertainty about the flexibilities and parameters within which local authorities will be able to raise council tax in 2025/26 – although the Government have subsequently indicated that councils will be permitted to raise Council Tax by 5% (potentially to include a 2% Adult Social Care precept to be applied next year at least). Whilst many other authorities are factoring that into the budget planning assumptions already, the updated MTFP (15) forecasts set out in this report do not at this stage. There will be a need to update the MTFP (15) forecasts following publication of the draft Local Government Finance settlement on 19 December, when, amongst other things, the council tax raising powers will be clarified.

There was confirmation in the Autumn Budget Statement that there are plans to reform local authority funding (especially the distribution methodology), during 2025, for implementation in 2026-27 – to ensure funding allocations reflects an up-to-date assessment of need and local tax-bases.

This will coincide with the Government undertaking a Comprehensive Spending Review in 2025. This Council has been calling for these changes for many years to address the inequities and unfairness in the current system.

Ministers are also considering making distributional changes in funding for 2025-26 as well: “starting with a targeted approach to allocating additional funding in 2025-26, ahead of a broader redistribution of funding through a multi-year settlement from 2026-27”. It is not clear at this stage to what extent the Council’s funding position would change as a result and therefore no amendments have been made to MTFP (15) assumptions for 2025/26 or for years 2-4 at this stage. More details will be provided in the provisional local government finance settlement on 19 December 2024, and this will be factored into a further report to Cabinet in January 2025.

Whilst the commitment to review how local government funding is allocated is to be welcomed, any fundamental changes may be heavily dampened and smoothed in over several years. This would protect the Council should it see a net reduction in the quantum of funding (unlikely given its levels of need and low tax base / tax raising capacity); however, it would also delay the receipt of a required increase in funding should it be a net gainer from any funding formula changes.

The aspirational timescales to successfully amend national funding formulae from 2026/27 will also be quite challenging for the Government and may be conditional on wider structural reform of local authorities in England (e.g. a removal of two-tier government and a move towards unitary structures across the country which would be a longer lead-in time to implement).

There remains some uncertainty about specific ring-fenced funding pots associated with adult social care – including Better Care Fund, Public Health Grant, Adult Discharge Grant and the Market Sustainability Improvement Fund. These grants could be top-sliced or discontinued to fund the additional social care funding announced in the Autumn Statement.

As the Local Government Finance Settlement will not be received until just before Christmas, once again, local authorities are having to make budget planning arrangements without detailed information on the allocation of local government funding. This is not conducive to good financial planning and will only be resolved once the sectors are provided with the certainty it needs through a multi-year settlement.

Savings are forecast to be required in all years of MTFP (15) as unavoidable budget pressures outstrip the funding the Council is forecasting it will receive from Government and its ability to generate additional income from business rates and council tax.

The updated forecasts set out in the report continue to assume the Council will increase Council Tax by 2.99% each year. Should the Government allow local authorities increased flexibility to raise council tax by 5%, the strong advice from the Section 151 Officer will be that Council Tax is increased by the maximum permitted in order to help balance the council's budget, protect front line service delivery and avoid an over-reliance on reserves.

The delivery of an additional £69.788 million of budget savings over the next four years will be extremely challenging and will require a fundamental rethink and significant transformational change to deliver. Changes of this magnitude will require careful planning to deliver and would result in several services currently delivered by the council having to be discontinued, delivered differently and significantly reduced.

The emphasis since 2011/12 has been to minimise savings from front line services by protecting them wherever possible whilst maximising savings in management and support functions and by targeting increased income from charging. This is now much more challenging, the scope for further savings in managerial and back-office efficiencies is reaching its limits following the delivery of £270 million of savings up to 31 March 2025.

The total savings required at this stage for 2025/26 to balance the budget amounts to £25.615 million. This is £3.895 million higher than the position previously forecast and presented to Cabinet in September.

There are £3.389 million of savings approved as part of MTFP (14) that can be delivered in 2025/26, with the savings previously agreed having been reprofiled (and brought forward) in relation to changing the way the Council will deliver its Customer Access Points from October 2025. A further £3.184 million of MTFP (14) savings are planned for 2026/27, followed by £0.754 million of MTFP (14) savings in 2027/28.

The updated schedule of previously agreed (in February 2024) MTFP savings was set out at Appendix 2. In terms of the previously agreed savings, CYPS have identified options to replace savings relating to accommodation and fees and charges (previously agreed in February 2024) with enhanced savings relating to the gradual reduction in historic further education pension fund liabilities. The previously agreed savings have also been adjusted to reflect the policy decisions now taken on Home to School Transport provision, which are now factored into the net budget growth figures included in the updated MTFP (15) forecasts.

