Cabinet

Date **Wednesday 12 February 2025**
Time **9.30 am**
Venue **Council Chamber, County Hall, Durham**

Business

Part A

Items which are open to the public and press

1. Public Questions
2. Minutes of the meeting held on 15 January 2025 (Pages 3 - 16)
3. Declarations of Interest

Key Decisions:

4. Medium Term Financial Plan(15) 2025/26 - 2028/29
   - Report of Corporate Director of Resources
   [Key Decision: CORP/R/2025/001] (Pages 17 - 362)
5. School Admission Arrangements Academic Year 2026/27
   - Report of Corporate Director of Children and Young People's Services [Key Decision: CYPS/2025/002] (Pages 363 - 412)

Ordinary Decisions:

6. East Durham Community Athletics Track, Option Agreement and Ground Lease at Less Than Best Consideration
   - Joint Report of Chief Executive and Corporate Director of Resources (Pages 413 - 438)
7. Such other business as, in the opinion of the Chair of the meeting, is of sufficient urgency to warrant consideration.
8. Any resolution relating to the exclusion of the public during the discussion of items containing exempt information.

Part B

Items during which it is considered the meeting will not be open to the public (consideration of exempt or confidential information)

Key Decisions:

9. Chapter Homes Review and Business Plan
- Report of Corporate Director of Neighbourhoods and Climate Change [Key Decision: NCC/2025/001] (Pages 439 - 536)

10. Aykley Heads Strategic Employment Site / Durham Innovation District - Full Business Case and Appointment of Joint Venture Partner
- Report of Corporate Director of Resources
[Key Decision: REG/2025/003] (Pages 537 - 644)

11. Durham City Regeneration Milburngate Development
- Joint Report of Chief Executive and Corporate Director of Resources [Key Decision: REG/2025/002] (Pages 645 - 820)

Ordinary Decisions:

12. Future of Durham Villages Regeneration Limited
- Report of Chief Executive (Pages 821 - 830)

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

Helen Bradley
Director of Legal and Democratic Services

County Hall
Durham
4 February 2025

To: **The Members of the Cabinet**

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

Contact: Michael Turnbull Tel: 03000 269714

DURHAM COUNTY COUNCIL

At a Meeting of **Cabinet** held in Council Chamber, County Hall, Durham on **Wednesday 15 January 2025 at 9.30 am**

Present:

Councillor A Hopgood in the Chair

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

Also Present:
Councillors E Adam and J Atkinson.

1 Public Questions

There were no public questions.

2 Minutes

The minutes of the meetings held on 4 December 2024 were agreed as a correct record and signed by the Chair.

3 Declarations of interest, if any

Councillor A Shield declared a disclosable pecuniary interest in relation to Council Funded Advice and Guidance Review: Options Appraisal.

4 Medium Term Financial Plan(15) 2025/26 - 2028/29 - (Key Decision: CORP/R/2025/001)

The Cabinet considered a report of the Corporate Director of Resources which provided an update on the development of the Council's Medium Term Financial Plan (MTFP (15)), which covered the four-year period from 2025/26 to 2028/29, and the development of the underpinning revenue budget assumptions (for copy of report, see file on minutes).

Councillor R Bell, Deputy Leader of the Council and Cabinet Portfolio Holder for Finance summarised the high level detail in the report which superseded the report considered by Cabinet in December. It updated estimates that would need to be accommodated in the budget and these were higher than previously forecast. The updated assumptions were set out in detail in the report and the bottom line was that the Council would still have a funding gap of £21.2m.

The Leader placed of record her thanks to the Deputy Leader and Cabinet Portfolio Holder for Finance and the Corporate Director and his team for the report, particularly as much of the information required to update financial forecasts was only published on 18 December 2024.

Much had changed since the previous report to Cabinet in December and whilst the overall position had improved, this was largely down to the burden of balancing the budget being placed onto local tax payers by the Government.
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The Government had hard wired the assumption on councils maximising their council tax raising powers into the Core Spending Power calculations and there was an expectation that Councils applied these increases to help balance their budgets. Government and indeed the External Auditors would raise questions if a council was not applying an increase in council tax, when there was a clear need to do so.

The updated forecasts identified that there was a clear rationale for applying increases in order to help balance the budget and protect vital local services.

Cost pressures faced next year, particularly in Adult and Childrens Social Care were eye watering. These costs were linked to meeting statutory service provision to vulnerable people and there was nothing the Council could do other than to accommodate the increased costs in the budget. The growth required for these two areas alone totalled £34.5 million which placed a massive squeeze on the budgets available for other services.

To help meet these rising costs the Government was providing the Council with an increase in Social Care Grant of £11.98 million and had provided the ability (with the clear expectation) to apply a 2% Adult Social Care Precept next year, which would generate an additional £5.8 million of council tax revenues.

Factoring in the additional council tax from the Adult Social Care Precept and the additional Recovery Grant would improve the underlying condition, however, the Council could not balance the budget next year and would need to utilise £3.184 million of reserves. In doing so assumes that all the £18 million of savings proposals currently being consulted on were agreed and taken. The consultation would close on Friday 17 January and careful consideration on that feedback would need to be considered.

Without these savings plans the Council would be £21.2 million short of balancing the budget next year – which lays bare the challenges faced as a low tax base authority. The Council could not generate sufficient revenue from council tax and were reliant on Government providing additional funding to meet the shortfall, something which successive governments had failed to do.

The underlying position would have been better had the Government kept the promises made in the Autumn Budget Statement to fully reimburse Councils for the changes to Employers National Insurance Contributions from next year.

The updated forecasts in the report clearly demonstrated that the cost of Employers National Insurance Contributions for directly employed staff were expected to rise by £8.24 million next year with the Council only expected to receive circa £4.74 million of additional funding – leaving the local tax payer in County Durham with a £3.5 million net additional cost. If the Government had honoured the commitments made in the Autumn Statement, the Council would have effectively had a balanced budget next year – albeit with the delivery of £18 million of additional savings.

Funding levels beyond 2025/26 remained uncertain and were still to be confirmed. These would be set out in the upcoming Comprehensive Spending Review and Fair Funding Review, therefore the position beyond the coming financial would not be clear until around October / November 2025.

It was encouraging to hear that funding formula arrangements were being looked at with a view to redistributing funding to authorities like Durham who faced lower tax raising capacity and higher levels of demand because of higher levels of deprivation. Indeed, the Council had benefitted from the start of this process, with the additional Recovery Grant of £13.9 million being welcomed.

This had been dwarfed by the increased costs faced from the National Living Wage increase, pay awards, demographic and inflationary pressures in social care budgets in particular and the impact of the Employers National Insurance cost increases on both internal staffing costs but also in the supply chain, where providers would seek to pass on that burden.

The forecasts in the report showed that the Council would have a funding gap of around £3.2 million next year and around £45.8 million over the next four years assuming the Council Tax is increased in line with planning assumptions and that all the savings proposals being consulted on were taken.

All members had a legal and fiduciary duty to facilitate the setting of a balanced budget. Making difficult decisions to balance the budget could not be avoided and the Council could not succumb to the temptation of using reserves to push away the problem and avoid the difficult decisions that were needed.

The media coverage of the escalating Government Debt and the precarious state of the national finances had made for interesting viewing. Government Departments had been tasked with making cuts as part of the upcoming Comprehensive Spending Review, which provided very little optimism in terms of the prospects for significant increases in Government funding in 2026/27 and beyond, indeed it seemed to indicate a return to austerity, if anything.

The Council would continue to lobby government directly for additional financial support and hold them to their commitments to implement a fundamental review of the local government finance system – including how authorities are compensated for low council tax raising capacity – as the current system significantly disadvantaged places like Durham and was unfair and needed addressing.

The Leader of the Council invited other Cabinet colleagues for comment.

Councillor J Shuttleworth said that the decisions by the Government in relation to National Insurance Contributions would undoubtedly affect every working person in the country and the county.

Councillor M Wilkes said that the Labour Government Budget didn't just increase costs, but also forced Councils to increase council tax.
He felt that incompetence was pushing up costs across the board. Prior to the General Election everyone was expecting to see borrowing costs coming down. As a result, all projects had become riskier or more expensive. The Council had managed to deliver the biggest capital programme ever seen, despite cuts in funding. Councillor Wilkes felt that the Government simply did not recognise the impact its policies were having and implored them to fund local authorities appropriately as a matter of urgency.

Resolved:

That the recommendations in the report be approved.

5 Proposal to Amalgamate Horndale County Infant and Nursery School with St Francis C of E (Aided) Junior School on 1 September 2025 to become a newly named all through C of E (Aided) Primary School - (Key Decision: CYPS/2025/001)

The Cabinet considered a report of the Corporate Director of Children and Young People's Serviced which sought approval to amalgamate Horndale County Infant and Nursery School and St. Francis C of E (Aided) Junior on 1 September 2025 to create a newly named all through C of E (Aided) Primary School taking account of the Local Authority's duties as prescribed in the Education and Inspections Act 2006 to secure sufficient places and to ensure good outcomes for all children and young people in the local area (for copy of report, see file of minutes).

Councillor E Adam asked a question on behalf of himself and Councillor J Atkinson who welcomed the amalgamation. Referring to Appendix 1 Accommodation on page 74, Councillor Adam highlighted that 'should Horndale County Infant School close, the building would be considered for alternative education opportunities in line with the needs of CYPS."

He asked if the Portfolio Holder could provide further details on this 'alternative' educational opportunity and the likely timescale of implementation to provide confidence to local residents that the empty building would not be left to depreciate and be open for vandalism.

Responding to the question, Councillor T Henderson, Cabinet Portfolio Holder for Children and Young People's Services said that it was anticipated that St Francis would continue to use both school buildings from September 2025 until August 2026 to support the transition of pupils into the new school and any adaptations that may be needed to the St Francis building to accommodate an all through Primary School. This would allow for additional time to plan for use of the building. The most likely future use would be to support children with additional educational needs within the locality which would benefit all schools and the wider community in the Aycliffe area. The buildings were in good condition and there was significant demand for additional specialist education provision. On that basis constant use was envisaged.

In Moving the report, Councillor Ted Henderson, Cabinet Portfolio Holder for Children and Young People's Services explained that the report confirmed the amalgamation proposals. These would result in a positive impact for pupils, families and the community.

Councillor S McDonnell, Cabinet Portfolio Holder for Digital, Customer Services and Procurement seconded the report and highlighted the key objectives of the amalgamation. The proposal would ensure curriculum breadth was enhanced to meet the needs of all learners. The new school would have a long and successful future for its children and thanked all those who had supported the long-term vision for the community.

Resolved:

That the recommendations in the report be approved.

6 Draft Council Plan 2025 - 2029 - (Key Decision: CORP/R/2025/003)

The Cabinet considered a report of the Chief Executive which presented the draft refresh of the Council Plan for the four-year period 2025-2029 before it was submitted to Council for approval (for copy of report, see file of minutes).

The Leader of the Council informed Cabinet that the refreshed Council Plan was now the fourth of its type since a review was undertaken in June 2022. Many of the issues faced by Council could not be solved by the Council alone. The Joint Administration of the Council had recognised the critical importance of working in partnership with others across the public, private, voluntary and community sectors. The updated Council Plan covered the period 2025 to 2029 and did not, and could not, include a list of everything the Council carried out. It was underpinned by a wide range of specific strategies and service specific action plans.

As a direct result of this years' consultation, the plan provided more detail on how the Council would achieve its ambitions. The focus of the Council remained steady and like last year, the plan set out ambitions to support our economy, our people, our environment and our communities. It was important to ensure that resources continued to be used in a transparent and effective way and in line with the Medium Term Financial Plan.

The Leader of the Council referred to the peer review challenge which would take place later in the year. This would inevitably put more of a focus on the quality of strategic planning. This process would be informed by the government's best value standards which stated that well-functioning councils provided quality leadership by setting a clearly articulated, achievable and prioritised vision for officers to follow up. The vision must also put place, and local people, at its heart and the Council Plan did just that.

Over the last year, the Joint Administration had delivered on things that mattered to local people and local communities. The Council faced ongoing challenges in 2025, driven by increasing demand for council services whilst resources remained scarce. As such, prioritisation was key and it was important to allocate resources carefully and ensure delivery. The plan provided the common denominator for those functions.

Councillor R Bell, Deputy Leader of the Council commented that there had been a focus on using plain English and a much improved presentational style. He felt that the Council had clearly listened to business and local communities who had responded.

Councillor A Shield, Cabinet Portfolio Holder for Equality and Inclusion spoke of the characteristics of a well-run Authority. The Council Plan was intelligence lead, evidence based and ensured that performance is monitored, measured and held to account, with clear and effective mechanisms to scrutinise across all areas. The evidence clarified that the Joint Administration were by no means ‘a coalition of chaos’ a termed by the opposition members and were, in fact a well-functioning authority.

Councillor E Scott, Cabinet Portfolio Holder for Economy and Partnerships said that the progress made under the Joint Administration was cause for celebration.

Councillor J Shuttleworth, Cabinet Portfolio Holder for Rural Communities and Highways highlighted that hard work had continued across County Durham and spoke of the improvement in the condition of classified roads, the restoration of historical Baileys in the City of Durham and Whorlton Bridge, the additional investment in the Public Rights of Way network and the award winning cleansing of streets and pavements as well as being trailblazers for carbon zero work. Councillor Shuttleworth added that the rural nature of County needed to be built into all plans.

Councillor Wilkes, Cabinet Portfolio for Neighbourhoods and Climate Change said that the real impacts of climate change were now being seen across the world with accelerated extreme weather events all being linked to Climate Change. It was therefore encouraging to see the prominence of environmental issues being brought to the forefront of Council decision making, demonstrating a forward thinking authority.

Councillor C Hood, Cabinet Portfolio Holder for Adult and Health Services highlighted that health and wellbeing were very much at the forefront of the Joint Administration and would continue to be.

Resolved:

That the recommendations contained in the report be approved.

7 Strategic Place Plans: A Vision for Durham City and Wider Programme Roll Out - (Key Decision: REG/2025/004)

The Cabinet considered a report of the Corporate Director of Regeneration, Economy and growth which provided an update on the Durham City Strategic Place Plan and to agree the vision.

The report also provided an update on the development of the Strategic Place Plan pilots in Spennymoor, Shildon and Newton Aycliffe and outlined the future programme of Strategic Place plan development. (for copy of report, see file of minutes).

Councillor Scott, Cabinet Portfolio Holder for Economy and Partnerships explained that the plans marked a significant departure from traditional master plans, prioritised community involvement and a holistic ‘whole town’ approach to current and emerging regeneration priorities.

Highlighting the Durham City project, Councillor Scott said that this exemplified the co-design approach, with extensive and diverse community input shaping the future vision and key priorities of the City.

This vision underlined the vital role of the City in County Durham's broader regeneration, offering a new, unique blend of heritage, culture and progress that benefits both residents and visitors. The codesign approach was also evident in the Spennymoor, Shildon and Newton Aycliffe pilot programmes, demonstrated the power of community led initiatives to drive local regeneration, which would help secure significant external funding to help deliver local priorities.

The report also outlined a timetable for developing individual town visions and priorities across the County. The plans would serve as a crucial guide for future funding opportunities and would align with the transition of Area Action Partnerships into Local Networks, which emphasised the importance of identifying and delivering on local priorities. Councillor Scott thanked staff across Regeneration who had embraced the new way of working.

Resolved:

That the recommendations in the report be approved.

8 Quarter Two, 2024/25 Performance Management Report

The Cabinet considered a report of the Chief Executive which informed members, senior managers, employees and the public of progress towards achieving the strategic ambitions and objectives set out in the Council Plan 2024-28 (for copy of report, see file of minutes).

The Leader of the Council thanked the Head of Corporate Affairs and his team for the detailed and comprehensive update on performance against the priorities of the Council. The transparency of strategic planning and the Performance Management arrangements were welcome and something that the Joint Administration continued to champion. It was also pleasing to note the feedback from residents and customers in the report that the Council continued to deliver strong performance.

The Leader highlighted the strong economic performance across the county in key areas such as jobs, investment, demand for employment land and industrial premises and the employment rate, all of which were favourable compared to previous years.

The Council had continued to exceed targets for securing investment for companies and supporting businesses and increased attendances had been recorded at all cultural event venues.

In respect of the environment the Council were diverting a smaller proportion of waste to landfill and contamination of household recycling continued to come down. The Council were building, with regional partners a new energy recovery waste facility which would meet the future needs of the county. Although there had been improvement in the levels of carbon emissions generated from within the county, through Council activity there was awareness that more progress would be required to meet Net Zero targets.

For our people, statutory demand for children's social care was higher than last year but remained relatively low compared to regional comparators. The Council continued to deliver good outcomes across statutory children's social care in achieving a consistently low re-referral rate. The rate of increase of children in care had slowed down in the most recent quarter and the Council were aware that more need to be done. The sufficiency and commissioning strategy continued to deliver against its objectives opening more of our own homes to help mitigate against ongoing challenges in the sector experienced locally and nationally. Improvement in processes and an increased capacity in the SEND service had improved timelines and it was expected that performance improvement would continue throughout the remainder of the financial year.

Similar to many other areas, demand for Educational Health and Care plans continued to be very challenging and work continued with schools and families to provide support within the system. The Leader was pleased to note that the independently assessed quality of social care in County Durham was very good and a high proportion of Care Homes and community based providers were rated either good or outstanding.

In terms of communities, reports of fly tipping remained low, environmental cleanliness was high and more long-term properties were being brought back into use. The overall crime rate in County Durham had fallen and compared favourably with many Council areas in the region. Bus patronage and punctuality continues to improve and work continued with other councils across the region to implement the North East bus service improvement plan. Progress continued in the selective licensing scheme with 58% of properties being fully licensed. Legal proceedings were instigated against those that avoid taking part.

For our Council, the scheme to identify children eligible for free School meals through auto enrolment directly with their school had been highly successful and was highlighted as an exemplar of good practice which had been implemented in lots of other areas across the region and the country. As a result, in County Durham over 2,000 eligible children had been identified potentially saving parents around £450 a year. This increase in eligibility had a positive impact on school budgets with a direct increase in pupil premium funding of around £3 million plus further additional income from mainstream funding. The Council were continuing to provide much needed support to its most vulnerable residents through financial support schemes and were one of only a few authorities which offered support of this type. Satisfaction with overall Service delivery remained high with most service requests met or indeed exceeding their performance standard.

There were a range of other areas to note. These were summarised in the executive summary of the main performance report.

The Leader of the Council then invited each Cabinet Portfolio Holder to summarise their respective areas.

Resolved:

That the report be noted.

9 County Durham Housing Strategy and Delivery Plan Adoption

The Cabinet considered a report of the Corporate Director of Regeneration, Economy and Growth which sought approval to recommend that County Council agree to the adoption of the County Durham Housing Strategy (CDHS) and the accompanying 12-Month Delivery Plan (for copy of report, see file of minutes).

In moving the report, Councillor J Rowlandson, Cabinet Portfolio Holder for Resources, Investments and Assets recognised the hard work put into the development of the housing strategy by Council Officers and partners. He thanked residents and other stakeholders who had engaged in the process which provided for a clear and focused document. The County Durham Housing Strategy provided a framework to inform the actions and investment of the Council and its partners and would ensure the Council was well positioned to maximise future opportunities for funding support. It was important to have an up-to-date strategy that could influence, as well as respond, to regional and national agendas. It also set out the strategic direction for housing activity in County Durham and sought to achieve a vision to provide good quality housing to meet everyone's needs, including older people.

Councillor E Scott, Cabinet Portfolio Holder for Economy and Partnerships said that the housing strategy aimed to make County Durham a place that had good quality homes to meet the needs of existing and future residents and that housing was affordable. It would also support economic growth, contribute to improved health and create and maintain sustainable mixed and balanced communities.

Resolved:

That the recommendations in the report be approved.

10 Inclusive Economic Strategy, Annual Review 2024

The Cabinet considered a report of the Corporate Director of Regeneration, Economy and Growth which provided an update on the County Durham Inclusive Economic Strategy (IES) adopted by the council in late 2022 and the associated Delivery Plan adopted in late 2023. The report also provided an update on the implementation of the IES and progress towards its targets (for copy of report, see file of minutes).

Councillor E Scott, Cabinet Portfolio Holder for Economy and Partnerships thanked the Corporate Director and her staff for embracing the ambitions of the Joint Administration and to those who had worked tirelessly with partners to make great things happen in the County.

The development of the Inclusive Economic Strategy had been a major priority and commitment for the Joint Administration and there was now a coherent focus and ambitious long-term vision for County Durham, developed with, and endorsed by all partners and stakeholders, and driving real change. The future vision was allied to the County Durham Plan.

Alongside the ambition for growth, the Council had allocated land needed to support growth. Through the development of an investment framework, the Council had focused on maximising public and private sector funding into the County. The delivery plan model was driving, tangible change. In short, the foundations had been laid for a better economic future for all communities in County Durham.

The report highlighted the impact of the inclusive economic strategy to date and the driving of transformative inclusive growth against virtually all indicators. County Durham was in a much better place economically and more residents were in work. The gap was being bridged with the national average. The report also showed the benefits being reaped following brave decisions made on devolution, with new investment underpinning many of the activities in the delivery plan. County Durham was turning a corner from an era of long-term disadvantage to a place with a range of long term opportunities and huge potential.

Great strides had been made in recent years to show what the County offered and the Council were finally being recognised by investors and visitors. There was a need to work in partnership to continue and build momentum, with everyone pulling together in the same direction.

Councillor Scott, fully endorsed the update and supported the recommendation to review and update the Inclusive Economic Strategy Delivery Plan in the coming months and would look forward to working with colleagues and partners to develop clear plans for the next few years.