Officers have worked with Cabinet members to develop new savings proposals to help balance the budget and MTFP (15) position. The new savings proposals that have been developed total £15.836 million and are profiled across the four years, though the majority relates to 2025/26.

Despite these proposed savings there remains a significant budget gap in 2025/26 and across the entire four-year MTFP (15) time-period. These new savings were itemised in Appendix 3 of the report.

If all the additional savings of £15.836 million are agreed at Full Council on 19 February 2025, the forecast budget deficit (savings) shortfall would be reduced to £10.961 million in 2025/26 and across the four-year the savings gap would be £53.952 million across the full four-year period.

Of particular concern would be the position in 2026/27 if the £10.961 million gap is funded from reserves – this would result in a budget deficit / savings requirement of £29.206 million that year.

The forecasts set out in the report could change once there is more clarity on the detailed allocations of funding to the Council following the publication of the draft Local Government Finance Settlement on 19 December 2024. The funding gap would also be reduced if the Council increases Council Tax by more than the 2.99% per annum increases currently assumed. The savings gap could also increase as the full financial impact of the increases in NLW and increases in national insurance costs are worked through and reflected on in terms of price inflation that will need to be factored into the budget next year. If nothing changes, then the Council will need to utilise a further £10.961 million of its MTFP Support Reserve to balance the budget next year.

The MTFP (15) forecasts continue to assume that there will be a 2.99% council tax increases each year of the four-year MTFP (15) period. An additional £5.8 million of council tax revenue income would be generated should an additional 2% adult social care precept be applied next year. If applied, this would not fully offset the unavoidable budget pressures the Council will face in adult social care budgets, which is the largest revenue budgets held by the Council. The budget pressures faced in adult social care are being largely driven by the 6.7% rise in the National Living Wage and the rise in the level of employer national insurance costs, which means the Council expects to pay an additional £14.6 million in adult social care costs in 2025/26 and £39.5 million across the entire four-year MTFP(15) planning period.

The updated MTFP (15) financial forecasts were attached to the report at Appendix 4 and the report contains an explanation of the underpinning financial planning assumptions that support these financial forecasts and various changes to the assumptions which have been made since the Cabinet report of 18 September 2024, which were summarised in Appendix 5.

The phase one consultation has been concluded. This considered the scale of the savings gap and gauged views on the saving proposals previously agreed and on the potential for any additional council tax raising powers. The outcome of this consultation was set out in Appendix 6.

Decision

The Cabinet:

- (a) noted the updated MTFP (15) forecasts and the requirement to identify additional savings of £69.788 million for the period 2025/26 to 2028/29 (and summarised in Appendix 4 and 5).
- (b) noted that the MTFP(15) forecasts will be updated further following the publication of the local government funding allocations on 19 December 2024, any updates which will need to be made to inflationary pressures arising from rising National Living Wage and employer National Insurance cost increases and once greater clarity is received on council tax raising powers – with a further report to be presented to Cabinet in January 2025.
- (c) noted the revised profile and reduced quantum of the savings previously agreed as part of MTFP (14) as set out at Appendix 2.
- (d) noted that at this stage a budget shortfall of £25.615 million exists for 2025/26.
- (e) noted that £15.836 million of additional savings have been identified as part of this report, with £14.654 million identified for 2025/26 resulting in a remaining forecast budget shortfall of £10.960 million next year.
- (f) noted the outcome of the phase one budget consultation as set out at Appendix 6; and
- (g) agreed that new additional savings proposals, itemised in Appendix 3, to assist with balancing the 2025/26 budget and MTFP (15) position are consulted on, whilst acknowledging that these savings proposals fall short of balancing the budget next year and the overall MTFP (15) position.

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

Summary

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

- (a) the forecast revenue and capital outturn for 2024/25, based on the position to 30 September 2024;
- (b) an update on the dedicated schools' grants and forecast schools' outturn as at 31 March 2025, based upon the position to 30 September 2024;
- (c) the forecast for the council tax and business rates collection fund outturn at 31 March 2025, based on the position to 30 September 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 Government has committed to providing multi-year settlements for local government from 2026/27, to provide greater certainty however, 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 the commitment given to providing three-year settlements and Comprehensive Spending Reviews occurring biannually thereafter. At this stage it remains assumed that the local government finance settlement for 2025/26 will be a 'roll over' settlement. The Budget / Autumn Statement took place on 30 October 2024, when the Government's spending and taxation plans were published.