Councillor J Rowlandson, Cabinet Portfolio Holder for Resources, Investments and Assets seconded the report. Councillor Rowlandson said that the progress was testament to the inclusive economic strategy and how important it was for County Durham. The strategy had the power to unite all stakeholders, partners, businesses and communities around a shared future. There had been a laser focus on delivery with clearly defined actions targeted at achieving real outcomes. Significant progress made in one year alone was a clear indication of this approach. Given the significant changes that had taken place since the delivery plan was adopted, with a new government and even more of a focus on devolution of power and funding to the region, it was an opportune time later in the year to review the delivery plans. This would allow the establishment of a new series of activities which would ensure that the Council continued to drive the economic growth.

Councillor M Wilkes, Cabinet Portfolio Holder for Neighbourhoods and Climate Change wished to place on record his thanks to Councillor Scott and Rowlandson for the way they had implemented the art of possible, for demonstrating enthusiasm and promoting positivity.

The Leader of the Council placed on record, her thanks to the outgoing Corporate Director of Regeneration, Economy and Growth, Amy Harhoff and the Head of Economic Development, Andy Kerr in delivering the Inclusive Economic Strategy and wished them both well in their future careers to those organisations who have employed them in more Senior posts.

Resolved:

That the recommendations in the report be agreed.

11 Continuous Improvement - Best Value and Corporate Peer Challenge Self Evaluation & Action Plan

The Cabinet considered a report of the Chief Executive which provided a summary of the council’s approach to continual improvement, including in relation to Best Value (BV) standards.

The report also informed Cabinet of the Council’s participation in the Local Government’s Association’s (LGA) Corporate Peer Challenge (CPC) which was scheduled for week commencing 6th October 2025.

The report then provided an update on preparations for the Corporate Peer Challenge and self-assessing the Councils performance against Best Value standards (for copy of report, see file of minutes).

The Leader of the Council was particularly pleased to highlight the up and coming participation in the local government association's corporate peer challenge, having recently been involved as a peer on an LGA corporate peer challenge. Councillor Hopgood personally endorsed the immense value of such an approach and there was no doubt in her mind that it provided a robust framework for self-assessment and external evaluation would offer invaluable insights and constructive feedback from peers. The process would be instrumental in helping celebrate successes and address any areas where improvement might be made.

Durham County Council had always prided itself in being a high performing organisation and the dedication to evolve and enhance services was testament to this. Maintaining high standards required constant vigilance and a proactive approach to identifying areas for improvement. Rigorous testing against Best Value standards would ensure that operations remain efficient, effective and economically sound. The commitment would not only help to deliver the best possible services to the communities of County Durham but would also reinforce accountability and transparency.

Councillor R Bell, Deputy Leader of the Council said that it was a very timely report off the back of comments he made earlier in relation to budgetary provision and transformation going forward. This was an opportunity for continuous improvement and obtain best value out of the transformation program.

Resolved:

That the report be noted.

12 Mainstream Primary and Secondary Formula Funding 2025-26

The Cabinet considered a joint report of the Corporate Director of Children and Young People's Services and Corporate Director of Resources which provided an overview of the forecast Dedicated Schools Grant School Block and proposed local formula for allocating funding to individual schools in 2025/26, where the proposal was that the council continues to align the local mainstream primary and secondary formula funding in 2025/26 with the National Funding Formula (for copy of report, see file of minutes).

It was Moved by Councillor T Henderson, Cabinet Portfolio Holder for Children and Young People's Services, and Seconded by Councillor R Bell, Cabinet Portfolio for Finance.

Resolved:

That the recommendations in the report be approved.

13 Exclusion of the public

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

14 Council Funded Advice and Guidance Review: Options Appraisal

The Cabinet considered a report of the Corporate Director of Resources which shared the findings of a review of council funded Welfare Information, Advice and Guidance Services in County Durham and to propose recommendations for future service delivery, which provided opportunities for efficiencies (reduced duplication of provision / better signposting) and MTFP savings (for copy of report, see file of minutes).

In moving the recommendation, Cllr R Bell, Deputy Leader of the Council and Cabinet Portfolio Holder for Finance thanked the Council's Transactional Team and Overview and Scrutiny for their input into the report. The review showed that people wanted local delivery, and the agreement would protect the current offer and enhance provision.

Cllr S McDonnell, Cabinet Portfolio Holder for Digital, Customer Services and Procurement seconded the recommendation in the report.

Resolved:

That the recommendations in the report be agreed.

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Cabinet

12 February 2025

Medium Term Financial Plan(15) 2025/26 – 2028/29

CORP/R/2025/001

Report of Corporate Management Team

Paul Darby, Corporate Director of Resources

Councillor Richard Bell, Deputy Leader and Portfolio Holder for Finance

Councillor Amanda Hopgood, Leader of the Council

Purpose of the Report

1 To provide comprehensive financial information to enable Cabinet to agree the 2025/26 balanced revenue budget, an outline Medium Term Financial Plan (MTFP(15)) 2025/26 to 2028/29, a fully funded capital programme to be recommended to Council on 19 February 2025 and an updated Capital and Treasury Management Strategy for 2025/26.

2 These assumptions factor in a detailed analysis of the announcements made in the Chancellor of the Exchequer's Autumn Budget Statement on 30 October 2024, and the publication of the provisional Local Government Finance Settlement on 18 December 2024. The final Local Government Finance Settlement had not been published by the time this report was prepared, but is expected to be published in time for the final budget report to Council on 19 February 2025.

3 The report provides a detailed analysis of the results of the Phase 2 consultation on the additional savings which were presented to Cabinet on 4 December 2024, which ran from 6 December 2024 to Friday 17 January 2025 and proposed amendments because of the feedback received. The report contains details of the final budget savings proposals to be presented to Council on 19 February 2025 to assist with balancing the budget and MTFP(15) financial challenge.

4 The report provides analysis of the Government's Consultation, which closed on 12 February 2025, and which has sought views on its commitment to undertake a wholesale review and implement reforms of the methodology by which local government funding is distributed, in

advance of planned implementation of change from 1 April 2026 as part of a multi-year settlement for the sector.

5 The report also outlines recommended changes to the Council Tax Empty Property and Second Homes Premium Charge Section 13A(1)(c) Reduction Policy, following adjustments to Council Tax premiums for empty properties and the introduction of a premium from 1 April 2025, for those properties categorised as second homes.

Executive Summary

6 The Cabinet are committed to strong financial governance and getting value for money from the investment of public money whilst ensuring that the Council sets a sustainable balanced budget with any council tax increases being justified and affordable. The Council's financial position remains very challenging despite the additional government grant funding being provided next year.

7 The budget and medium-term financial plan seeks to balance the need for short, and long-term investment in front line services with the need for financial prudence. In summary, the budget proposals in this report include:

(i) Additional Government Grant increases of £48.825 million in 2025/26, and £60.104 million across the four-year period of MTFP(15), of which £19.5 million (40.0% of the extra grant funding for 2025/26) is specific grant funding with specific spending requirements associated with it. Included in the additional Government Grant is an increase in the Social Care Grant of £11.979 million next year, which is being provided to help meet the increased costs of children and adult social care statutory placement costs, however, this only covers 35% of the £34.486 million of unavoidable cost pressures the council faces in these budgets next year;

(ii) An increase in Council tax of 4.99% overall next year, which is made up of a 2.99% core council tax increase and a 2.00% adult social care precept increase. The proposed increase in council tax levels is in line with the Governments expectations, and is below the referendum limits;

The council tax increase proposed next year is expected to generate an additional £14.400 million of income to the Council in 2025/26, of which circa £5.8 million relates to the Adult Social Care precept. The Adult Social Care precept only covers 32% of the unavoidable budget growth required in the council's Adult Social care budget next year of £17.876 million;

Every 1% increase in council tax generates circa £2.9 million of additional council tax revenue, which is broadly equivalent to the cost pressures the council faces from every 1% of increase in its pay bill. Pay awards are negotiated nationally and in 2025/26 the council is forecasting a 3% pay award will be agreed.

(iii) The Council Tax increases proposed are a key element of the Government's estimated increase in the Council's Core Spending Power of 8.2% in 2025/26. In the later three years of MTFP(15), further annual Council Tax increases of 2.99% per annum are assumed, with no further continuance of the adult social care precept beyond 2025/26 assumed at this stage. Total additional council tax rise income to be generated from increases in the level of council tax across the MTFP(15) period is £41.750 million;

(iv) An increase in the Council Tax Base, the net impact of changes in discounts and exemptions and new house building, will generate an additional £3.300 million of Council Tax income next year and the implementation of a 100% premium for council tax on second homeowners, following the consultation undertaken last year, is expected to generate an additional £0.650 million in 2025/26 also. Across the four-year period of MTFP(15), the Council Tax base growth is forecast to generate £8.450 million of additional council tax income;

(v) An increase in the Business Rates Tax Base of £1.148 million in 2025/26 is included to reflect assumed growth in the council's share of the Business Rates Local Share of Business Rates growth next year, with total Business Rates Tax Base growth across the four-year period assumed to be £2.898 million;

(vi) A significant increase is required in the Council's revenue expenditure budgets of £85.830 million in 2025/26, and £178.422 million in total across the four-year MTFP(15) period, which relates to a significant increase in the costs of provision of various statutory services, changes in government policy (with accompanying additional funding), a significant increase in direct employer costs (including the impact of assumed pay awards across the MTFP planning period, where every 1% rise in salary costs creates an additional £3 million cost pressure, and changes to Employee National Insurance contributions next year), rising capital financing costs and various continuing inflationary and demand pressures which impact on the cost of delivering council services;

(vii) The implementation of revenue budget savings totalling £18.036 million in 2025/26, which are split between savings proposals approved by Full Council on 28 February 2024 for MTFP (14) of £3.389 million and new MTFP(15) savings of £14.647 million, which will be implemented in 2025/26. Across the four-year period of the

MTFP(15) financial planning period, revenue budget savings of £23.404 million are planned;

(viii) The Council's 2024/25 budget was based on the planned use of £3.720 million of reserves, which is an additional budget pressure that needs to be addressed in 2025/26 as it must be reversed out to reflect the fact it is not sustainable to continue to use reserves to underpin the core budget;

(ix) Despite the additional government grant being received next year and the additional income generated from council tax and business rates increases and tax base changes, the council's spending pressures exceed the resources available to it by £21.227 million next year. Savings of £18.036 million next year will reduce the budget deficit to £3.191 million and the Council will need to use £3.191 million of its reserves in 2025/26 to balance the budget. The £3.191 million shortfall in 2025/26 will need to be funded from the MTFP Support Reserve, which currently stands at £32.579 million;

(x) There remains a significant revenue budget gap across the four-year planning period of MTFP(15) of £45.536 million which needs to be addressed as part of the MTFP(16) planning process, which has now started. The 2025/26 budget and MTFP(15) position can be summarised as follows:

	2025/26 £'000	**2026/27 £'000**	**2027/28 £'000**	**2028/29 £'000**	**TOTAL £'000**
Total Funding (Increases) / Decreases	(68,323)	(15,228)	(14,807)	(14,844)	(113,202)
Total Budget Pressures	85,830	39,158	28,384	25,050	178,422
Use of Reserves to balance the budget in 2024/25	3,720	-	-	-	3,720
MTFP Savings	(18,036)	(4,081)	(1,288)	1	(23,404)
MTFP(15) Budget Deficit After MTFP(15) Savings Proposals	**3,191**	**19,849**	**12,289**	**10,207**	**45,536**
Budget Deficit 2026/27		**23,040**			

(xi) The four-year gap is likely to change but is forecast to be significantly more than the level of the MTFP Support Reserve available. The budget gap in 2026/27 is currently forecast to be £23.040 million and is of significant immediate concern. Across the medium-term financial plan planning period there will be a need to transform what the Council delivers and how the Council delivers its services, if these financial forecasts come to fruition. A comparison of the MTFP(15) forecasts with the assumptions set out in the

MTFP(14) report – excluding the new MTFP(15) savings is set out below for illustrative purposes:

	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	TOTAL £'000
MTFP(15) Forecast Budget Deficit / Savings Requirement (Excl New MTFP(15) Savings Proposals)	17,838	20,746	12,823	10,206	61,613
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.	**1,050**	**8,831**	**3,694**	**10,206**	**23,781**

(xii) The current capital programme totals £675.881 million, of which £288.096 million relates to planned investment in 2024/25 and £387.785 million relates to 2025/26 and beyond. New additional capital investment of £158.687 million is set out in this report – primarily across 2025/26 and 2026/27, meaning that the total MTFP(15) Capital Programme will total £546.472 million. The new additional capital investments include additional new prudential borrowing commitments totalling £38.637 million, a significant "self-financing" borrowing allocation to fund the investment in the Milburngate Development of £55 million (which remains subject to Cabinet Approval in a separate report dated 12 February 2025) and new government and regional grant funding related expenditure of £65.050 million (some of which remains subject to further confirmation). Included in this is £23 million of City Regional Sustainable Transport Funding which was announced in late January 2025. This is much less than funding that was previously expected based on the previous government's announcements, where it was announced that the council would be allocated £72.8 million of Local Transport Fund grant, so the funding awarded is less than one third of the originally announced funding level.

Autumn Budget Statement

8 On 30 October 2024 the Chancellor of the Exchequer published an Autumn Budget Statement. The Autumn Statement contained important announcements on future forecasts for government borrowing, taxation, and public sector expenditure, alongside the Office for Budget Responsibility forecasts for inflation, economic growth and taxation yields. The following announcements / changes were made:

(i) The Government announced new Fiscal Rules, which included a "Stability Rule", where day-to-day spending is matched by taxation revenue, and an "Investment Rule", whereby government debt levels are measured based on Public Sector Net Financial Liabilities

(PSNFL) as a share of the size of the economy. The measure differs from the previously used measure (Public Sector Net Debt), by allowing for illiquid financial assets to be included in the calculation.

(ii) The introduction of £40 billion of taxation increases to address an inherited unsustainable public spending position. The bulk of these tax increases were to come from increases in Employer National Insurance Contributions (ENICs) levels, and other changes including changes to Capital Gains Tax, Stamp Duty and VAT on private school fees.

(iii) Employers National Insurance Contributions (ENICs) are being increased from April 2025 and these changes are two-fold: an increase in the rate of ENICs to 15% (from 13.8%) and, more significantly, a lowering of the threshold from which employers begin to pay employer national insurance contributions for an individual employee to £5,000 per employee (down from the current threshold of £9,000);

(iv) National Living Wage: a 6.7% increase to £12.21 per hour and a 18% rise in the rate for 18-21 years old from April 2025.

(v) A commitment to reforming the Local Government funding distribution system, to be implemented from 2026/27, which it was announced would be targeted towards addressing the in-balance and unfairness in the current system by providing a greater proportion of funding to local authorities with higher levels of deprivation and lower income-raising capacity. The Government also committed to providing multi-year settlements from 2026/27.

(vi) In terms of overall Local Government Funding, the key Autumn Budget Statement announcements were:

(a) A real terms increase in local authority core spending power of 3.2%, based on the assumption that council tax rises by 5%, and a £1.3 billion increase in grant funding for local government;

(b) £1.1 billion of new grant funding for changes to waste disposal and waste collection services, generated from the Extended Producer Responsibility Scheme that will be implemented next year;

(c) £1 billion uplift in funding for SEND and alternative provision;

(d) £500 million of additional funding for local roads maintenance;

(e) £233 million additional homelessness prevention grant funding; and

(f) £86 million of additional investment in Disabled Facilities Grant.

(vii) The Institute of Fiscal Studies analysis of the Autumn Budget Statement highlighted that day-to-day public service funding would grow by just 1.3% per year in the years after 2025/26. This was highlighted as creating challenging settlements for public services, especially in unprotected departments such as local government, from 2026/27 onwards.

(viii) Business Rates:

(a) Permanently lowering business rates for retail, leisure & hospitality businesses from 2026/27;

(b) Providing 40% relief in 2025/26 on bills for retail, leisure & hospitality business premises, down from 75%, up to a £110,000 cash cap;

(c) Freezing the small business rates multiplier from 2025/26;

(d) Removing business rates charitable relief for private sector schools from 1 April 2025;

(e) The publication of a business rates discussion paper to set out the Government's priority areas for Business Rates Reform; and

(f) Assurances were provided that Local Government Income would be protected from changes to business rates tax policy changes and compensation would be provided for rising administrative costs.

(ix) Other items:

(a) The Household Support Fund and Discretionary Housing Payments scheme will be extended into 2025/26;

(b) Funding of £263 million will be allocated to support Children's Social Care reforms;

(c) The long-term plans for Towns will be retained and reformed into a new regeneration programme.

Local Government Finance Settlement

9 The provisional Local Government Finance Settlement for 2025/26 was published on 18 December 2024. The final Local Government Finance Settlement will be published week commencing 3 February 2025 and any changes to the provisional settlement will be factored into the final Budget

Report to Council on 19 February 2025. A summary of the key announcements in the provisional settlement and their implications on the Council's budget and MTFP(15) planning assumptions are set out below:

(i) The Core Spending Power (CSP) for English local authorities will increase by 6.0% nationally in 2025-26, representing a 3.5% real term increase, or £3.9 billion increase in spending power (inclusive of assumed Council Tax increases). The £3.9 billion increase in spending power includes £2 billion in additional grant for local government and £1.9 billion from assumed Council Tax increases. The additional grant being provided to Local Government is £700 million more than was announced at the Autumn Budget Statement on 30 October 2024 and brings total local government funding to £69 billion in 2025/26. The provisional Local Government Finance Settlement states that it is guaranteed that no council will see a reduction in their Core Spending Power after factoring in expected increases in Council Tax;

In 2025/26 the Council's Core Spending Power will increase by 8.2% - assuming core council tax is increased by 2.99% next year (yielding circa £8.7 million) and the adult social care precept of 2% is levied (yielding circa £5.8 million) and after factoring in the Recovery Grant the council will receive as part of the settlement;

This increase in core spending power does meet the unavoidable increase in spending requirements of the Council next year – the majority of which relates to the provision of statutory social care services and other inflationary or demand led pressures – nor does it go anywhere near addressing the inequalities that have exacerbated over the last ten years since the existing formula was frozen;

(ii) A new Recovery Grant (totalling £600 million nationally) is being made available in 2025/26, to start the process of redistributing resources within the local government finance system to local authorities who are challenged by higher levels of deprivation and lower council-tax raising ability. This additional funding is being distributed using the Index of Multiple Deprivation (IMD), 2023 Population data and is targeted towards councils who are disadvantaged by their relative low council-tax raising ability. Many councils will receive no Recovery Grant allocations next year. The Council has been allocated £13.851 million of Recovery Grant (2.3% of the £600 million national pot) in 2025/26, in recognition of its relatively high levels of deprivation and low tax raising capacity compared to other councils;

(iii) The increase in the Social Care Grant announced in the Autumn Budget Statement was confirmed in the provisional Local Government Finance Settlement, with the increase in funding being £880 million nationally next year. This is £200 million higher than was announced in the Autumn Budget Statement. More significantly, a proportion of this additional funding (£240 million nationally) has been adjusted and equalised to reflect the varying abilities of councils to generate increased income from the adult social care council tax precept that social care authorities are expected to apply. In 2025/26 the Council will receive an additional £11.979 million in Social Care Grant funding. The extra funding is significantly outweighed by the additional unavoidable costs for Adult Social Care and Children Looked After placements next year, which are outlined in more detail in this report and which total an additional £34.486 million of required budget uplifts next year;

(iv) A new grant, called the Local Authority Better Care Grant, has been created next year. The funding for this is however not new or additional. The new grant has been created from a combination of the current Improved Better Care Fund (£2.193 billion nationally), and the Adult Social Care Hospital Discharge Fund (£500 million nationally). The total national allocation for this new grant is £2.693 billion. The Council will not receive any additional net funding, however there are likely to be less restrictions applied to the funding which previously related to hospital discharge funding (the council's share of this in 2024/25 was £7.2 million) and therefore this may give the council more flexibility on how this is applied to improve outcomes across Adult Social Care going forward;

(v) The Government has announced a new specific grant – the Children's Social Care Prevention Grant – which is intended to allow local authorities to identify additional solutions to manage demand and cost pressures in children's social care provision. This new grant was not announced in the Autumn Budget Statement. The grant is £250 million nationally and has been distributed using an interim children's relative needs-based formula. The Council's share of this is grant £2.763 million in 2025/26, which provides welcome additional funding to meet the additional costs associated with the Children's Commissioning and Sufficiency Strategy, which is currently being updated, with a report scheduled for Cabinet consideration in July 2025. This new specific grant is fully offset by anticipated additional equal and opposite expenditure next year;

(vi) Council Tax increases for local authorities with social care responsibilities in 2025/26 are 2.99% for Core Council Tax (yielding circa £8.7 million), and 2.00% for an ASC Precept in 2025/26 (yielding circa £5.8 million) – totalling a maximum permitted increase of 4.99% in council tax, without recourse to holding a local referendum or seeking special dispensation from the Secretary of State to raise council tax above 5%;

In the provisional Local Government Finance Settlement, the Government have indicated that they expect social care authorities to apply the Adult Social Care Precept increase next year. The maximum increases permitted are included in the Core Spending Power calculations published by the Government;

The provisional Local Government Finance Settlement announcements provided no clarity on whether the Adult Social Care precepts would continue beyond 2025/26, so the MTFP(15) planning assumptions remain unchanged beyond 2025/26 (i.e. continue to be based on an assumed 2.99% increase in council tax between 2026/27 and 2028/29);

(vii) The Domestic Abuse Safe Accommodation Grant (£1.216 million in 2024/25, representing the Council's share of the national funding of £160 million) has now been included within Core Spending Power. In 2025/26 there will be an increase in this funding of £30 million nationally, which will equate to an additional £0.300 million of funding being allocated to the Council. This additional funding will be passported to fund related activity undertaken by Adult and Health Services to support victims and survivors of domestic abuse;

(viii) The Government has announced a further and final instalment of New Homes Bonus grant in 2025/26. The national allocations are at the same overall level nationally as they were in 2024/25 (£290 million). This has provided the Council with circa £1.5 million of additional New Homes Bonus funding compared to 2024/25, due to the changes in the council's tax base over the last year relative to other councils. Whilst the New Homes Bonus is expected to end in 2026/27, the MTFP(15) modelling assumptions do not factor in a budget pressure from the loss of this funding in 2026/27 on the assumption that the Council will receive uplifts in other funding to offset this when the new finding formula is implemented;

(ix) Various specific grants currently received by the Council, have been rolled into the Revenue Support Grant next year. These grants total circa £2.5 million and the uplift in Revenue Support Grant is equal and oppositive to this, so these transfers will have a net neutral impact on the Council's funding position. The provisional Local Government Finance Settlement confirmed that the Council will receive an inflationary uplift for the core Revenue Support Grant of 1.7% (£0.586 million) in 2025/26;

(x) The Government announced funding of £515 million nationally to compensate authorities for the increase in Employer National Insurance Contributions (ENICs) on directly employed staff. The Council's allocation of this funding is estimated to be £4.744 million (allocations will be confirmed in the final Local Government Finance Settlement), which is £3.496 million less than the estimated costs of ENICs that the council will incur next year, so the funding being made available is likely to only cover 58% of the costs we will face next year. This is contrary to the announcements made at the time of the Autumn Budget Statement, when it was stated that local authorities would be fully compensated for the increase in direct staffing costs;

(xi) The Council's allocation of Extended Producer Responsibility (EPR) Grant for 2025/26 will be £9.8 million, which is to be used to fund additional expenditure associated with collecting, managing, recycling and disposing of separate streams of household waste. This funding is not included in the Council's Core Spending Power allocations. DEFRA have issued some updated guidance which will result in a fundamental and significant change to the proposals for Food Waste Collection and will likely result in changes to how other types of households and trade waste are collected. The grant funding will be used to fund new budget commitments for Persistent Organic Pollutants (£0.250 million) and for additional waste disposal costs (£0.500 million) next year, with the balance (£9.050 million) expected to be required to fund the required changes to waste collection and recycling arrangements in line with the updated DEFRA guidance;

(xii) The Council will receive additional Homelessness and Rough Sleeping Funding for 2025/26 totalling £1.149 million, increasing the specific grant for Homelessness and Rough Sleeping to £4.340 million next year. This funding will be used on targeted interventions to prevent homelessness, as well as the provision of temporary accommodation to alleviate the significant increase in demand which the Council has seen for this service. £0.400 million of this funding has been used to meet the costs of temporary accommodation;

Savings Plans

10 Since 2011/12, and to the end of the current year, the Council has had to identify and deliver savings proposals totalling £270 million to meet the challenges of reduced funding and an inability to raise sufficient income locally to meet unavoidable inflationary and increased demand for services – particularly in statutory Adult and Childrens Social Care and within the Home to School Transport budgets. The Council has continually strived to identify efficiency savings which can be realised without unduly impacting upon front line service delivery. A range of savings options were detailed in the 18 September 2024 and 4 December 2024 Cabinet reports. The savings proposals were subject to two phases of budget consultation, held between 20 September to 1 November 2024, and 6 December 2024 to 17 January 2025.

11 To balance the 2025/26 budget, savings proposals of £18.036 million are recommended to be implemented. Most of these savings' proposals will not impact on frontline services. The savings are split between savings of £3.389 million which were approved by County Council on 28 February

2024 as part of MTFP(14), and £14.647 million of new savings proposals which were published in the 4 December Cabinet report, and which have been consulted on, alongside the savings from the reduction in council membership from May 2025 following consideration of the Independent Remuneration Panel's review of the Members Allowance Scheme at County Council on 22 January 2025 . Across the four years of MTFP(15), savings of £23.404 million have been identified and are to be implemented to help meet the significant challenge of balancing the Council's budget next year and beyond.

12 To balance the underlying remaining deficit beyond 2025/26, more substantial transformational savings will need to be found, with the current funding gap of £23.040 million in 2026/27 being of particular concern.

Capital Investment

13 The council continues to prioritise investment in its long-term assets, by investing in an ambitious and extensive capital programme. In developing the capital programme, the council carefully considers its ability to borrow to fund the capital programme, and the revenue consequences of any capital investment decisions, both in terms of capital financing costs (any prudential borrowing impacts) and on running costs.

14 MTFP(15) contains significant additional investment in the capital programme, with new additional MTFP(15) schemes for the period 2025/26 to 2026/27 totalling £158.687 million. This additional investment includes additional non-self-financed prudential borrowing commitments of £38.637 million, a significant additional self-financing borrowing allocation to fund the investment in the Milburngate Development of £55 million (which remains subject to Cabinet Approval in a separate report dated 12 February 2025) and new government and regional grant funding which is estimated to total £65.050 million (and remains subject to further confirmation).

15 The additional and augmented borrowing commitments include additional capital budget for the demolition of County Hall (£2.9 million), a potential corporate borrowing commitment to secure a new facility at Netpark for a potential major inward investment (£12.7 million), additional capital funding for investment in our buildings (£8.0 million), continuing investment in Member Neighbourhood and Community Network budgets (£1.8 million), investment in essential digital infrastructure, systems and equipment (£5.7 million), a top-up to the wider demolition budget (£1.0 million), capital investment to support the Children's Sufficiency Strategy (£2.0 million), an initial investment in the Aykley Heads Joint Venture pre-development costs (£2.5 million) and required investment to fund planned bridge works at Wolsingham of £2.0 million.

16 In light of the very challenging financial position and the significant uncertainty facing the council at this stage, and in advance of the outcome

of the upcoming Comprehensive Spending Review and Fair Funding Review, which will have a significant bearing on the Council's underlying financial position (where a budget deficit of £23.040 million is forecast in 2026/27 and £45.356 million to 2028/29 is forecast), the Capital Programme does not include budget provision to fund further investment in the Leisure Transformation Programme.

17 The Cabinet remain committed to providing new build leisure facilities in Chester-le-Street and Seaham, when the financial capacity exists to fund these investments. So far, a total of £62.820 million has been invested in leisure transformation across the county, however, investment in another two new leisure centres is now estimated to cost circa £70 million in total, which would incur additional borrowing costs of £4 million per annum. In the current climate, this is not affordable. Committing to undertaking additional capital investment at this scale would not be financially prudent and would invariably result in additional cuts to front line services should the financial forecasts set out in this report come to fruition.

18 In terms of future funding opportunities for investment in new council leisure centres, and in the absence of any national or regional funding that may become available, the council could consider utilising any income generated from the Milburngate development (which remains subject to Cabinet Approval in a separate report dated 12 February 2025) to finance capital expenditure. Whilst at this stage it is not possible to determine the revenue or capital sums that could be available, as this will be dependent on future decisions made in relation to how the development is managed and any capital receipt opportunities that may be available, the Cabinet will consider how any available surplus funding from the council purchasing (using self-financed borrowing) and owning the Milburngate Development can be used to fund capital expenditure priorities in future capital programmes, including new leisure centre provision.

Council Tax

19 In the setting of council tax levels for 2025/26, careful consideration needs to be given to the significant current and future financial pressures facing the council and the uncertainty that exists from 2026/27 onwards.

20 All elected members have a fiduciary responsibility for managing public finances and for facilitating the setting of a balanced budget. These responsibilities are set out in Appendix 3. Consideration also needs to be given to the Government's expectations for social care authorities to raise council tax by the maximum permitted amount and to the impact of increases in council tax on residents.

21 The Government has confirmed that the council tax referendum limit for 2025/26 will be 2.99% and that social care authorities have the "option" to increase council tax by an additional 2% for an Adult Social Care Precept. The Government's published Core Spending Power figures assume all

upper tier local authorities maximise the full permitted percentage increase in council tax (without recourse to a local referendum or seeking extended permissions from the Secretary of State) i.e. by the maximum possible sum in 2025/26, which for the Council would be a 4.99% increase.

22 As a broad guide, a 1% increase in Council Tax generates an additional £2.900 per annum for the Council in 2025/26. This is broadly equivalent to the cost pressures that arise from a 1% increase in the councils pay bill. The 2025/26 budget forecasts a 3% pay award will be agreed next year.

23 After considering the impact on the Council's budget and on local council taxpayers, the most financially vulnerable of which continue to be fully protected by our Local Council Tax Support Scheme (in terms of an entitlement to receive a 100% discount), the increase in the National Living Wage from April 2025 (6.7%) and the support available through the council's welfare assistance programme, this report recommends that the council utilises the full 4.99% council tax increase available to it.

24 Costs within Adult Social Care and Health, which is the Council largest budget area, will rise significantly in 2025/26 (by an estimated £17.876 million) due to a combination of the 6.7% increase in the National Living Wage and the increase in Employer National Insurance costs which are likely to add a further 3.5% onto the overall wage bill of adult social care providers. On that basis, a 2% increase in the adult social care council tax precept (which would generate circa £5.8 million of additional revenue) is more than justified and will help ensure that these unavoidable cost increases can be partially mitigated in 2025/26.

25 The overall council tax increase, including the resources generated from the Adult Social Care precept, will generate additional council tax income of around £14.400 million next year. The increase would result in a Band D increase of £1.86 per week and an increase of £1.24 per week for the majority of Council Taxpayers in County Durham, 56.5% of whom live in the lowest value properties (Band A).

26 The council has been able to set a balanced budget for 2025/26 with £18.036 million of savings but also with the utilisation of £3.191 million of the MTFP Support Reserve.

27 It is forecast that significant additional savings will be required over the period 2026/27 to 2028/29 to enable budgets to be balanced in future years. The budget deficit / savings requirements in future years will be very much influenced by the outcome of any possible restriction in funding for the public sector from 2026/27 onwards (to be set out in the planned Comprehensive Spending Review), by the outcome of the planned Fair Funding Review scheduled for implementation in 2026/27 and the further refinement of further inflationary and demographic social care-related base budget pressures. At this point the forecast savings shortfall for the period 2025/26 to 2028/29 is £45.536 million, of which £23.040 million (50.6%) of

this fall into the first two years of MTFP(15) and will need addressing in the 2026/27 budget.

28 It is not prudent for the Council to constantly rely on reserves to balance its budget over coming years, as this is not a sustainable budget strategy to adopt and, in any event, the council will not have sufficient reserves to meet the financial challenges it faces.

Reserves

29 The Council's General Reserve is forecast to be £26.727 million at 31 March 2025, based on the latest quarter two forecast of outturn. This is £1.5 million below the required 5% minimum threshold (of the Council's net revenue budgets) set out in the Reserves Policy agreed by Council and will necessitate a transfer from the MTFP Support Reserve at year end to ensure the position is at least 5% moving into the new financial year.

30 At 31 March 2025 the Council is forecasting that £163.4 million of earmarked reserves will be held, with £63.9 million of this related to corporate strategic reserves, which are essential for MTFP(15) planning purposes.

31 The Council's reserves' position is closely monitored and benchmarked against other local authorities and is a measure of the financial resilience of a local authority. An early warning sign of a financially distressed council is when a council is running its reserves down to an unacceptably low level or is running its reserves down at a very fast rate.

32 The CIPFA Financial Resilience Index has in recent years highlighted that the Council has had a higher-than-average reduction in its reserves, when compared to other upper tier authorities over the three years to March 2023.

33 The latest CIPFA Resilience Index information was published on 23 January 2025. This provides comparisons across local government for a range of financial indices or measures of financial resilience. The council has historically always had a strong position in these comparators. The most recent published information for the period to 31 March 2024 highlights that the Council's reserve levels (excluding schools and public health reserves) as at 31 March 2024 are 41.1% of the Council's net revenue budget (compared to, and down from, 44.1% as at 31 March 2023). The Council's drop in reserves across a three-year period up to 31 March 2024 is now a 22.5% fall in reserves (compared to a 5.3% fall in reserves over a three-year period up to 31 March 2023). The Council's comparative position to other local authorities has however improved. The CIPFA Resilience report identifies a concerning trend in unitary local authorities at present regarding a reducing level of reserves and a rising use-rate of reserves across a rolling three-year period.

34 The significant and increasing Dedicated Schools Grant High Needs Block (HNB) deficit position is a serious continuing concern for the Council and many other upper tier local authorities. The exceptional accounting override that allows councils to exclude HNB deficits from their main council general revenue funding position is due to end in 2026/27, at which point the HNB deficit may need to be funded by council resources requiring a significant (and unaffordable / unsustainable) call on reserves and further annual budget pressures that are not factored into the current MTFP(15) forecasts. Should this accounting override be removed, and additional funding is not provided in 2026/27 then many authorities will be forced into a s114 position as the cumulative deficits accrued in some authorities already runs well into the tens of millions.

35 The report proposes that the current Reserve Policy of maintaining the General Reserve of between 5% and 7.5% of the Net Budget Requirement is retained. This will result in an increased General Reserve range due to the increase in the Net Budget Requirement, of between £31.2 million and up to £46.8 million in 2025/26.

Dedicated Schools Grant

36 The Schools Block allocation for 2025/26 has increased by £27.015 million year on year. This increase includes the incorporation of the supplementary grant funding from 2024/25 into the Schools Block for 2025/26. The supplementary funding in 2024/25 was £23.270 million, therefore the net increase is £3.983 million. This net increase in funding includes a year on year reduction of 885 pupils (625 Primary and 260 Secondary) between 2024/25 and 2025/26, with funding being circa £5.6 million lower than it would have been if pupil numbers had remained at the same level as the current year.

37 The government has confirmed that an additional funding stream will be provided in 2025/26 to support schools with the additional direct costs associated with changes to Employer National Insurance Contributions announced in the Autumn Budget in October 2024. Further information on the quantum of this funding and the basis for allocation to schools is yet to be published and may not be published until just before the start of the new financial year.

38 The local formula to be applied in 2025/26, which is subject to approval from the DfE, is aligned to the National Funding Formula for Schools and is set out in the report. The provisional formula was set out in the report to Cabinet on 15 January 2025 and this has been updated to reflect the final pupil and DSG allocations, which were published on 18 December 2024.

39 For 2025/26 the Council’s High Needs Block (HNB) allocation is £101.177 million, which is £7.350 million (or 7.8%) higher than the 2024/25 HNB allocation of £93.827 million.

40 This increase in funding is significantly lower than the average annual increase in spending requirements on Special Educational Needs of 15% over the period 2021/22 to 2023/24 but is higher than the increase of 4.5% in 2024/25. This increase in funding reflects an additional £1 billion of SEND funding being made available nationally that was announced in the Autumn Budget Statement.

41 The financial pressures on the HNB are forecast to continue to outstrip the allocated HNB funding next year, with a forecast in-year deficit in 2025/26 of circa £14 million expected and the forecast cumulative deficit forecast to rise to £38 million by 31 March 2026. This is the sum that would need to be funded from councils reserves if the exceptional accounting override is withdrawn in 2026/27 and the Government fails to provide funding to write off the accumulated deficit at that point, with the in-year deficit that would exist at that point becoming a base budget pressure in MTFP(16).

42 The significant and increasing HNB deficit position is a serious concern for the Council and many other upper tier / unitary authorities. The cumulative deficit is also placing pressure on the Council's cash-flow arrangements, and it is estimated that loss of interest due to carrying the accumulated HNB deficit is circa £1.000 million in 2024/25, increasing to circa £1.5 million in 2025/26.

43 For 2025/26 the Central Schools Services Block (CSSB) is £3.349 million, which is £77,000 lower than the 2024/25 CSSB allocation of £3.426 million (after adjusting for specific grants now rolled into the CSSB).

Other considerations

44 As part of the budget setting process, the council will need to consider and agree updates to the Pay Policy, the Treasury Management Policy and Strategy, including the Prudential Indicators, the Investment Management Strategy and Reserves Policy. This report also sets out amendments to the council's Section 13(A) Policy for Council Tax on Empty Homes and Second Homes, which will be applied from 1 April 2025.

45 Revised and updated policies and strategies, which will ensure the Council continues to fully comply with relevant statutory requirements are set out in the report.

Recommendations

46 Cabinet is asked to:

(a) **2025/26 Revenue Budget and MTFP(15) Financial Forecasts**

(i) consider and approve the final MTFP(15) financial forecasts, as set out at Appendix 2;

(ii) note the fiduciary and legal responsibilities on all members to set a balanced budget by 11 March (as set out at Appendix 3);

(iii) approve the inclusion of the identified base budget pressures included in Table 2 in the budget report to County Council;

(iv) approve recommending the savings plans detailed in Appendix 4 and 5 to County Council, which total £18.036 million in 2025/26, £4.081 million in 2026/27 and £1.288 million in 2027/28, to Council on 19 February 2025;

(v) approve recommending a 2.99% core Council Tax increase and a 2% increase which relates to the Adult Social Care precept, to create a combined 4.99% overall increase in council tax in 2025/26 to County Council on 19 February 2025;

(vi) approve the 2025/26 Net Budget Requirement of £623.433 million for consideration by County Council on 19 February 2025, as summarised in Table 5;

(vii) note and agree the forecast 2025/26 revenue budget forecasts , as set out at Appendix 6 and 7 – which breaks down the Council's revenue budgets by Expenditure and Income type (Appendix 6) and by Service Grouping (Appendix 7);

(viii) agree to set aside sufficient sums in Earmarked Reserves as are considered prudent and that the Corporate Director of Resources should continue to be authorised to establish such reserves, as required, to review them for both adequacy and purpose on a regular basis reporting appropriately to the Cabinet Portfolio Member for Finance and to Cabinet; and

(ix) agree to aim to maintain the General Reserve in the medium term between 5% and 7.5% of the Net Budget Requirement which in cash terms will be between £31.172 million and £46.757 million, based on the forecast Net Budget Requirement in 2025/26

(b) **Savings Proposals, Equality Impact Assessment and Budget Consultation**

(i) note the approach taken by service groupings to achieve the required savings to help balance the Council's revenue budget;

(ii) consider the identified equality impacts and mitigations associated with the savings proposals proposed in 2025/26, as set out at Appendix 8;

(iii) note the programme of future work to ensure full impact assessments are included where appropriate at the point of decision once all necessary consultations have been complete;

(iv) note the outcome of the budget consultation on the proposed saving proposals, as set out in Appendix 16 and the changes made to the proposals, which were originally set out in the 4 December 2024 Cabinet report; and

(v) approve the recommending of the savings proposals set out in Appendix 4 and Appendix 5 and summarised in Table 3 to Council for approval on 19 February 2025.

(c) **Capital Budget**

(i) approve the amendments to the 2024/25 Capital Budget and agree the revised MTFP(14) Capital Budget of £675,881 million (£288.096 million in 2024/25), as per Table 10;

(ii) approve the recommending of the Capital Strategy at Appendix 9 to Council for approval on 19 February 2025;

(iii) approve the updated current capital programme in Appendix 10 (before new additional capital schemes are allocated), reflecting previously notified additions and reprofiling of capital schemes;

(iv) approve recommending that the additional new capital investments detailed at Appendix 11, totalling £158.687 million, are included in the MTFP(15) Capital Budget. These schemes will be financed from a combination of additional capital grants, capital receipts and from new prudential borrowing and self-financing borrowing;

(v) approve the recommending of the updated MTFP(15) Capital Budget of £546.473 million for 2025/26 to 2028/29 as detailed in Table 16 to Council for approval on 19 February 2025; and

(vi) confirm and reapprove the Cabinet's desire to progress new build leisure centres in Chester-le-Steet and Seaham once the funding and affordability challenges that prevent these from being included in the MTFP(15) capital programme are addressed.

(d) **Prudential Code, Treasury Management and Property Investment**

(i) agree to the recommending of the Prudential Indicators and Limits for 2025/26 – 2028/29 contained within Appendix 12, including the Authorised Limit Prudential Indicator to Council for approval on 19 February 2025;

(ii) agree the recommending of the Minimum Revenue Provision (MRP) Statement contained within Appendix 12, which sets out the Council's policy on MRP (which was approved by Full Council on 11 December 2024) to Council for approval on 19 February 2025;

(iii) agree the recommending of the Treasury Management Strategy and the Treasury Prudential Indicators contained within Appendix 12 to Council for approval on 19 February 2025;

(iv) agree the recommending of the Annual Investment Strategy 2025/26 contained in the Treasury Management Strategy contained within Appendix 12, including the detailed criteria) to Council for approval on 19 February 2025.

(v) approve the recommending of the Property Investment Strategy at Appendix 13 to Council for approval on 19 February 2025.

(e) **Dedicated Schools Grant**

(i) note the Dedicated Schools Grant allocations for 2025/26 as set out in the report; and

(ii) approve the updated local formula for schools, as set out in Table 18, and authorise the Corporate Director of Resources to approve any amendments required following review by the Department for Education.

(f) **Pay Policy**

(i) approve the recommending of the Pay Policy Statement at Appendix 14 to Council for approval on 19 February 2025.

(g) **Risk Assessment**

(i) note the risks to be managed in 2025/26 and over the MTFP(15) planning period as outlined / summarised in Appendix 1 and in detail within the report.

(h) **Proposal for changes to the Council Tax Section 13A(1)(c) Reduction Policy**

(i) approve the updated Council Tax Empty Property Premium Charge Section 13A(1)(c) Reduction Policy attached at Appendix 15, effective from 1 April 2025, noting the alignment of the second homes approach to the current empty homes approach.