The Council's inherent low tax raising capacity due to the 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 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 September 2024 fell to 1.7%, down from the position in August 2024 when it was 2.2% but increased to 2.3% in the twelve months to October 2024. Whilst CPI is back to slightly above the Government's target level, it is significantly lower than the peak in October 2022 (where CPI was 11.1%), prices and the cost pressures the Council face in delivering services and the size of the capital programme are still significantly higher than three years ago and are still rising. There also remains some uncertainty regarding the direction of inflation over the longer term, which is in part compounded by rising global uncertainty due to the conflict in the Middle East and Ukraine. In November, the Bank of England Monetary Policy Committee cut the base rate by 0.25% points to 4.75%, partly as a response to the reduction in CPI for the twelve months to September 2024.

The Council's challenging financial position is largely driven by financial pressures in Children and Young People's Budgets. The updated forecast position as at 30 September 2024, indicates a consolidated net service grouping cash limit overspend of £7.441 million this year. The position at quarter one, presented to Cabinet in September was a net cash limit overspend of £5.798 million. The majority of the overspend relates to Children and Young People's Services where there is a forecast cash limit overspend of £9.517 million forecast related to Children Looked After placement costs and associated expenditure (a 4.8% overspend compared to the overall revised budget of the Directorate) – the position at quarter one for Children and Young People's Services was a forecast cash limit overspend of £7.609 million.

The Children and Young People's Services do not have a Cash Limit Reserve to offset the £9.517 million 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, was a flat £1,290 uplift on all NJC pay points 2 to 43. This was agreed by unions on 23 October 2024. The offer is broadly in line with 4% uplift in budgeted costs provided for in 2024/25. The Chief Officer Pay award has also been agreed at 2.5%, which is in line with 2024/25 budget assumptions for this cohort.

As in previous years, the reduced income arising from temporary closures whilst refurbishment works are undertaken as part of the Leisure Transformation Programme has been treated as outside of the Regeneration, Economy and Growth Service cash limit budget and charged against Corporate Contingencies. The 2024/25 reduced income is forecast as £0.459 million, slightly lower than the £0.500 million forecast at quarter one.

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 has been revised and now indicates a further net budget pressure of circa £0.683 million which will be funded corporately as outside of the service cash limit.

The updated forecast is lower than the quarter one forecast of a circa £0.932 million overspend. A further budget adjustment of £0.680 million has been 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, 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 and gas credit) by £1.956 million in the current year – this is £0.611 million more than the £1.345 million underspend forecast at quarter one. The welcome reduction in energy prices has been adjusted for in conjunction with NEPO colleagues, in the MTFP (15) position.

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 regulatory body communications continue to be closely monitored. Given the improved position on energy costs, a budget uplift of £0.110 million for water costs has been factored into the latest MTFP (15) position.

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 from 2025/26.

Having excluded the CYPs position, the other services' cash limit budgets are forecasting a net underspend of £2.076 million – which is slightly higher than the £1.811 million forecast at quarter one, with Adult and Health Services, Resources and the Chief Executives Office underspending by a combined £3.136 million (£0.148 million higher than quarter one), offset by forecast overspending in Neighbourhoods and Climate Change and Regeneration, Economy and Growth of £1.060 million (£0.117 million lower than quarter one).

It is forecast that the overall corporate position will be a net overspend of £5.334 million – an increase of £1.199 million compared to the quarter one forecast. 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 £3.258 million overspend for 2024/25 – consisting of a £5.334 million corporate overspend (including the CYPs cash limit overspend) less a £2.076 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 two forecasts would result in the General Reserve position reducing by £5.334 million to £26.727 million, which is below the minimum threshold. A transfer from the MTFP Support Reserve of £1.516 million would therefore be required to replenish to minimum requirement levels should these forecasts materialise - £1.199 million more than what was forecast at quarter one.

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 £12.888 million in 2024/25, from £176.307 million to £163.419 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 updated forecasts of the reduction in earmarked and cash limit reserves are £0.490 million less than what was forecast at quarter one.

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

The savings' gap highlighted in the MTFP (15) report to Cabinet on 4 December 2024 showed an increase in the savings shortfall to £69.788 million for the period 2025/26 to 2028/29, which will be partly offset by the implementation of proposed savings options of £15.836 million. However, a remaining shortfall of £53.952 million will remain, which will need to be addressed through options such as raising council tax by more than the assumed 2.99%, further transformational change driving savings and from additional funding arising from the Government's commitment to reform local government funding allocations.

The quarter two forecast position for all current maintained schools shows a forecast net use of reserves of £2.894 million in year - £1.611 million less than the budgeted position and an improvement on the quarter one forecasts where £5.458 million of reserves were forecast to be required. The forecast net retained maintained schools' balances at 31 March 2025 is £22.669 million - £1.934 million than was forecast at quarter one.

The forecast position for Dedicated Schools Grant centrally retained block shows a £11.572 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 £22.167 million at 31 March 2025. The updated forecasts show a significant deterioration in the position reported in September as part of the Quarter 1 forecasts, where the deficit was forecast to be £7.873 million in year. Cabinet were reminded that this unfunded and increasing 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 £348.657 million against a revised budget of £363.260 million approved by Cabinet at its 18 September 2024 meeting.

Performance against the various treasury management and prudential indicators agreed by County Council in February 2024 were set out in this report and showed that the Council continued to operate within the boundaries agreed.

The forecast outturn for the Council Tax Collection Fund shows an in-year surplus of £0.970 million, and a cumulative surplus of £1.806 million to 31 March 2025. Durham County Council's share of this forecast net surplus is £1.519 million.

The forecast outturn for the Business Rates Collection Fund is an in-year surplus of £3.568 million, and a cumulative surplus of £3.494 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 £1.713 million.

As at 30 September 2024 the Council has delivered savings totalling £6.033 million, representing 74.6% of the £8.083 million savings target for the year, with circa £1 million of the savings (13%) 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 Treasury Management 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 £7.441 million including the CYPS overspend of £9.517 million (£2.076 million underspend excluding CYPS) and the forecast cash limit reserves of £9.090 million;
- g) noted the forecast General Fund overspend of £5.334 million resulting in a forecast overall net council overspend in 2024/25 of £3.258 million (£5.334 million less a £2.076 million services cash-limit underspend);
- h) noted the forecast General Reserve position at 31 March 2025 (£26.727 million) and the requirement to utilise £1.516 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 September 2024 against the 2024/25 targets and the total savings that will have been delivered since 2011.

Social Housing Allocations Policy Review – Consultation on Key Issues

Summary

The Cabinet considered a report of the Corporate Director of Regeneration, Economy and Growth which set out the rationale for a review of the Council's social housing allocations policy. The report outlined the key issues and consultation questions set out in the allocations policy review issues paper and outlined the two-stage approach to public consultation and sought Cabinet's approval to commence an eight-week consultation on the first stage to commence in January 2025. The report noted the requirement for Cabinet approval for the draft policy, prior to the second stage of the consultation with adoption of an allocations policy, via delegated powers, following the second round of consultation.

In accordance with the Housing Act 1996, housing authorities must have a social housing allocations scheme regardless of whether they own housing stock. The allocations policy sets out the Council's eligibility, qualifying, and housing need criteria to ensure priority is fairly assigned and allocated to households in the greatest need. It also sets out how decisions are made on how social housing is allocated and how the Council assess applications to the housing register.

In County Durham, a choice based allocations scheme is in operation to allocate social housing to people on the housing register, as part of the Durham Key Options (DKO) partnership. The DKO Partnership is made up of Durham County Council and its four key housing partners. The wider partnership is also used to advertise and allocate other types of housing including low-cost home ownership and those in the private rented sector however this consultation is relevant only to how social housing is allocated via the allocations policy.

This housing allocation process must be clear, fair, and consistent, and prioritise applicants that are in the greatest need. Considering the current housing crisis and considerable sustained pressure on the supply of social housing, the DKO Partnership, which comprises of Durham County Council and its housing provider partners, believes that the allocations policy requires a comprehensive review and it's the Council's responsibility to lead on this review.

The proposed vision for the final allocations policy is to:

- (a) ensure that social housing across the county is allocated consistently and fairly to those in the greatest housing need in an open and transparent way.

The objectives of the allocations policy review are as follows:

- (a) work collaboratively and transparently with DKO partners and other stakeholders, including residents and users of the allocations scheme, to develop a joint allocations policy;
- (b) ensure that the policy complies with current legislative and regulatory expectations and considers the Code of Guidance issued by central government;
- (c) ensure that housing is allocated to those most in need;
- (d) help prevent homelessness and offer a realistic choice to those with a housing need; and
- (e) contribute to creating balanced and sustainable communities.