(j) **Fair Funding Reform**

(i) note the updates provided on the Government's consultation for reform of Local Government Funding, which closes on 12 February 2025.

Background

47 The Medium-Term Financial Plan (MTFP) provides a forecast of spending pressures and the resources required to set a balanced budget which will allow the Council to deliver its statutory responsibilities and local priorities in the context of local and macro-economic conditions. MTFP(15) is the fifteenth iteration of the Council's Medium Term Financial Plan and covers the four-year period between financial years 2025/26 to 2028/29.

48 Looking back to MTFP(1), the following drivers for the Council's financial strategy were agreed by Cabinet on 28 June 2010, which still largely underpin the Council's strategy in MTFP(15):

(i) to set a balanced budget over the life of the MTFP whilst maintaining modest and sustainable increases in council tax;

(ii) to fund agreed priorities, ensuring that service and financial planning are fully aligned with council plans;

(iii) to deliver a programme of planned service reviews designed to keep reductions to front line service to a minimum;

(iv) to strengthen the council's financial position so that it has sufficient reserves and balances to address any future risks and unforeseen events without jeopardising key services and delivery outcomes; and

(v) to ensure the council can continue to demonstrate value for money in the delivery of its priorities.

Autumn Budget Statement 2024

49 Following the election of the new Government on 5 July 2024, and in the run up to the Autumn Budget Statement, which was scheduled on 30 October 2024, local government had been lobbying central government for additional funding to be provided in 2025/26 to address the significant demand and inflationary pressures being faced across the sector, and to undertake a more substantial reform of how local government is funded in the long-term.

50 The additional social care funding received from the previous Government was simply not sufficient to meet the significant financial pressures being faced by upper tier councils, with little or no recognition of the huge increase in costs associated with Children Looked After placements and within Home to School Transport in successive funding settlements and, most significantly, insufficient recognition of the impact of low tax raising capacity on the ability of councils like ourselves to meet unavoidable base inflationary pressures from increases in council tax.

51 The Council and other North East authorities wrote to the new secretary of state for MHCLG lobbying on issues around demand pressures for social care and to request that the Government urgently review the funding allocation mechanisms which are in place, which have allowed significant funding inequities to be exacerbated over the last fourteen years in local government.

52 The Autumn Budget Statement was delivered on 30 October 2024, with the new Government indicating a return to a single annual Budget Statement. The Autumn Budget Statement set out a range of taxation changes and contained several announcements relating to local government.

53 The Chancellor announced £1.3 billion of extra funding would be made available to council in 2025/26, with details to be set out in the Local Government Finance Settlement. Together with council tax flexibilities and locally retained business rates, the Chancellor announced that this would provide real terms increase in total Core Spending Power in 2025/26 of around 3.2% for councils. This was expected to help meet some, but not all, of the significant pressures in adult and children's social care and in homelessness support.

54 Other measures announced in the Autumn Budget Statement for local government, included the introduction of Extended Producer Responsibilities for waste collection & disposal (c £1.1 billion), an increase in Special Educational Needs and Disabilities (SEND) funding (c £1.0 billion), a continuation of the Household Support Fund into 2025/26 (£1 billion), additional Bus Service Improvement Plan funding (£1 billion), additional funding for local roads maintenance (£500 million), additional funding for homelessness pressures (£233 million), and funding for the Kinship Allowance pilot (£44 million). In overall terms this represented over £4.5 billion in additional funding, though much of this is specific grant funding with offsetting new expenditure commitments.

55 The extra funding for children with Special Educational Needs and Disabilities of £1 billion that was announced was welcomed , but it was disappointing that there was no detail on the much-needed fundamental reform of the special educational needs system, which in the Council view needs to focus on improving inclusion in mainstream settings, be backed up with sufficient funding to meet statutory needs and must involve the Government funding the writing off of councils' high needs cumulative deficits.

56 The Autumn Budget Statement also included some positive measures which the local government sector had called for such as Right to Buy reform, increased childcare provision, more affordable housing availability, and funding of £500 million for potholes.

57 The £1 billion extension to the Household Support Fund and to Discretionary Housing Payments in 2025/26 was also to be welcomed and

is intended to assist councils in providing support to vulnerable households.

58 The Government announced that total day-to-day spending by government departments would increase by £28.2 billion in 2025/26, a 5.8% year on year increase in cash terms.

59 The plans set out in the Autumn Budget Statement would result in departments' day-to-day spending increasing by an average of 2.0% in real terms over the budget forecast period – a real terms increase of £62 billion between 2023/24 and 2029/30.

60 At the Autumn Budget Statement, the Chancellor noted that the government was fixing the envelope for Phase 2 of the Comprehensive Spending Review in line with the forecasts set out in October 2024, which will conclude in the late spring 2025. The Government indicated it would deliver a new settlement for public services, marking a fundamental change in how the government approaches public spending, supports growth, and delivers public services. As part of the preparations for Phase 2 of the Comprehensive Spending Review, government departments have been asked to deliver efficiency savings of 2% from 2026/27.

61 The Chancellor announced that the Local Government Department Expenditure Limit (DEL) budget for 2025/26 would increase to £14.3 billion, which included an additional £1.3 billion of new grant funding for local authority services, with at least £600 million of this new grant funding to be provided for social care costs. Coupled with council tax-raising flexibilities and locally retained business rates, the Government indicated this would provide real terms increase in total core spending power in 2025/26 of around 3.2%.

62 **Business Rates:** the Government announced that private schools in England would no longer be eligible for charitable rate relief from April 2025. The Ministry of Housing, Communities and Local Government (MHCLG) was charged with bringing forward primary legislation to amend the Local Government Finance Act 1988 to end relief eligibility for private schools. Private schools which are 'wholly or mainly' concerned with providing full time education to pupils with an Education, Health and Care Plan will remain eligible for relief.

63 For 2025/26, eligible retail, hospitality and leisure (RHL) properties in England will receive 40% relief on their business rates liability, a reduction on the current level of relief available (75% in 2024/25). RHL properties will be eligible to receive support, up to a cash cap of £110,000 per business.

64 For 2025/26, the small business rate multiplier in England will be frozen at 49.9p. The government stated that it would lay secondary legislation to freeze the small business multiplier. The standard multiplier will be uprated by the September 2024 CPI rate (1.7%) to 55.5p.

65 The government announced that it intended to introduce permanently lower multipliers for Retail, Hospitality and Leisure (RHL) properties from 2026/27, paid for by a higher multiplier for properties with Rateable Values above £500,000. Details of these changes have not yet been published and will be set out in the coming months.

66 The Government confirmed that local authorities would be fully compensated for the loss of income and administration costs resulting from these business rates measures.

67 A discussion paper has been published setting the direction of travel for transforming the business rates system, inviting comments and dialogue about future reforms.

68 The Valuation Office Agency (VOA) is publishing a response to the March 2023 Consultation on Disclosure, which sets out the next steps on increasing the transparency of business rates valuations by disclosing more information.

69 **Local Government Funding Reforms:** During the Autumn Budget Statement, the Chancellor also committed to pursuing a comprehensive set of reforms to return the sector to a sustainable position. This was to include reform of the approach to allocating funding through the Local Government Finance Settlement, starting with a targeted approach to allocating the additional funding being made available in 2025/26, ahead of a broader redistribution of funding through a multi-year settlement from 2026/27.

70 **National Insurance:** The government announced that it was increasing the rate of employer National Insurance contributions (NICs) from 13.8% to 15% and, more significantly, reducing the per-employee threshold at which employers become liable to pay National Insurance (the Secondary Threshold) contributions from 6 April 2025, to £5,000. At the time of the Autumn Budget Statement, the Government said that local authorities would be fully compensated for the additional costs they would face from increase in their direct employee costs because of these changes.

71 **National Living Wage (NLW):** the government accepted the recommendations in full of the Low Pay Commission and agreed that the NLW should increase by 6.7% to £12.21 per hour from April 2025. This represents an increase of £1,400 to the annual earnings of a full-time worker on the NLW and is expected to benefit over 3 million low paid workers across the UK.

72 Over time, the government intends to create a single adult wage rate, and therefore also asked the Low Pay Commission (LPC) to recommend a minimum wage for 18–20-year-olds that would begin to close the gap with the main NLW rate, eventually giving them the same wage for the same day's work. In accepting the recommendation from the LPC, from April 2025, the National Minimum Wage (NMW) for 18–20-year-olds will be

£10.00 per hour, an increase of 16.3%, the largest ever increase in both cash and percentage terms. This will result in a boost to annual earnings of over £2,500 for 200,000 young people across the UK.

73 **Packaging: Extended Producer Responsibilities:** This new tax on packaging is to be implemented in 2025/26 and the proceeds will be ring-fenced for local government. Local authorities are expected to receive around £1.1 billion of new funding in 2025/26 through the implementation of the Extended Producer Responsibility scheme to help fund improvements in recycling outcomes from January 2025, equivalent to further c.1.6% real terms increase in local government resources. Exceptionally, for 2025/26 only and recognising the importance of local authorities being able to effectively plan their budgets, the Chancellor announced that HM Treasury will guarantee that if local authorities do not receive Extended Producer Responsibility income in line with the central estimate, there will be an in-year top up, with the detail on this to be set out through the Local Government Finance Settlement (LGFS) process. It was noted that the Department for Environment, Food and Rural Affairs (DEFRA) would be publishing guidance on Government expectations with regards to waste collection and disposal, including proposals to simplify and standardise arrangements across the country.

74 **Children's Social Care:** The government committed to providing over £263 million in 2025/26 to continue to test innovative measures to support vulnerable children and reduce costs for local authorities. This includes £44 million of new funding to pilot a Kinship Allowance as well as to create hundreds of new foster placements, enabling more children to stay in family environments.

75 The Autumn Budget Statement provided £6.7 billion of additional funding for capital investment, including £90 million to renovate and expand the children's home estate.

76 The government stated its intentions for fundamental reform of the children's social care market in Phase 2 of the Comprehensive Spending Review, including promoting early intervention to help children stay with their families where possible and fixing the broken care market.

77 **Children's services:** The settlement delivered on the government's ambition to give all children the best start in life by increasing spending on early years and family services to over £8 billion in 2025-26, including:

(i) An additional £1.8 billion to continue the expansion of government-funded childcare and help more parents, particularly women, stay in and return to work;

(ii) Investing over £30 million in the rollout of free breakfast clubs next year, to fund breakfasts in thousands of schools and help working parents; and

(iii) £69 million to continue delivery of a network of Family Hubs.

78 **Education and Special Educational Needs and Disabilities (SEND):** The government stated that it was committed to ensuring that every child has access to high-quality education. To secure additional funding to help deliver commitments relating to education and young people, the government confirmed it would remove the exemption from VAT on education and boarding school services charges by private schools from 1 January 2025. The government also stated that it would remove business rates charitable rate relief from private schools in England from April 2025. Together, these policies are expected to raise £1.8 billion per year by 2029-30. The impact on the state education system was stated as being minimal / small.

79 To raise school standards for every child, the core school budget was increased by an additional £2.3 billion next year, increasing per pupil funding in real terms. It was claimed that this funding was being made available to support delivery of the government's pledge to recruit an additional 6,500 teachers. As part of this, the government proposed to provide a £1 billion increase to High Needs [Special Educational Needs and Disabilities (SEND) and Alternative Provision funding], equivalent to a 6% real terms growth. The government indicated this was an important step in realising the government's vision to reform England's SEND provision to improve outcomes and return the system to financial sustainability.

80 The Autumn Budget Statement provided £6.7 billion of additional capital investment funding - a 19% real terms increase from 2024-25. This included £1.4 billion for the school rebuilding programme, representing an increase of £550 million on the current year. The announcement included plans for 100 projects to start delivery across England next year, reaffirming the government's commitment to improve the school estate by rebuilding 518 schools in total through the programme. £2.1 billion was also promised to improve the condition of the school estate, representing an increase of £300 million compared to 2024/25.

81 **Adult Social Care:** The government indicated it would support local authority services through real terms increase in core local government spending power of around 3.2 per cent, including at least £600 million of new grant funding to support social care.

82 An £86 million increase to the Disabled Facilities Grant to support around 7,800 more adaptations to homes for those with social care needs to reduce hospitalisations and prolong independence was also announced.

83 **Household Support Fund and Discretionary Housing Payments:** The government announced it would provide £1 billion to extend both the Household Support Fund in England and Discretionary Housing Payments in England and Wales in 2025-26. This was to be used by local authorities

to help low-income households facing hardship and financial crisis, including supporting them with the cost of essentials such as food, energy and water.

84 **Homelessness and temporary accommodation:** An additional £233 million of funding in 2025-26 was announced for homelessness prevention and for temporary accommodation costs, taking total spending to £1.0 billion in 2025-26. This was provided to help prevent increases in the number of families in temporary accommodation and help to prevent rough sleeping.

85 **UK Shared Prosperity:** The UK Shared Prosperity Fund was extended and will continue, at a reduced level, for a further year into 2025/26, providing £900 million of funding next year. This transitional arrangement will allow local authorities to invest in local growth, in advance of wider funding reforms.

86 The Long-Term Plan for Towns was retained and will be reformed into a new regeneration programme.

87 The Government stated that it will reform the local growth funding landscape as part of Phase 2 of the Spending Review: rationalising the number of funds, moving away from competitions for funding, and better supporting local leaders to drive growth. The Government stated that it will set out more detail on its strategy for regional growth alongside, and integrated with, plans for infrastructure investment, and the proposed Industrial Strategy. The Government said it was setting out the next steps for delivering its strategy for regional growth, across investment, devolution and local growth funding reform – which will create good jobs and spread prosperity across the UK.

88 **Local Transport:** The Autumn Budget Statement provided increased investment in local roads maintenance and local transport, supporting everyday journeys and addressing poor connectivity within our towns and cities across the country, which is currently a key drag on growth.

(i) an additional £100 million investment in cycling and walking infrastructure in 2025/26, to support Local Authorities to install cycling infrastructure and upgrade pavements and paths;

(ii) over £650 million of funding for local transport beyond City Region Sustainable Transport Settlements in 2025-26 to ensure that transport connections improve in our towns, villages and rural areas as well as in our major cities. This includes funding to progress transport-related Levelling Up Fund projects from Rounds 1, 2 and 3. The Transport Secretary was to set out further detail on how this funding will be allocated in due course;

(iii) Over £200 million committed in 2025-26 to accelerate EV charge point rollout, including funding to support local authorities to install on-street charge points across England;

(iv) Providing an additional £200 million for City Region Sustainable Transport Settlements, bringing local transport spending for Metro Mayors in 2025-26 to £1.3 billion;

(v) Providing over £1 billion funding to support local areas and bus operators in 2025-26, with the aim of providing high quality bus services across the country. The government extended the bus fare cap, which was due to end in December 2024, with a new cap in place from January to December 2025 at the higher rate of £3; and

(vi) Providing a near 50% increase, on the 2024/25 funding for local roads maintenance. This funding is being provided to meet the government's commitment to fix an additional one million potholes across England each year, with almost £1.6 billion of funding being provided to maintain and renew roads, an increase of £500 million on 2024/25.

Local Government Finance Settlement

89 The provisional Local Government Finance Settlement was published on 18 December 2024 and confirmed several previously announced increases in funding for local government.

90 The provisional Local Government Finance Settlement provided clarity on the funding position of the Council next year, where the council will receive a 8.2% increase in Core Spending Power (CSP) – which in part assumes that the Council exercises its ability to raise Council Tax by 4.99% next year – a 2.99% core Council Tax increase and a 2.00% Adult Social Care precept.

91 This 8.2% increase in CSP compares favourably to the English average increase of 6.0% and reflects the receipt of additional funding through the new Recovery Grant, which has been targeted at authorities that have higher levels of deprivation and lower tax raising capacity and the start of the process of addressing the inequities in the current funding distribution formula.

92 Further increases in funding were announced in the provisional Local Government Finance Settlement on 18 December 2024 (including an additional £200m for social care) that was not announced in the Autumn Budget Statement.

93 The settlement represents the sixth successive real-terms increase in Core Spending Power (CSP) for the Council, although it must be stressed that

these funding increases fall well short of the Council's unavoidable increased spending pressures year on year – particularly the costs associated with children's and adult social care placements, where National Living Wage increases and the Employer National Insurance Contributions increases, alongside demographic growth and market demands, are driving huge cost pressures into the Council's budget in 2025/26 and across the MTFP(15) planning period.

94 Despite the 8.2% increase in CSP next year, the Council still lags well behind in terms of CSP per Dwelling, compared to other councils. In 2025/26 the Council's CSP per dwelling is forecast to be £2,562 per dwelling (based on a core spending power of £653.4 million for 2025/26 and 255,046 dwellings in the County). This compares to the English Average of £2,683 per Dwelling.

95 If the Council received the equivalent of the English Average Core Spending power per Dwelling, an additional £121 per dwelling, the Council would receive around an additional £31 million in funding next year. Arguably, the Council's CSP per Dwelling should be well above the national average given the deprivation and demographic demands it faces and the cost of delivering services in a county the size of Durham.

96 As part of the provisional Local Government Finance Settlement the Government have sought to direct additional resources towards high-need, low-taxbase authorities, in recognition that these authorities have had the largest cuts in Core Spending Power since 2010/11, and their levels of core spending power per dwelling growth over the last 15 years has failed to keep pace with the English Average.

97 The Government have indicated that it wants to "lay the foundations for fundamental reform by allocating new funding through improved formulae in 2025-26" and have stated that the changes next year are the "first step" in rebalancing the local government funding arrangements.

98 This is to be welcomed and is long overdue as far as this council is concerned. It is something that the Council has consistently lobbied strongly on for many years now. However, it is important that the Council does not make any presumptions about the outcome of these proposed funding reforms at this stage, which the Government have stated will be implemented from 2026/27. Implementing fundamental changes to the base formula allocations will be much more problematic to deliver than distributing the additional funding being made available next year and will undoubtedly be challenged from a wide number of stakeholders. Changes from 2026/27 may produce a less radical reallocation of funding than the Council requires, and such changes may be brought in over an extended timeframe of more than one year as a result of this lobbying.

99 An overview of the key announcements and impacts on the 2025/26 budget and MTFP(15) planning assumptions are set out below:

(i) **Recovery Grant**: The Recovery Grant (£600 million) targets funding very clearly towards higher-need (those with higher levels of deprivation), low-taxbase authorities – mainly unitary and metropolitan councils across England. The Council's share of this funding is £13.851 million in 2025/26, which represents a 2.3% share of the national allocation. The grant is a general grant, with no specific terms or conditions attached to it. It has been provided to "mitigate some of the structural shortfalls in underlying funding received by the Council in the last 14 years".

The introduction of the Recovery Grant is an important first response to the significant and sustained lobbying undertaken by the Council, with our geographic neighbours (in the North East) and our statistical neighbours (SIGOMA), around the fundamental inequities in the local government funding system.

This grant, and its targeted method of distribution represents an encouraging step in the Government's commitments to make local government funding fairer, is to be welcomed. However, there has been some significant counterchallenge to the funding distribution, particularly individual authorities and bodies representing more affluent councils, including most county councils and district councils. There has also been a strong response from some very rural local authorities who argue they have been significantly affected by cuts to targeted funding to support supposedly high costs of significant rurality.

(ii) **Social Care Grant:** There will be an increase of £880 million in the Social Care Grant in 2025/26, which is greater than the £600 million that was announced in the Autumn Budget Statement.

The Government have broadly continued the methodology that was used by the previous government in allocating this funding next year and the Council has received an additional £11.979 million of Social Care Grant, with this funding allocated through a partial adjustment for council tax equalisation, to be more targeted towards low-council tax raising council areas.

Whilst this increase in funding is welcomed, it still falls well short of the budget pressures linked to Adult Social Care and Children's Looked After placements in 2025/26, which total £34.486 million – meaning that the Social Care Grant only covers 35% of the social care cost pressures the council will face in 2025/26.

(iii) **Local Authority Better Care Grant:** A new grant called the Local Authority Better Care Grant has been created from next year and is essentially a combination of the current Improved Better Care Fund (£2.140 billion), and the Adult Social Care Hospital Discharge Fund

(£500 million), which has been withdrawn and the funding rolled into and repurposed.

The new Local Authority Better Care Grant national total is £2.640 billion, but the Council will not receive any additional net funding from this change, nor will the Council lose out either.

More clarity is required on the specific terms and conditions of the new grant, for which the Council's allocation for next year is £38.079 million, with £7.212 million of this being the funding transferred across from the Adult Social Care Discharge Fund, although it is expected that a reasonable level of flexibility in use is provided going forward so that we can continue to offset our Adult Social Care and integrated team costs and initiatives with it.

(iv) **Market Sustainability and Improvement Fund:** This funding allocation will be cash-flat from the current 2024/25 funding levels at £1.050 billion nationally and the distribution methodology remains unchanged.

(v) **Children Social Care Prevention Grant:** this new additional funding has been distributed using an interim children's relative needs-based formula. The national funding allocation announced was £250 million, however in the provisional settlement it was announced that it would be uplifted to £263 million in the final settlement.

The Council's share of this is new funding is £2.763 million and this funding will need to be used this to fund additional costs in 2025/26 associated with the Durham Cares Strategy – the Children's Commissioning and Placement Sufficiency Strategy 2. This investment will help drive various improved outcomes and cost avoidance measures to ensure the Council's spending on Children Looked After at least stays within existing MTFP Budget Growth forecasts.

(vi) **Domestic Abuse Safe Accommodation Grant:** This is a specific grant that is currently allocated to Adult and Health Services but which has been augmented and included within the calculations for core spending power from 2025/26.

The national funding allocation is £160 million and previous years' funding levels are adjusted for, in the transfer to core spending power, with a £30 million increase in national funding in 2025/26. The Council currently receives £1.216 million of Domestic Abuse Safe Accommodation Grant specific grant, and this will increase to £1.516 million next year. The £0.3 million uplift has been allocated to Adult and Health Services to meet increased spending on Domestic Abuse and Safe Accommodation Services next year.

(vii) **New Homes Bonus:** This funding mechanism continues for one final year into 2025/26, whilst the Comprehensive Spending Review and Fair Funding Review are completed. The national allocations are at the same overall level as they are in 2024/25 (£290 million) and the current distribution methodology has been retained for 2025/26.

There is £1.5 million of additional new homes bonus funding that can be factored into the 2025/26 budget compared to 2024/25, due to the increase in the Council's tax base over the last year to October 2024 relative to other authorities.

(viii) **Services Grant:** this grant has been discontinued from 2025/26, therefore, the Council has seen a reduction in funding of £0.889 million for the Services Grant.

(ix) **Specific Grants Rolled into Revenue Support Grant:** In addition to the Domestic Abuse Safe Accommodation Grant, four other current Specific Grants: Election Integrity Programme New Burdens Grant, Extended Rights for Home to School Transport Grant, Tenant Satisfaction Measures Grant, and the Transparency Code Grant - have been rolled into Revenue Support Grant, and previous years' allocations have been adjusted for notional inflation.

The impact for the Council is net nil, although the grants will now sit outside of the service budgets and be included in Revenue Support Grant and be held corporately. These grants, which total £2.505 million are itemised as follows:

Grant	**£'m**
Transparency Code Grant	0.013
Electoral Integrity Grant	0.040
Tenant Satisfaction Measures Grant	0.003
Extended Rights for Home to School Transport Grant	2.450
Total	**2.505**

(x) **Revenue Support Grant Core Allocations:** The MTFP(15) financial forecasts include a 1.7% CPI based uplift in the carried over 2024/25 Revenue Support Grant allocations, which creates an increase in funding of £0.586 million in 2025/26. Annual uplifts in years 2026/27 to 2028/29 are based on the Office for Budget Responsibilities forecasts of CPI across the next four years.

(xi) **Employer National Insurance Contributions Funding:** Funding of £515 million nationally for the increase in direct Employer

National Insurance Contributions (ENICs) costs will be made available to local government, but the individual local authority allocations will not be confirmed until the final settlement is published. The Council is estimated to receive £4.744 million in funding in the final settlement, however, the forecast increased ENICs costs to the Council on its direct staffing costs are expected to be £8.240 million next year, therefore the Council is facing a shortfall in funding / a net budget pressure of £3.496 million. The funding being provided is insufficient to meet the costs that the council and the wider sector will face for impact of changes to ENICs – which is counter to the announcements at the time of the Autumn Budget Statement and a major disappointment.

(xii) **Homelessness Prevention Grant and Rough Sleeping Prevention Grant:** An increase in this grant was announced in the Autumn Budget Statement, with local authority allocations published alongside the provisional Local Government Finance Settlement.

The 2024/25 baseline allocations have been increased by £233 million nationally to circa £1 billion next year. The Council currently receives £3.191 million of specific grant funding for Homelessness Prevention and Rough Sleeping, and in 2025/26 this will increase to £4.340 million – an additional allocation of £1.149 million.

The increase in grant will be used to continue to provide targeted funding to address challenges around homelessness and reducing the reliance on temporary accommodation, with the opportunity take to offset the circa £0.4 million of existing core-budget provision for temporary accommodation, which was included as part of the budget uplift applied in 2023/24.

(xiii) **Extended Producer Responsibility (EPR) Grant:** As part of the Autumn Statement, the Government announced that £1.1 billion of additional funding would be made available for additional costs of waste collection and disposal to be incurred by local authorities from 2025.

On 28 November 2024, the Council was notified of its allocation for this new EPR grant in 2025/26 – which totals £9.800 million.

The Government has stated that a national summary of the allocations to individual local authorities will not be published. These allocations are not included in the Core Spending Power allocations. Furthermore, there remains a high level of uncertainty about the level and source of funding beyond 2025/26, which makes medium-term financial planning for this funding, and the associated additional cost burdens, more difficult to plan for.

The Department of Environment, Food and Rural Affairs (DEFRA), who have issued new guidance on the expectations of waste collection and disposal authorities with regards to dry recycling and weekly food waste collection requirements, have advised that they expect the EPR grant to reduce over time as producers reduce packaging in the waste stream following the implementation of these new charges.

(xiv) **Council Tax:** The Government has confirmed that social care authorities can raise council tax without holding a local referendum by a Core Council Tax increase of 2.99% and apply an Adult Social Care precept of 2.00% - a combined increase in 2025/26 of 4.99%.

The Government have included an assumption that social care authorities raise their council tax by 4.99% in 2025/26 and have built this assumption into their core spending power increases.

By applying the Adult Social Care precept next year, an additional £5.8 million of additional council tax income could be secured, which would go some way to help supporting the balancing of the 2025/26 budget.

It continues to be the understanding of officers, that all the other eleven North East authorities will also be seeking their elected members to approve a 4.99% rise next year, therefore the proposals to be presented to Council is in line with the budget planning assumptions of the other neighbouring authorities in our region.

100 The final Local Government Finance Settlement is due to be published week commencing 3 February 2025, but had not been published by the time this report was prepared, but is expected to be published in time for the final budget report to Council on 19 February 2025.

Overall Funding Position

101 The Council's revenue funding / resource position will increase by £68.323 million in 2025/26 and by £113.202 million the four-year period of MTFP(15). There remains a significant amount of uncertainty about the latter three years of the MTFP(15) planning period, particularly with regards to levels of council tax increases that will be allowed / recommended by Government, the impact of the Comprehensive Spending Review on MHCLG's Departmental Expenditure Limits and the outcome (and indeed timing and scale of change) of the Government's committed reform of the local government funding formula.

102 A summary of the revenue funding / resource position for 2025/26, and updated estimates for later years are set out in Table 1 below:

Table 1

Funding Source	**2025/26 £'000**	**2026/27 £'000**	**2027/28 £'000**	**2028/29 £'000**	**Total £'000**
C. Tax Increases / Taxbase Growth	(14,400)	(8,800)	(9,100)	(9,450)	**(41,750)**
C. Tax Second Homes Premium	(650)				**(650)**
B. Rates Increases / Taxbase Growth	(4,448)	(2,250)	(2,000)	(2,000)	**(10,698)**
Govt. Grant – RSG Uplift / Grants Rolled into RSG	(3,092)	(995)	(903)	(843)	**(5,834)**
Specific Grants rolled into RSG	2,506				**2,506**
Additional domestic abuse and safe accommodation grant	(300)				**(300)**
Govt. Grant - Social Care Grant	(11,979)				**(11,979)**
Govt. Grant - Extended Producer Responsibility Funding	(9,800)				**(9,800)**
Govt. Grant – ENICs (DCC Directly Employed Staff)	(4,744)				**(4,744)**
Govt. Grant - Recovery Grant	(13,851)				**(13,851)**
Govt. Grant - Children social care prevention grant	(2,763)				**(2,763)**
Govt. Grant – CPI Top Up (SFA)	(2,138)	(3,283)	(2,905)	(2,652)	**(10,978)**
New Homes Bonus Grant	(1,495)				**(1,495)**
Govt. Grant - Service Grant	889				**889**
Govt. Grant - Homelessness and Temporary Accommodation Grant	(1,149)				**(1,149)**
Govt. Grant – Other Specific Grants	(909)	100	100	100	**(609)**
Total Funding (Increases) / Decreases	**(68,323)**	**(15,228)**	**(14,807)**	**(14,844)**	**(113,202)**

Revenue Budget Pressures

103 Despite the additional funding and additional council tax and business rates revenues set out above, the Council faces significant unavoidable cost pressures that must be accommodated to set a balanced budget. In 2025/26, these cost pressures total £85.830 million, and across the full four-year planning period they amount to £178.421 million and therefore

significantly eclipse the additional estimated funding to be received. Table 2 below outlines a summary of these financial base budget pressures:

Table 2 – summary revenue budget pressures

	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	Total £'000
Pay Inflation	8,850	7,458	6,047	6,147	**28,502**
General Inflationary Pressures	2,437	3,857	3,527	3,360	**13,181**
Employer National Insurance – All Staff	8,240				**8,240**
Adult Social Care Contracts	16,876	8,567	8,546	8,279	**42,268**
Demographic Growth – AHS	1,000	1,000	1,000	1,000	**4,000**
Domestic Abuse and Safe Accommodation	300				**300**
Children's Social Care Placements	16,610	5,798	2,629	1,701	**26,738**
Children's Care Placement Sufficiency Strategy & Prevention	2,763				**2,763**
Home to School Transport	2,966	1,555	1,636	2,034	**8,191**
Investment in EHCP Capacity	1,127				**1,127**
Investment in DLI Reopening	300				**300**
Investment in Aykley Heads Strategic Capacity	150				**150**
Waste Collection & Disposal Costs	9,800	1,600		3,000	**14,400**
Housing Benefit Subsidy Loss, temporary accommodation and new homelessness-related spend	1,279	(280)			**999**
Electrification of Vehicle Fleet	102	358	988	211	**1,659**
Transformation Programme Resourcing	3,000			(3,000)	**-**
Capital Financing / TM Issues	9,590	8,187	3,761	1,978	**23,516**
Pension Fund Revaluation		1,000			**1,000**
Other	440	58	249	340	**4,087**
Total Budget Pressures	**85,830**	**39,158**	**28,383**	**25,050**	**178,421**

104 The assumptions that underpin these cost pressures are explained below:

(i) **Pay Inflation:** In terms of the 2025/26 pay award, provision for a 3% increase has been included in the revenue budget estimates next year, which reflects the forecast CPI levels next year and the likely impact of the 2025 National Living Wage increase on the bottom scales of the local government pay scale structure. In later years, the Council assumes annual pay awards will drop to 2.5% in 2026/27, 2.0% in 2027/28 and 2.0% in 2028/29.

These are modest assumptions and may prove to be insufficient if national pay growth continues to run well above rates of the consumer prices index. Every extra 1% on the Council's pay bill adds circa £3 million to the Council's budgeted costs and is broadly similar to a 1% increase in council tax.

In recent years, the local government employers have offered cash lump sums across the bulk of pay spinal points to address significant national living wage rises, but this creates a shrinking gap in pay differentials between staff at higher levels, which is likely to trigger a more expensive review of pay spinal points in later years if such an approach on pay offers in local government continues.

In late January 2025, the Trade Unions submitted an initial claim for pay increases across local government services ('Green Book') employees. The NJC unions' claim makes a range of requests, but of particular note seeks an increase of at least £3,000 across all NJC spinal column points for all staff (full time equivalent) and a reduction in the working week of two hours per week (a 5% reduction in working hours across the workforce) without any corresponding reduction in pay. This request would equate to a circa 10% weighted average increase in the council's payroll costs. The Council has only budgeted for a 3% rise. If this pay requested was accepted, the Council would face a further budget shortfall of circa £21 million in 2025/26.

(ii) **General Inflationary Pressures:** A provision for general price inflation on materials, goods and services procured by the council has been included in the 2025/26 budget and in the later years. The estimated percentage provision in 2025/26 is in line with the rate of CPI in September 2024 (1.7%) and the Office of Budgetary Responsibilities' estimates for CPI inflation in later years, as set out in the Autumn Statement (2.6% for 2026/27, 2.3% for 2027/28 and 2.1% for 2028/29).

(iii) **Employer National Insurance:** The Council has estimated that the full impact of the Employer National Insurance Contribution changes, excluding schools-based staff, to be around £8.240 million (inclusive of the assumed 3% pay award next year).

The costs of the Employers' National Insurance Contribution changes are £3.496 million more than the additional grant funding that is expected to be provided – with other authorities reporting similar shortfalls in terms of the costs versus grant being provided, which means that the overall quantum of funding being made available nationally is insufficient and is counter to the announcements made in the Autumn Budget Statement which was that local government would be fully funded for the impacts on direct staffing costs.

(iv) **Adult Social Care Contracts:** The council will need to increase its budget allocations for payments to adult social care providers (home care, extra care, residential and nursing care) in 2025/26 by a total of £16.610 million, and by £42.268 million across the four-year MTFP(15) period.

These budget increases are needed because of the combined impact of increases in the National Living Wage (6.7% next year), the impact of increases in Employer National Insurance Contribution costs (which will drag many adult social care workers into the scope of their Employer's National Insurance bills) and higher than originally assumed CPI assumptions, which have had a significant upward impact on the level of budgetary growth pressures for Adult Social Care expenditure.

In the latter three years of MTFP(15), the forecasts assume National Living Wage increases will be 4.0% per annum, however, there is a risk this could be an underestimate based on the experience in recent years.

(v) **Adult Social Care Demographic Growth:** An annual growth allocation of £1 million per annum has been included. This reflects the fact that there is an ageing population and the rise demand in for social care for working age vulnerable adults. These allocations will need to be carefully monitored going forward.

(vi) **Domestic Abuse and Safe Accommodation**: The £0.300 million of additional funding announced by the Government in the provisional settlement has been included and will be added to the current budget held in Adult and Health Services (2024/25 budget of £1.216 million).

(vii) **Children's Social Care Placements**: There have been significant unfunded budget pressures in this area of the Council's budget for the last five or six years, which has necessitated significant uplifts in this budget year on year. These budget pressures are forecast to continue into next year and beyond.

The Council's Looked After Children placement budget has increased by 215% over the last six years (from a budget of £24.218 million in 2018/19 to a current budget of £76.574 million in 2024/25), but the latest forecasts indicate an in-year overspend of £7.5 million this year.

By increasing the Looked After Children placement costs budget by a further £16.610 million in 2025/26, the budget next year will be

£93.184 million, representing a 285% increase in the budget for Looked After Children over a seven-year period. By the end of the MTFP(15) planning period this budget is forecast to exceed £100 million. This scale of budget increase is simply unsustainable, with increases in this budget (and in Home to School Transport budgets) being the primary cause of the financial difficulties faced by the Council in recent years.

To support the MTFP(15) financial planning process and the development of the next generation of the Children Looked After Sufficiency and Commissioning Strategy, the Council commissioned Newton Europe to undertake a detailed validatory diagnostic exercise of the assumptions the Council had made on Children's social care and to provide a series of recommendations on how the Council could better manage the demand pressures and costs of children in care.

A deep dive assessment was undertaken into the drivers of these cost pressures and how and why they were occurring, where these were occurring, identifying different issues in different parts of the county. Newton Europe also provided some suggested strategies to mitigate this going forward.

Whilst assurances have been provided that social care practice was sound and that all the children in care should be in care, in around one third of cases, improved upstream intervention could have prevented the child from being taken into more expensive residential care. Many of these preventative services were withdrawn during the years of austerity measures from 2010 to 2019.

The forecasts prepared by Newton Europe suggested that the MTFP budget growth currently factored into MTFP(15) was understated, particularly from years three onwards, based on the current Looked After Children Sufficiency and Commissioning Strategy initiatives and inflationary costs assumptions. Indeed, since Newton Europe's Diagnostic Study was undertaken, the budgetary growth next year has had to be further uplifted to reflect demand for external residential care placements which have subsequently increased since Newton Europe completed their diagnostic.

Newton Europe have provided a range of suggested actions and interventions that the Council could seek to implement to help mitigate the forecasts and officers are developing a new and informed Children Looked After Sufficiency and Commissioning Strategy version 2. Some of these interventions may require investment on an invest to save basis or revenue funding from the newly awarded Children's Social Care Prevention Grant (see below). The scale of required investment in new actions and interventions will be reported to Cabinet in July 2025.

The council is also working closely with the eleven other social care authorities in the region to look at how the region more effectively manages the external residential care market.

The Children's Social Care budgetary growth figures next year include the estimated impact of the changes to Employer National Insurance Contribution costs that external residential placement providers will face and will seek to pass on, alongside the impact of uplifts in National Foster Care Allowance rates.

(viii) **Children's Care Placement Sufficiency Strategy & Prevention:** As part of the second phase of work to address some of the issues relating to the escalating costs of Children's Social Care, a number of workstreams are being developed which will seek to tackle these issues, including further investment in internal residential care placements, an expansion of the council's Edge of Care Provision to provide intensive support to children (and their families) who are at risk of being placed in care, more targeted measures to address the cost challenges in external residential placements and a further series of initiatives to bolster our provision of fostering care to support more suitable family-based placements.

(ix) **Home to School Transport:** Increases in the Home to School Transport budget across the four-year period reflect the latest detailed analysis of the causal demand pressures and the impact of NLW and Employer's National Insurance Contribution changes on these budgets.

The additional budget growth is symptomatic of significant increases in demand for special educational needs educational placements in recent years. As with the Children Looked After placement budget, this is an area that has seen significant budget growth in recent years, with the budget having to be increased by 220% over the last six years – from £9.933 million in 2018/19 to £31.736 million in the current year – with forecast increases of £2.966 million required next year and £1.555 million in 2026/27.

(x) **Investment in Education Health Care Plan Capacity**: Budget growth is required to support the additional costs of administering and assessing requests for special educational needs support.

(xi) **Investment in DLI Museum and Art Gallery**: A further budget provision of £0.3 million has been included in 2025/26, building on the growth provided for in 2024/25, to reflect the estimated net running costs of the new DLI Museum and Art Gallery, when the capital project is completed.

Work is underway to refine the revenue business plan, and as part of this, assess the opportunities for external funding from the newly created County Durham Cultural Trust. At this stage, the revenue budget provision is in line with the business plan prepared when the Cabinet committed to the capital investment to bring the facility back into use.

(xii) **Investment in Aykley Heads Strategic Capacity**: £0.150 million has been set aside to fund the additional staffing costs which are estimated to be required to support the "client monitoring" of the Aykley Heads Joint Venture Partnership.

(xiii) **Waste Collection & Disposal Costs**: As part of the Autumn Budget Statement, it was announced that local authorities will receive around £1.1 billion of new funding in 2025/26 through the implementation of the Extended Producer Responsibility scheme to improve recycling outcomes from January 2025 onwards.

Extended Producer Responsibility for packaging is an upstream tax on the producers of waste packaging and aims to ensure that eventually, the producers pay for the full cost of dealing with packaging at the end of its life cycle to help increase packaging recyclability and provide environmental benefits such as reducing material use, improving packaging recycling and helping in litter prevention. Key aspects of the regulations include:

- Extending the responsibility to producers to cover the full cost of dealing with packaging waste, which includes collection, recycling, and disposal.
- Encouraging improvements in packaging design that reduce waste and environmental impact.
- Incentivising appropriate use of packaging and the use of recyclable and reusable packaging; and
- Establishing clear roles and responsibilities for businesses, local authorities, compliance schemes, and other stakeholders involved in the packaging life cycle.

The types of waste which fall inside the scope of these regulations includes plastic, wood, aluminium, steel, paper, wood-board and glass.

The long-term principle of the scheme revolves around local authorities being compensated by packaging producers for the costs of efficiently and effectively managing household packaging waste – whether it be collected from residential households or from household waste recycling facilities.

A Scheme Administrator will be appointed to be responsible for calculating producer fees and local authority payments. Payments will made by the Scheme Administrator through a new payment mechanism. The Government have developed a model which has calculated the amount to be paid to individual local authorities for the necessary costs incurred for the collection, handling, treatment and disposal of Household Packaging Waste (net of income from the sale of recycled materials) as part of an efficient and effective service.

Local authorities have received funding based on the estimated total costs of household waste management. As part of the calculation, there will be a single assumed total cost for each packaging category, covering its estimated portion of UK household waste management costs. Base fees for each packaging category will be calculated from total costs for in-scope packaging, based on a share of estimated national tonnage.

There remains uncertainty about whether the funding allocated to the council will be sufficient to offset the full cost of introducing food waste collections and addressing the guidance issued by DEFRA in December 2024, which could have a significant impact on the proposed comingled collection for mixed, dry recycling (i.e. mixing glass) in 2026/27.

Monitoring and evaluation of the efficiency and effectiveness of waste management will need to be deployed by Government, with local authorities potentially being subject to improvement actions. If the improvement action process isn't followed, local authorities may be subject to deductions on their EPR payments from 2027/28.

In the 2025/26 budget and MTFP(15) financial planning model officers have built in the £9.8 million of EPR income which the Council has been notified it will receive next year, and used this to fund new budget commitments for Persistent Organic Pollutants (£0.250 million) and for additional waste disposal costs (£0.500 million) next year with the balance (£9.050 million) expected to be required to fund the required changes to waste collection and recycling arrangements in line with the updated DEFRA guidance.

It is assumed that the estimated £1.600 million of costs budgeted for food waste collection in 2026/27, will be funded from an element of the Extended Producer Responsibility funding.

A £3.000 million budget allocation for the additional waste disposal costs from the new Teesside Waste Facility is in place for 2028/29 to reflect the estimated go-live date for this regional facility.

(xiv) **Housing Benefit Subsidy Loss, temporary accommodation and new homelessness-related spend:** Budget growth is set aside to reflect the rising costs of Housing Benefit Subsidy losses, the continuance for one further year of a dedicated team seeking to increase the numbers of registered housing providers in the County and additional grant-funded spend to prevent homelessness and minimise temporary accommodation costs.

(xv) **Electrification of Vehicle Fleet:** Budget growth is included to reflect the increased leasing costs of electric vehicles which are gradually being introduced to reduce the council's use of petrol and diesel vehicles and reduce emissions. The budget growth included is net of assumed budget savings from running costs and is provided in recognition of the council's Climate Change Commitments and as part of the Climate Change Emergency Response Plan version 2.