The outcome of the allocations policy review is that:

- (a) people in housing need will have access to social housing of the right type and in the right place to meet their needs.

The purpose of this first consultation document is to understand the view of the public and key stakeholders on several key issues related to how the allocations scheme works. The Council is seeking the views of registered provider partners; other housing professionals; members of the public and key stakeholders including current and former applicants on the housing register.

Consultation materials will be tailored according to the audience. In the consultation document, the Council will ask consultees if the vision, objectives, and outcomes for the review are correct and then a number of questions will be asked on six key issues that the partnership believes need addressing to achieve an up-to-date allocations policy.

In summary, the allocations policy review gives the Council and its partners an opportunity to consult on, and then later agree formally, to a new housing allocations policy that responds to the current housing crisis and policy changes at a local and national level.

Decision

The Cabinet:

- a) noted the content of this report and the allocations policy review issues paper detailed at Appendix 2 of the report;
- b) approved an eight-week public consultation between 15 January 2025 and 12 March 2025 on the allocations review issues paper as detailed at Appendix 2 of the report; and
- c) noted the requirement for Cabinet approval for the draft policy prior to the second stage of the consultation with adoption of an allocations policy via delegated powers following the second round of consultation.

Towns and Villages Programme

Summary

The Cabinet considered a report of the Corporate Director of Regeneration, Economy and Growth which provided Cabinet with an update on the delivery of the Towns and Villages Programme and sought approval of the Towns and Villages Investment Plan 2024/26.

The Towns and Villages programme was developed out of a desire to help manage the transformation of main centres and beyond, recognising the pressures seen from successive rounds of retail closures, changing shopping habits and a rise in the number of leisure and hospitality operations opening in towns. Through rounds of consultations involving local members, Area Action Partnerships and key stakeholders, clear themes for the programme emerged and a wide-ranging suite of project opportunities which formed part of the Towns and Villages investment plan approved by Cabinet in February 2021.

The Towns and Villages programme provided a new way of working in shaping the place agenda, with the Council funding providing flexibility to bring together different strands of project activity to provide bespoke solutions to the needs and opportunities being identified. This broad oversight of needs has also proved to be beneficial providing clear options which have been used to secure and deploy other place-based funding programmes often requiring an active pipeline of schemes to deliver within tight timescales. These other funding opportunities and the ongoing process of changes seen in our towns and villages has resulted in some elements of the core programme being delivered quicker than anticipated while some projects have been impacted by external policy or funding changes or timelines realigned to secure other external resource.

On 1st September 2024, £13.5 million of the £25 million original Towns and Villages investment has been delivered which is part of the £30.8 million expended to date of a place based regeneration programme. A further £15.8 million has been committed; and £2.7 million remains in development aligning with the Investment Plan themes. As a result, there is now an opportunity to extend the delivery of the programme through to 2026 and to reallocate funds from some of the original project strands to continue to support some of the high demand interventions. The county wide scale of delivery, the matched funding attracted and the other regeneration funds that have been aligned to the programme demonstrate the benefits of the co designed place based approach which has now been adopted through the Inclusive Economic Strategy as the way forward. With a further commitment to the development of Strategic Place Plans and with a mayoral commitment to establishing a High Streets commission, the Council's experience in delivering the Towns and Villages programme also provides case studies to help shape the regional policy agenda and accompanying resources.

Decision

The Cabinet:

- a) noted the progress in delivering the Towns and Villages Programme;
- b) noted the alignment of a further £81.6 million of additional funding to the delivery of place based regeneration;
- c) approved the Towns and Villages Investment Plan 2024/26;
- d) delegated any amendments in the allocation of Towns and Villages funding within the approved themes set out in the Investment Plan to the Director of Regeneration and Economy in consultation with the Cabinet Portfolio holders for Economy and Partnerships and Resources, Investment and Assets.

The Cabinet resolved to exclude the press and public by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 during discussions on agenda item 10.

**High Needs Capital Provision – Acquisition of Land and Buildings south of Coulson Street, Spennymoor
Key Decision: REG/2024/010**

Summary

The Cabinet considered a joint report of the Corporate Director of Children and Young People’s Services and the Corporate Director of Regeneration, Economy and Growth which provided details of the Council’s proposed purchase of land and buildings south of Coulson Street, Spennymoor.

Decision

That the recommendations in the report be approved.

Helen Lynch
Director of Legal & Democratic Services
6 December 2024