(xvi) **Transformation Programme Resourcing:** The 2025/26 budget includes a £3 million time-limited budget growth allocation to fund the Transformation Programme. This will fund the additional staff, digital and Artificial Intelligence investment and specialist capabilities to drive the required transformational change and modernisation work to unlock further efficiencies and budget savings to help balance the budgets across the coming years. This budget provision is withdrawn in 2028/29.

This funding, and the capacity that it will provide, will be critical to resourcing what will be a wide-ranging and extensive transformational review of the Council's service provision and ways of working. This level of investment is in line with the levels of budget investment by other neighbouring authorities, who have transformation programmes in place.

A full costed plan of the Transformational Activities will be produced in due course, but will be based around several key themes:

Organisational Productivity:

(a) Review of the organisation's structures, further aligning functional areas, tiers of management and considering optimum spans of control to deliver improved productivity across the organisation.

(b) Further unitisation of support functions, drawing together roles undertaking similar activity and delivering greater productivity through economies of scale, critical mass and greater use of new technology.

(c) Reviewing external spend and category management, considering further opportunities to leverage greater value from aggregated spending power and by reviewing the specification and scope of supplies and services.

(d) Income, fees and charges review, including opportunities for taking a more consistent approach to regular uplift of fees and rents in line with sector benchmarks. This will include a detailed analysis and recommendations associated with the cost and income benefit of services provided to other organisations, including analysis of existing and potential market opportunities and risks.

Demand management: A wide fundamental review and modernisation of how customers access and receive services (face to face, telephony and digital) with a view to simplifying structures and further utilising technology. The review will also consider areas of high demand that drives cost pressures and inflation into the organisation, especially in people services. This will consider new ways of working to meet specific local needs, market sufficiency, prevention and partnership working. Opportunities to reduce avoidable demand and inefficiency will be maximised as will self-service and deliver enhanced preventative activity and community action at a local level.

Design of some of our services to a price: We will consider the opportunities for reducing the scope and scale of a range of services including the use of assets and scope of services. This element of the Transformation Programme will consider the most appropriate method of delivering sustainable services, including new and alternative delivery models or asking others such as communities or partners to do more. Consideration will also be given to changing the scope of what the council delivers or even stopping some aspects of service delivery.

In addition, the council will consider a range of enabling projects to support new ways of working. These will range from organisational development, digital and AI initiatives, alongside lean systems type reviews of our ways of working and processes. The Programme will also be seeking to leverage the excellent partnerships the Council has, to deliver greater synergy in service delivery wherever it makes sense to do so.

Delivering an ambitious Transformation Programme will require investment in new technology and working practices and needs up-front investment to enable the delivery of longer-term improvements and associated management of demand and future savings. The Council is working in partnership with the Local Government Association on this work to provide assurance about the design and scope of transformation in the context of the changes that have been delivered (and are currently being delivered) by other similar organisations. This will enable the LGA to provide assurance on the level of investment being set aside by the council as part of finalising its plans, which will inform MTFP savings from 2026/27 onwards.

(xvii) **Capital Financing and Treasury Management Issues:** The council is setting aside £23.516 million in budget growth across the four-year period of MTFP(15), to reflect the significant and rising costs of servicing the council's required borrowing commitments, due to a highly ambitious capital programme and the expected loss of investment income as the Council runs down its cash balances in the next few years.

The Council is expecting to see reductions in the level of investment income it expects to receive because of reducing cash balances and interest rates gradually expecting to decline. This will reduce by £5.0 million in 2025/26 as the Council's cash balances reduce.

The Council has set aside additional capital financing budgets of £15.7 million to reflect the need to borrow £515 million over the next two years to fund the currently approved capital programme (£12.014 million), and a further £1.686 million and £2.000 million of capital financing budget growth in 2027/28 and 2028/29 respectively, to fund additional capital budget investments (funded by borrowing) as part of MTFP(15) and MTFP(16).

These additional commitments assume that interest rates for forty-year borrowing will be at least 5% across 2025/26, with an expectation they will drop below 5% in 2026/27 and beyond. These assumptions will need to be closely monitored, as interest rates in recent months have risen due to rising gilt yields, which have pushed 40-year borrowing in the final quarter of 2024/25 to over 6%.

Savings on the Council's portfolio of loans held with Phoenix were re-financed earlier in 2024/25 and will save around £0.5 million each year across the MTFP (15) period. The Council has also revised its policy for Minimum Revenue Provision (MRP) during 2023/24 to reflect a change in approach to how it accounts for setting aside of debt for assets under construction, which reflects a reprofiling of the MRP payments.

(xviii) **Pension Fund Revaluation:** A provision for increased employer pension contributions for £1.000 million is in place for 2026/27. This estimate will be firmed up as part of the forthcoming Triennial Revaluation of the funding the Durham County Pension Fund, which will determine revised employer pension contribution rates and any required pension deficit payments from 2026/27. Updates will be provided to Cabinet on this process during MTFP(16) planning.

Savings Proposals

105 The MTFP(15) forecasts include £23.404 million of additional savings, with the majority of this - £18.036 million (77%) – planned for delivery in 2025/26.

106 The savings proposals across the MTFP(15) planning period include £7.327 million of savings outlined in the MTFP(14) report approved by Full Council on 28 February 2024, and £16.077 million of new savings developed as part of the 2025/26 and MTFP(15) budget planning process. All the savings outlined in this report have been subject to public and stakeholder consultation.

107 The table below provides a summary of the MTFP(15) savings. Additional detail on a service grouping basis can be found below with a full list of savings set out in Appendix 4 (for the savings previously considered as part of MTFP(14)) and Appendix 5 (for the new savings proposals developed for MTFP(15)).

Table 3 – MTFP (15) Savings

Year	Savings Approved 28 February 2024 as part of MTFP(14) £'000	New Savings Proposals Developed for MTFP(15) £'000	Total Savings Proposed £'000
2025/26	3,389	14,647	**18,036**
2026/27	3,184	897	**4,081**
2027/28	754	534	**1,288**
2028/29	-	(1)	**(1)**
TOTAL	**7,327**	**16,077**	**23,404**

108 The current MTFP(15) financial forecasts indicate that £45.536 million of further savings and / or increases in grant is required to balance the council budget over the medium term, with £3.191 million (7.0%) falling in 2025/26 and £19.849 million (43.6%) falling in 2026/27. The combined cumulative savings gap for the first two years – which totals £23.040 million (50.6% of the overall savings requirement in MTFP(15)), will represent a significant challenge in terms of balancing the budget in 2026/27 and will be a key focus of the next Medium Term Financial Strategy (MTFP(16)), which will be worked up from March 2025. Over the coming months the Council will continue to develop savings plans and the transformational change programme to ensure savings options are available for consideration should they be required.

109 The following sections provide an overview of the savings set out in Appendix 4 and 5.

Adult and Health Services (AHS)

110 For 2025/26, savings of £2.555 million are aligned to the AHS revenue budget, with total savings of £2.906 million identified across the MTFP(15) planning period.

111 The Service continues to be faced with a significant amount of financial and operational challenge, including continuing demographic pressures arising from an ageing population and from adults presenting with increasingly complex needs and support requirements.

112 A significant proportion of the AHS savings relates to planned staffing changes, with several reviews across adult care and commissioning teams identifying savings totalling £1.971 million.

113 Around £0.250 million of the AHS savings planned for 2025/26 are in respect of shaping and influencing the adult social care market, focusing on maximising the use of reablement and direct payments to promote the independence of individual service users rather than reliance on more expensive residential care options. A further £0.210 million is to be delivered from an ongoing review of specialist/high-cost care provision across learning disability services. An additional £93,000 relates to savings from commissioning and contract reviews.

114 Around £31,000 of the savings relate to additional income generation in respect of recharging for support provided to the Northeast Association of Directors of Adult Social Services (ADASS), and from harmonisation the charging for service user transport arrangements.

115 Future years' savings are in respect of a continuation of maximising the use of reablement and direct payments to promote independence for service users, and the small full-year effects of staffing and income savings identified above.

Chief Executives (CEx)

116 Savings proposals amounting to £0.753 million are included for 2025/26, with total savings of £0.922 million identified across the four-year MTFP(15) planning period.

117 The service continues to be faced with a significant amount of change and has sought to protect front-line services as much as possible in developing its savings proposals.

118 A saving of £0.456 million will be achieved through restructuring activity, £40,000 from moving Durham County News to online only and £57,000 from reviewing corporate advertising and subscription arrangements.

119 Savings of £0.200 million relate to additional income generation in the Registration Service aligned to the new service offer and increased capacity provided by the move to The Story.

120 Future years savings are in respect of further restructuring activity, a review of non-staffing service budgets and reviewing corporate sponsorship arrangements.

Children and Young Peoples Service (CYPS)

121 Across the MTFP planning period savings of £2.328 million are proposed within CYPS, of which £1.464 million is included in revenue budgets in 2025/26, with £0.820 million of this related to planned restructuring activity and £0.644 to non-staffing budgets.

122 Staffing savings are being delivered via changes to structures and the removal of vacant posts across Education, Early Help and Youth Justice service areas. Non-staffing savings include efficiencies from the use of technology and virtual services, a reduction to activity budgets, and reduced costs relating to historic pension liabilities.

Neighbourhoods and Climate Change (NCC)

123 In total, across the four years of MTFP(15) planning period, £4.055 million of savings are included, with £2.228 million factored into 2025/26 for NCC.

124 The service continues to seek to protect front-line services as much as possible in developing its savings proposals.

125 The 2025/26 proposals involve efficiency reviews and revised arrangements within Highways and Transport (£0.879 million), Clean & Green (£0.293 million), reductions in Depot running costs (£0.225 million), Neighbourhood Protection (£0.147 million), Community Protection (£0.195 million), and other areas of Environmental Services (£0.374 million). There are also income generation proposals of circa £0.110 million relating to Refuse & Recycling, Fixed Penalty Notices, and Crematoria fees.

126 Beyond 2025/26 there are further savings of £1.827 million planned, associated with initiatives to increase income, and reviews of Neighbourhood Protection, Clean & Green, and Community Protection operations.

127 Whilst every effort has been made to minimise the impact on frontline services in previous years and this remains the case in 2025/26, this is becoming increasingly difficult to sustain, with front line delivery impacts more prevalent in the later years of the MTFP(15) savings proposals for NCC.

Regeneration, Economy and Growth (REG)

128 REG have put forward savings proposals amounting to £1.683 million in 2025/26, with total savings of £1.933 million identified across the four-year MTFP(15) planning period.

129 The service continues to be faced with a significant amount of change and has sought to protect front-line services as much as possible in developing its savings proposals.

130 A saving of £1.026 million will be achieved through restructuring activity across various service areas such as Visit County Durham, Business Durham, Care Connect, Area Action Partnerships and Cultural venues.

131 The service also plans to generate £48,000 of additional rental income from the management of commercial properties.

132 Areas where further efficiency reviews will be carried out in 2025/26 to produce budget reductions include £39,000 for promotional events, £0.150 million from bringing in-house contracts relating to support services for Telecare and out of hours Homelessness, and a £75,000 reduction in the Temporary Accommodation costs. In addition, savings of £45,000 will be achieved through a review of non-staffing budgets and £50,000 from a contribution from reserves towards staff costs.

133 A further £0.250 million will be achieved through a review of the Local Network model, considering the ongoing Boundary Commission review of the County Council's Elected member boundaries. Future years savings are also in respect of the Local Network model review.

Resources (RES)

134 Proposals amounting to £4.516 million are included for 2025/26, with total savings of £6.112 million identified across the four-year MTFP(15) planning period for Resources.

135 Savings of £4.059 million will be achieved through restructuring activity and non-staffing budget reductions, £0.100 million from a review of the catering service, £0.100 million from increased income relating to procurement rebates and £97,000 from a review of the charging methodology within Transactional and Customer Services for court costs.

136 A further £0.160 million will be achieved from a review of Customer Access Point provision and changes to the service model in line with changing customer demands, which has been subject to specific public and stakeholder consultation during the year.

137 Beyond 2025/26 there are further savings of £1.595 million planned, associated with further restructuring activities, non-staffing budget

reductions, a review of office accommodation and the full implementation of the review of Customer Access Point provision.

138 Whilst every effort has been made to minimise the impact on frontline services in previous years and this remains the case in 2025/26, though the proposals do seek to review Customer Access Point provision where foot fall and usage is very low and where customers have preferred to engage digitally in recent years. The ability to limit impact on front line service delivery is becoming increasingly difficult to sustain.

Corporate Savings

139 A range of Corporate Savings proposals amounting to £5.150 million are included for 2025/26, with total savings of £4.838 million identified across the four-year MTFP(15) planning period.

140 The council is committed to reviewing the Section 13a Council Tax discount for properties impacted by the Empty Homes and Second Homes Premium, moving to a time-limited relief scheme based on Government guidance, across 2026/27 and 2027/28, which is expected to generate an additional £0.550 million through the Council Tax Collection Fund.

141 A reduction in the council's Contingencies Budget of £0.300 million has been made to reflect a risk-based assessment of the requirement for this central budget, which covers unexpected cost requirements that arise in year. A remaining unallocated core budget of circa £1.5 million will be retained.

142 The Council will seek to receive additional dividend income from Chapter Homes of £0.250 million, a wholly owned subsidiary company of the Council, based on the recent financial performance of the company.

143 On 11 December 2024 the Council agreed to amend the Minimum Revenue Provision (MRP) Policy from 1 April 2024. It is expected that this policy change will generate savings of £2.998 million across the four-year period of MTFP(15), with savings of £3.568 million factored into 2025/26, which is forecast to be unwound by circa £0.190 million per annum thereafter over future budget / MTFP planning periods.

144 A reduction in members' Basic Allowances budgets following the implementation of the Independent Remuneration Panel recommendations agreed at Council in January 2025, and factoring in the reduction in the number of members from May 2025, will create savings of £0.284 million, which will augment the savings already factored into the savings agreed in February 2024 from members discretionary budgets, travelling and other expenses.

Summary Revenue Budget Position

145 The overall 2025/26 budget and MTFP(15) position is set out in the table below:

Table 4 – Summary MTFP(15) Revenue Base budget position

	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	TOTAL £'000
Total Funding (Increases) / Decreases	(68,323)	(15,228)	(14,807)	(14,844)	(113,202)
Total Budget Pressures	85,830	39,158	28,384	25,050	178,422
Use of Reserves to balance the budget in 2024/25	3,720	-	-	-	3,720
MTFP Savings	(18,036)	(4,081)	(1,288)	1	(23,404)
MTFP(15) Budget Deficit After MTFP(15) Savings Proposals	**3,191**	**19,849**	**12,289**	**10,207**	**45,536**
Budget Deficit 2026/27		**23,040**			

146 Despite the additional government grant and additional income generated from council tax and business rates increases and tax base changes next year, the council's spending pressures exceed the resources available by £21.227 million next year. The savings proposals that have been developed to support the budget next year have reduced the budget deficit to £3.191 million and this deficit will need to be met from use of the MTFP Support Reserve.

147 The cumulative four-year budget deficit / savings gap of £45.536 million is a slight improvement on the budget deficit set out in the 15 January 2025 MTFP(15) update report of £45.778 million, largely due an additional MTFP(15) saving relating to members allowances of £0.284 million being included following acceptance of the Independent Remuneration Panels proposals at Council in January 2025, which will produce savings in 2025/26 and 2026/27. This new savings proposal is offset by the reprofiling and slight reduction in some savings relating to Clean and Green Services in NCC compared to the proposals that were set out in the .

Budget Setting Legal Responsibilities

148 Under section 31A of the Local Government Finance Act 1992, the council has a duty to set a budget before 11 March each year. In setting the budget, Members jointly and severally (collectively and individually) have a fiduciary duty to council taxpayers. This means that they have a duty to facilitate, rather than obstruct, the setting of a lawful budget.

149 Appendix 3 provides full detail of the responsibilities in this regard and the Monitoring Officer advice and guidance for all members to consider when considering the budget proposals at Full Council on 19 February 2025.

2024/25 Net Budget Requirement and Council Tax

150 After accommodating the required base budget pressures and additional investments, plus the savings and changes in the Council's resource base, the Council's recommended Net Budget Requirement for 2024/25 is £623.433 million. The financing of the Net Budget Requirement is detailed in the table below.

Table 5 - Financing of the 2025/26 Net Budget Requirement

Funding Stream	£m
Revenue Support Grant	38.268
Business Rates – Local Share	62.908
Business Rates – Top Up Grant	79.740
Section 31 Grant	39.631
Collection Fund Surplus	3.232
Council Tax	302.088
New Homes Bonus	2.136
Social Care Pressures Grant	76.836
Recovery Grant	13.851
National Insurance Grant	4.744
NET BUDGET REQUIREMENT	**623.433**

151 The Gross and Net Expenditure Budgets for 2025/26 for expenditure and income type are detailed in Appendix 6. A summary of the 2025/26 budget by service grouping is detailed in Appendix 7.

152 Careful consideration has been given in determining the 2025/26 council tax increase to the impact upon the most financially vulnerable, who continue to be fully protected by our Local Council Tax Support Scheme through the receipt of up to 100% discount in many cases on their council tax bills, and who are also supported through the Council's broader welfare assistance programme.

153 In this regard the council targets welfare investment towards key priority areas. The council is committed to addressing poverty through a co-ordinated and multi-faceted approach which is reflected in a Poverty Action Plan. This includes delivering a range of policy interventions aimed at supporting vulnerable low-income households.

154 The Council maintains a well-resourced Welfare Support and Guidance function which supports residents with advice and representation on their entitlements to benefits and through representation with residents in appeals – with a view to ensuring we maximise what benefits residents can be entitled to. These arrangements have been reviewed and proposals agreed to further strengthen the arrangements next year.

155 The Welfare Assistance Scheme provides over £1 million in support to residents with daily living expenses when they have unforeseen circumstances and no cash available, or with settlement grants to help people remain in the community if they have been made homeless or have been in temporary accommodation.

156 Each Area Action Partnership is allocated £10,000 to support projects to tackle poverty which has attracted significant support from member neighbourhood budgets in levering in of match funding.

157 Officers are currently rolling out a pilot to target greater take-up of pension credits and have undertaken an exercise to deliver free school meal auto enrolment over the last twelve months too.

158 The Council has utilised £998,000 of UK Shared Prosperity Funding to support a range of poverty alleviation projects over 2024/25. This has included the expansion of the “That Bread and Butter Thing” Initiative, with 20 venues that will be operational from April 2025 serving an additional 400 regular users of this service each week. This will increase the total to 1,600 residents per week who can access low-cost food as part of the Council's work to alleviate poverty. Alongside this cost of living and debt advice is being delivered in the community by four VCS partners, allowing residents access to support, advice and guidance.

159 There is an extensive and continued provision of effective support to vulnerable households through Council Tax reduction, discretionary housing payments, the delivery of the household support fund and various partnership support arrangements.

160 The Council also continues to support council tax exemptions for care leavers, which exempts care leavers from council tax up to the age of 25, to support them to facilitate their transition to independent living.

161 Over the last year, the Council has invested in initiatives to improve financial literacy and provided household budgeting training to vulnerable residents.

162 The Council has developed a strategy of making every contact count which focuses on the overall wellbeing of the community the council interacts with. This extends to a comprehensive financial wellbeing programme. The Council have also rolled out a strategy to enhance the digital inclusion of vulnerable and isolated residents, which will support them in their ability to more effectively manage their financial arrangements.

Revenue Reserves

163 Holding reserves is essential to the Council's financial governance arrangements and crucial to assisting members and officers in discharging their fiduciary responsibilities over the effective management of public funding. They are held:

(i) as a working balance to help cushion the impact of any uneven cash flows and avoid unnecessary temporary borrowing – this forms part of the General Reserves;

(ii) as a contingency to cushion the impact of any unexpected events or emergencies, for example, flooding and other exceptional winter weather – this also forms part of General Reserves;

(iii) as a means of building up funds – 'earmarked' reserves – to meet known or predicted future liabilities and commitments; and

(iv) to reflect accounting treatment in terms of carrying over at year end grant and other third-party funding where expenditure is to be defrayed in future years.

164 The council's current reserves policy is to:

(i) set aside sufficient sums in Earmarked Reserves as is considered prudent. The Corporate Director of Resources should continue to be authorised to establish such reserves as required, to review them for both adequacy and purpose on a regular basis and then reporting to the Cabinet Portfolio Member for Finance and to Cabinet;

(ii) aim to maintain General Reserves in the medium term of between 5% and 7.5% of the Net Budget Requirement which in cash terms, based on the updated net revenue budget requirement, will equate to a reserve of between £31.172 million and £46.758 million in 2025/26.

165 Each earmarked reserve, apart from the maintained schools' reserve, is kept under review and formally reviewed on an annual basis. The schools' reserve is the responsibility of individual schools with balances for each maintained school at the year-end making up the total reserve position.

166 A Local Authority Accounting Panel Bulletin published in November 2008 (LAAP77) made a number of recommendations relating to the determination and the adequacy of Local Authority Reserves. The guidance contained in the Bulletin "represents good financial management and should be followed as a matter of course."

167 This Bulletin highlights a range of factors, in addition to cash flow requirements that councils should consider in determining their reserves

policy. These include the treatment of inflation, the treatment of demand led pressures, efficiency savings, partnerships, and the general financial climate, including the impact on investment income. The Bulletin also refers to reserves being deployed to fund recurring expenditure and indicates that this is not a long-term option. If Members were to choose to use General Reserves as part of this budget process appropriate action would need to be factored into the MTFP to ensure that this is addressed over time so that the base budget is not reliant on a continued contribution from General Reserves.

168 The Council's reserves' position is closely monitored and benchmarked against other local authorities and is a measure of the financial resilience of a local authority. An early warning sign of a financially distressed council is when a council is running its reserves down to an unacceptably low level or is running its reserves down at a very fast rate.

169 The CIPFA Financial Resilience Index has in recent years highlighted that the Council has had a higher-than-average reduction in its reserves, when compared to other upper tier authorities over the three years to March 2023.

170 The latest CIPFA Resilience Index information was published on 23 January 2025. This provides comparisons across local government for a range of financial indices or measures of financial resilience. The council has always had a relatively strong position in these comparators.

171 The most recent published information for the period to 31 March 2024 highlights that the council's reserve levels (excluding schools and public health reserves) represent 41.1% of the Council's net revenue budget (compared to, and down from, 44.1% as at 31 March 2023).

172 The reduction in the council's reserves across a three-year period up to 31 March 2024 is 22.5% (compared to a 5.3% reduction in reserves over the three-year period up to 31 March 2023). The Council's comparative position to other local authorities has improved between the position to 31 March 2023 and the position to 31 March 2024, largely because the reduction in reserves across the sector in 2023/24 was larger than that which was experienced in Durham.

173 The CIPFA Resilience index shows there is a concerning trend in unitary local authorities at present regarding a generally reducing level of reserves across a rolling three-year period.

174 The forecast balance on all reserves is reported to Cabinet every quarter as part of the Forecast of Outturn reports and Cabinet received the latest report on 4 December 2024 based on the position as at 30 September 2024. The Quarter 3 forecast of outturn (position to 31 December 2024) will be considered by Cabinet in March 2024.

175 The Council's General Reserve is expected to be £26.727 million on 31 March 2025 based on the latest quarter two forecast of outturn. This is £1.5 million below the required 5% minimum threshold (of the Council's net revenue budgets) set out in the Reserves Policy agreed by Council and will necessitate a transfer from the MTFP Support Reserve at year end to ensure we enter the new year with at least 5%.

176 At 31 March 2025 the Council is forecasting that £163.4 million of earmarked reserves will be held, with £63.9 million of this related to corporate strategic reserves which are essential for MTFP(15) planning purposes and can be summarised as follows:

(a) MTFP Support Reserve - £32.6 million (balance prior to required transfer to General Reserve);

(b) Early Retirement & Voluntary Redundancy Reserve - £8.4 million;

(c) Commercial Reserve - £14.1 million;

(d) Equal Pay Reserve - £2.5 million;

(e) Insurance Reserve - £4.1 million; and

(f) Elections Reserve - £2.2 million.

177 The Council's reserves' position is closely monitored and benchmarked against other local authorities and is a measure of the financial resilience of a local authority. An early warning sign of a financially distressed council is when a council is running its reserves down to an unacceptably low level or is running its reserves down at a very fast rate. The councils reserve position, although reduced, has not reached the point of financial distress.

178 The financial pressures on the High Need Block are forecast to continue to outstrip funding, increasing the forecast in-year deficit in 2025/26 to circa £14 million and the forecast cumulative deficit to £38 million by 31 March 2026. If the Government fails to identify a suitable solution to deal with the High Needs Deficit by that point, and the council was expected to write off the cumulative deficit, this will significantly decimate the level of reserves held.

179 The significant and increasing HNB deficit position is a serious concern for the Council and many other local authorities. The exceptional accounting override that allows councils to exclude HNB deficits from their main council general revenue funding position is due to end in 2025/26, at which point the HNB deficit may need to be funded by council resources requiring a significant (and unaffordable / unsustainable) call on reserves and further annual budget pressures that are not factored into the current MTFP(15) forecasts. Should this accounting override be removed, and additional funding is not provided then many authorities will be forced into a Section

114 position, as the cumulative deficits accrued in some authorities already runs well into the tens of millions.

180 It is recommended at this stage that the current Reserve Policy of maintaining the General Reserve of between 5% and 7.5% of the Net Budget Requirement is retained. This will result in an increased General Reserve range due to the increase in the Net Budget Requirement, of between £31.2 million and up to £46.8 million in 2025/26.

181 In advance of the start of the 2025/26 financial year, the Council will undertake a review of the existing cash limit reserve arrangements and will implement greater control over the management of movements in and out of all reserves, with the Corporate Director of Resources and Head of Finance & Commercial Services overseeing the approvals of transfers to and from service grouping earmarked reserves from 2025/26 onwards, based on robust business cases, in order to ensure the Council's reserves are prioritised and preserved to mitigate against future financial pressures.

Recommendations – 2025/26 Revenue Budget and MTFP(15) Financial Forecasts

182 Cabinet is asked to:

(i) Consider and approve the final MTFP(15) financial forecasts, as set out at Appendix 2;

(ii) note the fiduciary and legal responsibilities on all members to set a balanced budget by 11 March (as set out at Appendix 3);

(iii) approve the inclusion of the identified base budget pressures included in Table 2 in the budget report to County Council;

(iv) approve recommending the savings plans detailed in Appendix 4 and 5, which total £18.036 million in 2025/26, £4.081 million in 2026/27 and £1.287 million in 2027/28, to Council on 19 February 2025;

(v) approve recommending a 2.99% 2025/26 Council Tax increase and a 2% increase which relates to the Adult Social Care precept, to create a combined 4.99% overall increase in council tax in 2025/26 to County Council on 19 February 2025;

(vi) approve the 2025/26 Net Budget Requirement of £623.433 million for consideration by County Council on 19 February 2025, as summarised in Table 5.

(vii) note and agree the forecast 2025/26 revenue budget forecasts, as set out at Appendix 6 and 7 – which breaks down the Council's revenue budgets by Expenditure and Income type (Appendix 6) and by Service Grouping (Appendix 7).

(viii) agree to set aside sufficient sums in Earmarked Reserves as are considered prudent and that the Corporate Director of Resources should continue to be authorised to establish such reserves, as required, to review them for both adequacy and purpose on a regular basis reporting appropriately to the Cabinet Portfolio Member for Finance and to Cabinet.

(ix) agree to aim to maintain the General Reserve in the medium term between 5% and 7.5% of the Net Budget Requirement which in cash terms will be between £31.172 million and £46.757 million, based on the forecast Net Budget Requirement in 2025/26.

Equality Impact Assessment of Savings Proposals

183 Consideration of equality analysis and impacts is an essential element that members must consider in approving the savings plans for MTFP (15) and this section updates Members on the outcomes of the equality analysis of the MTFP (15) savings proposals.

184 The aim of the equality impact analysis process is to:

(i) Identify any disproportionate impact on service users or staff based on the protected characteristics of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation;

(ii) Identify any mitigating actions which can be taken to reduce negative impact where possible;

(iii) Ensure that the Council avoids unlawful discrimination because of its MTFP decisions; and

(iv) Ensure the effective discharge of the public sector equality duty.

185 As in previous years, equality impact analysis is considered throughout the decision-making process, alongside the development of the budget and MTFP(15). This is required to ensure the MTFP process decisions are both fair and lawful. The process is in line with the Equality Act 2010 which, amongst other things, makes discrimination unlawful in relation to the protected characteristics listed above and requires us to make reasonable adjustments for disabled people.

186 In addition, the public sector equality duty requires us to pay ‘due regard’ to the need to:

(i) Eliminate discrimination, harassment and victimisation and any other conduct that is prohibited under the Act;

(ii) Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and

(iii) Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

187 Several successful judicial reviews have reinforced the need for robust consideration of the public sector equality duty and the impact on protected characteristics in the decision-making process. Members must take full account of the duty and accompanying evidence when considering the budget and MTFP(15) proposals.

188 In terms of the ongoing programme of budget decisions the Council has taken steps to ensure that impact assessments:

(i) Are built in at the formative stages so that they form an integral part of developing proposals with sufficient time for completion ahead of decision-making.

(ii) Are based on relevant evidence, including consultation where appropriate, to provide a robust assessment;

(iii) Objectively consider any negative impacts and alternatives or mitigation actions so that they support fair and lawful decision making;

(iv) Are closely linked to the wider MTFP decision-making process; and

(v) Builds on previous assessments to provide an ongoing picture of cumulative impact.

Impact Assessments of Savings Proposals

189 Consideration of equality analysis and impacts is an essential element that members must consider in approving the savings plans, a summary equality analysis and mitigations for savings proposals can be found at Appendix 8. This section provides Members with an overview of the equality impact analysis of the MTFP (15) savings proposals as they currently stand. Where savings proposals are needed to be developed further and / or require discreet reports into Cabinet, the analysis of impacts will be updated and included in final decision-making reports.

Adult and Health Services

190 There are several proposals for Adult and Health Services with both service user and staff impacts which are likely to have a disproportionate impact for older people, men, women and people with disabilities due to service user profiles. At this stage, savings proposals cover several services including adult protection, social care direct, substance misuse,

learning disabilities and mental health, review teams, sensory support, Pathways and commissioning.

191 The proposal for Pathways, to reduce one Day Service location providing support for people with learning disabilities, enables efficiencies in terms of staffing and building revenue costs but also allows for services to be delivered from the most accessible premises. Service user transitions will be carefully managed to minimise any distress or negative impact. Many of the service users live within the vicinity of more than one Day Care Centre, so travel disruption for those affected will be kept to a minimum. Consultation with service users and their families will be undertaken as part of the implementation of these proposals.

192 Staffing reductions for locality teams are likely to have a detrimental impact, for older people, women and disabled people, some with complex needs. Triage and effective use of assistant roles to work with lower risk clients could mitigate some of the impact. Further improvements, such as streamlining recording practices will be explored and implemented as appropriate to increase capacity.

193 It is proposed to introduce a subsidised transport charge at £2 per journey (therefore £4 for a return trip), for individuals utilising council transport to access learning disability provision. The subsidised charge still represents value for money for service users and continues to provide access to a safe and reliable transport service. It also provides equity for those service users receiving transport outside of the Council's fleet. Service users and their carers will receive clear communications on these changes, which address an inequality in the current arrangements.

194 In terms of the other proposals across Adult and Health Services a reduction in staffing resource more generally may impact the ability to maintain manageable workloads, resulting in a growing backlog, which could increase pressures for staff, potentially negatively impact service delivery for the most vulnerable people and is likely to increase response times for service users.

195 Several mitigations are in place including system and administrative improvements and upskilling of staff to enhance resilience. Where a central countywide dedicated team's functions are being absorbed into the wider service, as with the substance misuse team, specialism would be retained to provide local advice and support to all social workers across the system. Impacts will be closely monitored.

196 Re-deployment of staff, deletion of vacant posts and ER/VR will be utilised where possible to minimise the potential for compulsory redundancy. HR processes will be followed to ensure fair treatment of staff.

Chief Executive's Office

197 There is a proposal to cease producing a printed version of Durham County News and move this to fully digital. Digital exclusion disproportionately impacts the following groups: older residents, people with disabilities and people on low incomes (more women and minority ethnic). In mitigation, a limited number of hard copies will be made available in council owned sites such as customer access points and libraries for members of the public who wish to have them. Reasonable adjustments will be made for people who cannot access digital information due to their disability. Adjustments will include hard copies and/or alternative formats (large print, audio) being distributed to those residents who request this as an adjustment.

198 There is a potential equality impact for the proposed corporate affairs restructure which could lead to reduced capacity in equality and diversity, data analysis and intelligence, communications and marketing and community engagement. In mitigation, a broader integration of roles will maintain specialism and make best use of the available capacity. All statutory functions and core activity will be maintained.

199 There will be a minimal impact on staff from the proposed restructuring activity, as it is anticipated that savings will be made through Early Retirement and Voluntary Redundancy opportunities, deletion of vacant posts and a reduction in temporary posts. HR processes will be followed to ensure fair treatment.

Children and Young People's Service

200 A review of early help and youth justice services to streamline management and operational delivery will involve staff reductions. This may lead to increased waiting lists for families/carers, children and young people accessing early help and could potentially lead to some cases going more quickly to statutory social care referrals. This would have a disproportionate impact in terms of age (younger and working age) and disability as disproportionally more children and young people with SEND access the service. Also, a greater impact on women who undertake higher levels of care within the family unit or be a single parent with greater family responsibility.

201 The impact on the early help workforce is likely to be an increase in average caseloads across key workers, as they will be allocated more families to work with. High caseloads can lead to increased pressure on staff in terms of staff wellbeing, sickness, and staff turnover. The workforce is predominantly female, therefore more female staff are likely to be impacted.

202 In mitigation, implementation of the Family Hub and Start for Life programme and Supporting Families programme will seek to maximise

wider partnership resources for early help work and collective best use of available resources.

203 The review and re-alignment of work within the youth justice service will involve a small staff reduction therefore a minimal impact on service delivery is expected. HR processes will be used to ensure fair treatment of staff in both youth justice and early help.

204 There is a minimal equality impact expected because of the remaining CYPS savings proposals.

Neighbourhoods and Climate Change

205 Proposals for Neighbourhoods and Climate Change (NCC) often have community impacts due to the nature of services delivered for residents. There are several proposals to reduce grounds maintenance, grass cutting, planting and weed spraying, with most of these potential front line impacts falling in 2026/27 and beyond. The approach will be kept under review and any complaints or issues in relation to access will be addressed. Removal of offensive or obscene graffiti on private properties will remain available.

206 The removal of nighttime patrols in the Durham City Sands car park (currently supplied by external contractors) is proposed due to changes in parking systems. This could result in car park users feeling less secure on an evening/night which impacts all but may have a disproportionate impact for women. CCTV cameras will remain in operation and the car park has been awarded the Safer Parking 'Park Mark' accreditation.

207 Potential staff reductions will be managed through deletion of vacant posts and progression of Early Retirement and Voluntary Redundancy options where possible, to minimise impact. There is likely to be a disproportionate impact for men due to the staff profile in this service. HR processes will be followed to ensure fair treatment. The removal of some apprentice vacancies going forward will reduce future job opportunities with a disproportionate impact for younger people.

Regeneration, Economy and Growth (REG)

208 The Care Connect Service provides an emergency alarm and response service primarily for older people and people with additional needs and disabilities. The proposal involves the deletion of vacant posts due to the posts having been vacant for some time with no adverse impact. No negative impact on current staff and service users is foreseen. An improved shift pattern and digitisation efficiencies will maintain robust service delivery and further enhance team resilience.

209 Several of the remaining proposals involve the removal of vacant posts and Early Retirement and Voluntary Redundancy opportunities. HR processes will be followed to ensure fair treatment. The removal of some

apprentice vacancies going forward will reduce future job opportunities with a disproportionate impact for younger people.

Resources

210 There are several proposals for resources which involve a staff reduction. Disproportionate gender impact is expected in certain job areas, women are more likely to be impacted in Human Resources and men in Digital Services. A reduction in staffing can lead to greater pressure on teams to maintain service delivery and could impact on individuals' wellbeing. New ways of working, process improvements and digitisation should help to minimise any negative impact for staff and customers both internally and externally.

211 The outcome of future budget reviews in Business Services may not be sufficient to resource all apprentice posts going forward. Although current apprentices within the service are not impacted this would potentially impact future intakes. An analysis of the current cohort shows this could potentially have a disproportionate impact in terms of gender (women) and age (younger age groups) and could potentially remove up to 25 apprentice opportunities. The mitigation will be to freeze vacancies going forward and utilise these to fund future intakes wherever possible.

212 HR processes will be followed to ensure fair treatment with utilisation of Early Retirement and Voluntary Redundancy where possible.

Corporate

213 The review of Section 13a Council Tax discount for properties impacted by the Council Tax empty home premium in 2026/27 will be subject to a Cabinet report in due course. At this stage, no differential impact is identified as the policy remains unchanged in 2025/26.

214 No specific equality impact is expected in relation to the remaining corporate savings proposals.

Cumulative Impact – Impact Assessment

215 Carrying out equality impact assessments on MTFP proposals helps us to reflect on cumulative impact on protected groups across both new savings proposals and continuing savings agreed in previous MTFP years. Throughout, the Council has been able to keep the impact of savings on front line services to a minimum, and this has reduced equality impact on those with a protected characteristic. However, it is increasingly necessary to consider savings with a frontline impact through utilising better technological solutions and customer self-service although it is recognised the potential for greater impact for some customers and service users who find it difficult or impossible to access such methods. In terms of customer contact channels, the Council will continue to provide telephone and face

to face appointments to minimise any disproportionate negative impact for vulnerable groups.

216 Where service reductions have been unavoidable, impacts relate to loss of, or reduced access to, a particular service or venue, travel to alternative provision, pre-appointments only, increased costs or charges and service re-modelling including reductions in staff. Although changes have the potential to affect all protected characteristics, because they are more likely to affect those on low income, people without access to personal transport and those reliant on others for support there is disproportionate impact in relation to disability, age (younger and older) and sex (male and female but more likely women due to increased care responsibilities and older populations being disproportionately female).

217 Previous changes to universal services such as street lighting, waste bin collection or parking charges are less likely to have a disproportionate impact on any one specific group. However, there are exceptions, such as reductions in contracted public bus services, reduced library opening hours, amendments to the operation of customer access points and changes to leisure centres. Dedicated services such as social care, day care and home to school transport sometimes have disproportionate impacts for groups such as people with a disability and women, and those with a caring responsibility, and we have taken steps to monitor the impact and mitigate where possible.

218 It should also be noted that some service remodelling can improve choice and access for some and/or increase independence such as our reablement services which promotes rehabilitation and prevention. Also, service re-commissioning which can lead to more equitable provision and/or services which provide a more tailored and improved models of care and support. Service redesign such as this can help mitigate against existing inequities.

Key findings and next steps – Impact Assessments

219 Equality impact assessments are vital in understanding the potential outcomes for protected groups and formulate mitigations, especially for the most vulnerable, where necessary.

220 There will be a continued focus on equalities issues as we move into future years of this MTFP, with equality impacts revisited and reviewed each year as appropriate. In many cases impact assessments are initial screenings with a full impact assessment to follow at the point of decision, once all necessary stakeholder consultation has been completed.

221 Where proposals are subject to multi-stage decision making, or subject to consultation, the relevant impact assessments will be updated as further information becomes available. Final EIAs will also be considered in the final decision-making process.

Recommendations – Savings Proposals, Equality Impact Assessment and Budget Consultation

(i) Note the approach taken by service groupings to achieve the required savings to help balance the Council's revenue budget;

(ii) consider the identified equality impacts and mitigations associated with the savings proposals proposed in 2025/26, as set out at Appendix 8;

(iii) note the programme of future work to ensure full impact assessments are included where appropriate at the point of decision once all necessary consultations have been complete;

Budget Consultation Process

222 Following the reports to Cabinet on 18 September 2024 and 4 December 2024, two phases of consultation were undertaken on the strategy set out in those report for balancing the council's budget for 2025/26 to 2028/29. In both phases of consultation, this included a set of proposed savings. Details of the second phase of consultation outcomes can be found at Appendix 16.

Consultation – Phase One (20 September – 1 November 2024)

223 The phase one consultation with residents and partners including our existing County Durham Partnership and thematic partnership boards, networks including the fourteen Area Action Partnerships (AAPs), special interest groups. We sought responses from residents via the Council's website as well as paper copies in CAPs and Libraries. It which was promoted through the Council's presence on various social media platforms and partner communications channels.

224 As part of the consultation the council set out the financial challenges it faced and asked respondents:

(i) Do you agree or disagree with this continued approach to help balance the budget for 2025/26?

(ii) To help us to continue to prioritise areas for savings please select three service areas (from a list provided) to target for savings.

(iii) Do you agree or disagree to pay more for your council tax next year to help us to protect services and reduce the need to make as much further savings?

(iv) If you have answered that you disagree with a council tax rise of 2.99%, or above if the government allowed, please select another three service areas to target for savings.

(v) If you have any further comments to make, please provide your feedback.

225 This consultation was promoted following the Council's standard approach. The approach enabled the council to engage with over 3,500 people. 237 survey responses were received. 89% of residents responding to the survey provided equality data.

Method	**Number**
Survey (online and paper returns)	237
AAP meeting attendance	244
Partner letters/emails	7
DYC member contribution	42
Total	**530**
Social media engagement	Post engagement reached 3,100

226 The council's overall approach and areas that should be prioritised for savings: 229 responses were received to these questions. 70% of responses either agreed or neither agreed nor disagreed, whilst 30% disagreed. To help the council prioritise where to make budget reductions, respondents were asked to select three service areas to target for savings. There were 708 responses to this question. The top four areas that were identified are as follows:

	Frequency	**Percent of respondents**
Culture	98	41.5%
Environment and climate change	74	31.4%
Planning services	63	26.7%
Local community projects	62	26.3%

227 **Council Tax increases of 2.99% (plus potential additional increase if the government allowed):** We received 232 comments relating to this question. Over 50% of responses agreed with the rise in council tax at either 2.99% or a higher amount. Where respondents disagree with the proposal to raise council tax by 2.99%, they were asked to select another three service areas to target for savings. We received 324 credible responses to this question. The breakdown top four areas are as follows:

	Frequency	**Percentage of respondents**

Culture	35	32.4%
Planning services	29	26.9%
Environment and climate change	28	25.9%
Preventative services	27	25.0%

228 **Additional comments:** 242 additional comments were received. The following has been generated by the Council's AI tool, Co-Pilot, using the prompt: Identify common themes in order of prevalence and summarise and do not deviate from the content of the (responses) document:

(i) Reduction of management and staff costs;

(ii) Reform of Council Tax;

(iii) Service efficiency and automation;

(iv) Preservation of community and cultural services;

(v) Reduction of Wasteful Spending.

229 The summary has been crossed referenced for due diligence through a process of manual coding of the open text comments and has found the AI summary to be accurate. This process also found that the main responses could be grouped into the following similar categories:

(i) Areas for additional savings and efficiencies: covering the need to review a range of processes/schemes/projects/services. (30)

(ii) Council tax specific: regarding opportunities to increase council tax income by imposing council tax on students/student landlords/private landlords. (18)

(iii) Areas for additional savings and efficiencies: covering reduction in staffing/manager roles. (17)

(iv) Service protection, preservation, enhancement: covering the protection of front line/visible services (libraries, grass cutting, leisure, community projects). (14)

(v) Areas or additional savings and efficiencies: covering salary reductions, performance related pay, sickness pay review. (11)

230 Residents provided most of the responses to the survey at 93%. The majority of Elected Members either agree, or "neither agree nor disagree" with the Council's continued approach to savings. DCC employees were more favourable regarding the Council's continued approach to savings proposals and proposals regarding council tax increase when compared to residents. Feedback from business owners showed similarities in responses.

231 **Summary of additional feedback – AAP Board Meetings:** A presentation was delivered to each AAP Board where they could ask questions and provide feedback. Where feedback aligned to the itemised service list provided, areas to prioritise for further budget reductions covered:

(i) Culture

(ii) Leisure and wellbeing Community

(iii) Safety and protection

(iv) Customer access and customer services

(v) Street cleaning and grounds maintenance

232 Area Action Partnerships were asked about the core Council Tax increases of 2.99% (plus potential additional increase if the government allowed / expected an Adult Social Care precept to be applied). The feedback covered the following key common areas:

(i) Council tax banding reform;

(ii) Opportunities to increase council tax income;

(iii) Understanding re: council tax increase;

(iv) Concern re: council tax increase;

(v) Improved understanding and perceptions re: council tax income.

233 Area Action Partnerships provided additional comments and feedback including ideas or suggestions as to areas where we can raise further income or make more efficiencies:

(i) Income generation questions, ideas and suggestions: Specific areas included income generation from council assets;

(ii) developments, local facilities, lobbying central government for increased funding and NE devolution opportunities;

(iii) Areas for improved efficiency: Specific areas where efficiencies should be found covered:

   (a) Children and young people's services;

   (b) Home to School Transport;

   (c) Adult Social Care;

(ii) Views on how proposal will impact people;

(iii) Overall position and financial approach;

(iv) Importance of the consultation exercise.

Summary of additional feedback from residents and partners

234 A range of feedback from partners was received via letter, email and the consultation survey. A resident provided feedback via direct email which aligned to the majority survey responses. Overall feedback from partners showed appreciation for the challenging financial situation the Council face, agreement regarding the Council's continued approach to savings proposals and council tax increase, although expressed empathy and awareness of the impact of savings on communities.

235 Partners also highlighted areas for the Council to explore to make efficiencies including collaborative and integrated approaches to service provision through continued partnership approach. There was evidence within the partners feedback regarding support for further lobbying on key issues at central government level.

236 Durham Youth Council received a presentation. Discussion at the meeting highlighted concern that savings made within the back office may impact negatively on the front-line, placing strain on the overall functionality of the Council. Following the meeting DYC submitted a comprehensive consultation report.

Corporate Overview and Scrutiny Management Board (COSMB) – 3 October 2024

237 The Corporate Overview and Scrutiny Management Board (COSMB) provided detailed scrutiny of the MTFP(15) proposals presented to Cabinet in September on 3 October 2024. The key themes discussed on 3 October 2024 related to:

(i) The need for more details to be provided in future consultations to allow respondents to make more informed decisions on options to make savings and other measures to balance the budget position.

(ii) The need to be clear on why there are few other options available to balance the budget position other than to raise council tax and make cashable savings.

(iii) Concerns were raised about the capital and revenue costs of the Durham Light Infantry Museum and Art Gallery Project.

(iv) Wider concerns were raised about the Council's financial and resource capacity to deliver a very complex capital programme with multiple projects and activities.

(v) Concerns were also raised about the potential reliance on reserves to balance the Council's revenue budget position, and this needed to be minimised as far as possible to avoid risks of a Section 114 Notice being triggered and/or the need for targeted Central Government Intervention.

Consultation – Phase Two (6 December 2024 – 17 January 2025)

238 During phase two consultation the council undertook further consultation with its residents and partners regarding proposals to balance the council's budget for the next financial year (2025/26) and the Medium Financial Term Plan covering the period between 2025/26 and 2028/29.

239 During this period, presentations were made to the 14 Area Action Partnership Boards across 5 dedicated meetings and key partners were written to, including the County Durham Partnership (CDP) and County Durham Association of Local Councils (CDALC). The council also sought responses from residents via a survey on the council's website, with paper copies made available in Customer Access Points and in Libraries across the county. The budget consultation was promoted through the council's presence on various social media platforms and partner communications channels.

240 Of the new savings put forward for MTFP(15) of £16.119 million, it was determined that £2.348 million would potentially impact on frontline service areas.

241 The consultation questions posed during this phase of the budget consultation were as follows:

(i) Considering saving proposals from the delivery of frontline services totalling £2.348 million for 2025/26 specifically, please tell us how these savings will impact you, your community or those you represent.

(ii) If you have any further comments to make, please provide your feedback. This could include:

a. views on any of the savings' proposals and activities

b. views on our continued approach to budget savings covering back-office efficiencies, raising additional income and savings from how we deliver front line services.

c. additional ideas as to where we can raise further income or make further savings.

242 The approach to the phase 2 consultation enabled the council to engage with 387 people. Fifty-six survey responses were received. 57% of residents responding to the survey provided equality data. There is no

disaggregated equality data available for other engagement methods. Feedback on the online survey was received most protected groups, although rates were not always directly comparable with population data for the County.

Method	**Number**
Survey (online and paper returns)	56
AAP meeting attendance	83
Other meetings attendance	17
Partner letters/emails	2
Total	**158**
Additional: Social media engagement	Engagement including link clicks: 229 Reach: 7,535

243 Summary of survey responses. The top five themes for each of the questions are detailed below.

244 Views on front line savings proposals – impact: The council received 52 responses to this question for which an AI generated summary using the council's Co-Pilot tool has been produced, using the prompt: Identify common themes in order of prevalence and summarise and do not deviate from the content of the (responses) document. The AI report details the top five themes as follows:

(i) Lack of services and negative perception of the council: Many respondents expressed that they could not identify services which are provided by the Council in their local community, therefore, the proposed saving would not impact communities, because, in their view, services are non-existent. Some responses suggested that the council is inefficient.

(ii) Impact on vulnerable people: several comments highlighted concerns about the reduction in services like Care Connect, which are vital for vulnerable groups.

(iii) Financial burden of increased council tax: There was significant concern about the impact of potential increase in council tax, particularly in less affluent areas.

(iv) Environmental and public realm concerns: Respondents noted the decline in maintenance of public areas, such as grass cutting, weed control, and general upkeep of green spaces. There is a fear that further cuts will exacerbate this decline, making areas less attractive and potentially impacting the local economy.

(v) Efficiency and restructuring: Some comments suggested that all services should be reviewed for efficiency.

245 **Additional comments:** 89 comments were received for which an AI generated summary using the council's Co-Pilot tool has been produced, using the prompt: Identify common themes in order of prevalence and summarise. Do not deviate from the content of the (responses) document. The report details the top five themes as follows:

(i) Criticism of Council Efficiency and Spending: Many responses highlighted perceived inefficiencies within the Council and called for a reduction in senior officers' pensions and wages.

(ii) Council Tax and Public Spending: Several comments suggest stopping all council tax discounts. The allocation of funds to events like Lumiere, were criticised suggesting these are no longer popular. There are calls to re-evaluate capital expenditures on projects deemed unnecessary, such as arts, the DLI centre and new council offices.

(iii) Public Services and Facilities: concerns were expressed about reducing essential services like highway maintenance and bin collection. Some suggestions to outsource or transfer services to local parish councils or volunteer groups to improve efficiency and community involvement.

(iv) Social Care and Children's Services: A significant number of comments would like to see additional savings in social care and children's services by eliminating the use of private companies. There are suggestions to replace private taxi firms with council-run minibuses for school transport and to reassess the support system for children with special needs.

(v) Property and Resources Management: Several responses propose reducing or eliminating funding for environmental projects, questioning their effectiveness. There are mixed views on the switch to electric vehicles and the installation of solar panels on council buildings to reduce energy costs.

246 **Overall responses:**

(i) In relation to Back Office and Efficiencies, some comments suggested that all services should be reviewed for efficiency.

(ii) In relation to Raising additional income, there were no negative comments regarding this approach.

(iii) In relation to Changes in the way the council delivers front line services, more comments were received particularly about potential impact on vulnerable people using the Care Connect service (8), a deterioration in community services (11) and some indicated a minimal or neutral impact (9).

(iv) In the additional comments question, the council received the highest level of responses in relation to urging for overarching saving and efficiencies (23). There were a number of comments relating to transformation of delivery of services and enhancing partnership working (5), reduction in senior officer salaries (9), and concern about the management of the council (6). (5) comments to protect bin collections, the highway network, weed spraying and face to face contacts were also made.

247 Variation in survey responses

Are you responding as:	Number of people
County Durham resident	49
Durham County Council Employee	5
Elected Member	5
A business	2
An organisation	1
Other	0
Total	**62**

248 Respondents were able to select multiple responses to this identifier question. Residents provided most of the responses to the survey (90.7%).

249 Known organisational survey responses were received from County Durham and Darlington Fire and Rescue Service and Believe Housing. Specific comments from these respondents are noted within the feedback from partners section of this report.

250 Durham County Council employee responses highlighted areas where additional savings and efficiencies could be made to improve front line services including children and young people services. Other efficiency areas include spend on large scale projects, the use of council buildings, equipment and staff working arrangements, as well as areas for potential income generation.

251 Elected Members responses were limited however highlighted areas of additional savings and efficiencies including staffing.

Summary of additional feedback – AAP Board Meetings

252 A presentation was delivered to each AAP Board across five bespoke meetings where they could ask questions and provide feedback. The key areas of feedback which as detailed below.

253 **Views on front line saving proposals – impacts:** Feedback highlighted the need for full impact assessments as many proposals impact vulnerable people. Direct queries regarding front line impacts related to a number of services including the Substance Misuse Team, AAP, libraries, theatres and sport centres, neighbourhood related services. There was a sentiment that discretionary services mean a great deal to residents and could also affect access to wider support. There was also a comment that the rising costs around looked after children should involve a review of the root causes of this.

254 **Additional comments:** Additional feedback brought a variety of responses covering:

(i) **Understanding of financial pressures and key concerns:** Comments included recognition that the task of making savings is extremely difficult in the light of significant savings having already been made and concern that this will impact performance and long-term sustainability of services.

(ii) **Back office and other efficiencies, value for money:** Comments included potential for efficiencies across the Northeast councils by combining services, the use of AI and technology as a route to further savings, procurement practice and external contracting related efficiencies value for money imperatives regarding adult social care, the use of agency staff and ideal staffing levels across the council. Comments were also made regarding the details of capital projects as a large area of spend and queries regarding the new Local Networks role in creating efficiencies linked to the AAP boundary review. It was also noted that Town and Parish Councils could potentially support some council duties if their grants were sufficient.

(iii) **Income generation and additional, longer-term funding:** Comments highlighted optimism for an increased and/or longer-term government settlement to support longer term forecasting of budgets, queries regarding the role of the Regional Mayor and North East Combined Authority in positively impacting budgets. There were also comments regarding income raising potential via housing of multiple occupancy and student accommodation regarding council tax payments.

(iv) **Importance of consultation and communication:** Comments queried how far the consultation would be considered within the decision-making process. Within this the importance of this consultation, encouraging responses as well as communicating outcomes and decision-making regarding service changes was noted.

255 **Summary of additional feedback:** Overall feedback from partners showed appreciation for the challenging financial situation the council faces, agreement regarding the council's continued approach to savings proposals and council tax increase, although expressed empathy and awareness of the impact of savings on communities. Partners also highlighted areas to explore to make efficiencies including a transformational approach to service delivery, collaborative and integrated approaches to service provision through a continued partnership approach.

Town and Parish Councils

256 A meeting with the County Durham Association of Local Councils (Parish and Town councils) on 4 December 2024 highlighted the following areas of feedback:

(i) Ability to raise further income through areas such as council tax, business rates, devolution, redevelopment of Aykley Heads.

(ii) Clarity and understanding regarding the council's responsibilities for the provision of Home to School Transport.

(iii) Concern for residents regarding pressure on household finances, inequity in council tax banding system, reduction in service including neighbourhood and community services.

(iv) Opportunities for the council to work more closely with Town and Parish Councils regarding the provision of services in terms of increased communication regarding service change, exploration of transfer of certain service provision to avoid complete withdrawal.

(v) Appreciation of the reality of the financial forecasts and understanding the need for fundamental and transformational change in how the council delivers services.

Trade Unions

257 At a meeting with Trade Unions on 4 December 2024, representatives focused on the impact on council employees regarding budget savings where staffing reductions were proposed. Trade Unions sought reassurance regarding the council's ongoing robust financial management, the Council's continued approach to NetZero and school funding and budget management.

Believe Housing

258 Feedback highlighted the detrimental impact of frontline related savings proposals on their customers confirming it is crucial that necessary

information is communicated to their teams, services and customers to ensure they understand any new processes and structures and full impact assessments considered.

259 In line with this they encourage continued communication and partnership working with the council regarding a broad range of service delivery aspects to understand impact on their organisation and their customers. Furthermore, Believe Housing note the financial impact in respect of council tax increase for their customers and members of staff and welcome analysis the council has already carried out on how this would affect people broadly across the county.

County Durham Care Partnership

260 Although no collective response was received from the CDCP, a forum member highlighted their continued support for raising council tax to protect services and an appreciation for the pressures facing the council from the likes of national insurance contribution increases and rises to national living wage.

North East Chamber of Commerce

261 Feedback from the North East Chamber of Commerce recognised the challenging set of financial circumstances the council faces. They stressed the importance of strong public services as a central component of a healthy North East economy including the work of the council and Business Durham in supporting business growth. In respect of this their members prioritise the visitor economy and the need to retrofit existing housing.

262 They supported the council's savings approach whilst maintaining a commitment to deliver a high level of basic services. Proposals such as using joint procurement arrangements with other local councils through the North East Procurement Organisation, was an area where the North East Chamber of Commerce believed the council could increase value for money and support a balanced budget. There was a commitment given to continuing to work in partnership with the council to secure the best possible conditions for business and employers in Durham and the wider North East.

County Durham and Darlington Fire and Rescue Service (CDDFRS)

263 Feedback from CDDFRS regarding the impact of front-line related savings proposals noted the significant increase in the number fire deaths which has been linked to individuals with health issues, highlighting the proposed further savings in adult social care and care connect require careful consideration to minimise the impact on the most vulnerable.

264 CDDRS also noted the financial position the council faces and were broadly supportive of the savings approach. CDDFRS were however

mindful of the impact that further budget pressures could have on the incidence of fire and the number fire fatalities in the County. The Service firmly believe that by working in partnership to provide more joined up services we can deliver improved outcomes with integrated working is a key priority.

Corporate Overview and Scrutiny Management Board (COSMB) –9 December 2024

265 At a meeting of the Corporate Overview and Scrutiny Management Board held on 9 December 2024 members received the report of the Corporate Director of Resources regarding the Medium-Term Financial Plan 2025/26 to 2028/29 and Revenue Budget 2025/26 – as considered by Cabinet on 4 December 2024.

266 Members were invited to consider and comment on the report prior to consideration of the Medium-Term Financial Plan (15) 2025/26 to 2028/29 and Revenue Budget 2024/25 reports at Cabinet in January 2025 and Cabinet and Council in February 2025. Members of the Board made the following comments:-

(i) Having considered the Forecast of Revenue and Capital Outturn 2024/25 - Period to 30 September 2024 and Update on progress towards achieving MTFP(14) savings report, members noted the ongoing budget pressures in respect of Children and Young Peoples' Services particularly regarding the costs associated with external Children's residential placements and care costs; SEND support; Home to school transport and the Dedicated Schools Grant/High Needs Block forecast retained deficit.

(ii) In acknowledging the significant Capital Programme of around £660 million, which was underpinned by £418m borrowing, the board was advised that this borrowing requirement could increase to around £800 million in subsequent years. Any continuation of higher than profiled interest rates represented a key risk for the Council in delivering the capital programme, should this increase the cost of any borrowing.

(iii) Members of the board express continuing concern regarding the ongoing challenges in respect of Dedicated Schools Grant/High Needs Block forecast retained deficit. Members emphasised the importance of central government providing a degree of assurance regarding this position and the potential cessation of the accountancy override which could place a number of local authorities in a position where a section 114 notice was inevitable.

(iv) The board reflected upon the increase in the national living wage by 6.7% and increased employer National Insurance costs from 13.8% to 15% along with the reduction in the threshold at which point an employer pays employer contributions from £9,000 per annum to £5,000 per annum. These measures would place an additional burden to the Council's wage bill of around 25%.

(v) Alongside these increased direct costs to the Council's wage bill, members were extremely concerned at the inflationary pressures in respect of commissioned services particularly in respect of adult social care. Given the potential for this to add to MTFP 15 shortfalls, the board emphasised the importance of early conversations with social care provider organisations in this respect.

(vi) On a positive note, members were encouraged to see an additional social care grant allocated to local government as part of the autumn budget statement although this still appeared insufficient to meet the unavoidable additional costs that the Council will face in terms of adult and children's social care.

(vii) An increase in the Council tax base has resulted in an increased yield of around £3,000,000 which is welcomed. However, the board noted that government assumptions on Council tax continued to expect that councils would increase Council tax rates by 3% together with the additional social care precept of 2%.

(viii) The Board noted that the full extent of the MTFP(15) savings requirements will not be known for 2025/26 until we receive confirmation of the Local Government Funding settlement which was anticipated on 19 December 2024. The Board has previously expressed its concerns around the absence of a multi-year Local Government funding settlement which places increased uncertainty on the Council's ability to confidently plan for future years' budgets. The announcement by Government that they are to undertake a Comprehensive Spending Review in 2025/26 which will inform a multi-year settlement from 2026/27 is welcomed.

(ix) Members also noted the potential Local Government funding formula calculations methodology may change with more emphasis placed upon deprivation and a shift from rural grant allocation which may benefit County Durham. Again, this was welcomed by members, in view of the fact that for a local authority like Durham County Council with a lower Council tax base and high number of band A and B properties, the ability to balance its budget by way of Council tax increases and associated yield was significantly lower than other parts of the country.

(x) In referencing the continued pressure placed upon the Council's finances by an increasing demand for adult social care services, some members suggested that it was important to ensure that service recipients' financial contributions were calculated accurately, and that support was provided to those most in need.

The board also reiterated concerns around the impact on commissioned services from those inflationary pressures previously mentioned eating to staffing costs.

(xi) In view of the ongoing pressures on the Council's budget and MTFP 15, the board discussed the challenges facing members in terms of where efficiencies and further savings could be generated. It was becoming increasingly apparent that potentially tough choices could be facing members around those services that the Council was statutory obliged to provide and those discretionary services. In this context reference was made to leisure and tourism services and the high level of Council subsidy in delivering these services when compared to the private sector. Consideration may need to be given to alternative provision including the potential to transfer leisure assets to alternative providers.

(xii) Reference was made to the Council's asset and estate holdings and whether the corporate land and property service could be more proactive in terms of disposal of those assets no longer required and the generation of significant capital receipts. This could feature part of the transformational review referenced within the report.

(xiii) Members then commented on the public engagement and consultation exercise undertaken for both the budget setting and the MTFP 15 process. They expressed disappointment at the level of responses and the narrative contained within them. It was suggested that the Council needed to be more proactive in explaining to the public the incredibly difficult financial position and challenges facing the Council and fully outline the context against which the potential efficiencies and savings targets were required. It was also suggested by members that they themselves had a responsibility to ensure participation in the consultation processes. Public feedback to members was sometimes quite negative in terms of how "listened to" they felt once decisions were made by the Council following consultation.

Corporate Overview and Scrutiny Management Board (COSMB) – 21 January 2025

267 At a meeting of the COSMB held on 21 January 2025 members received the report of the Corporate Director of Resources regarding the Medium-Term Financial Plan 2025/26 to 2028/29 and Revenue Budget 2025/26 – as considered by Cabinet on 15 January 2025.

268 Members were invited to consider and comment on the report prior to consideration of the Medium-Term Financial Plan (15) 2025/26 to 2028/29 and Revenue Budget 2024/25 reports at Cabinet and Council in February 2025. Members of the Board made the following comments:-

(i) COSMB noted with concern the continued single year Local Government Financial Settlement but were cautiously optimistic regarding the Government's announcement in terms of committing to implementation of a Comprehensive Spending Review and Fair Funding Formula reform from April 2026;

(ii) Members welcomed the Fair Funding Formula reform which was centred on Government commitments to redistributing local government funding on a more equitable basis by placing more emphasis on deprivation and council tax raising capacity. This reflects previous representations made by both COSMB and the council to Government which highlighted the challenges faced by Durham County Council given the higher levels of deprivation across the county and the Council's low council tax base yield;

(iii) COSMB noted the continued Government assumption that councils will raise council tax by the maximum permitted levels of a core council tax increase of 2.99% and an additional 2% adult social care precept. Members acknowledged also that these increases were to be recommended to the cabinet and council in the February 2025 MTFP15 update reports;

(iv) the 15 January Cabinet report referenced the additional savings consultation which ended on the 17 January 2025 and the Board have indicated that the results of this consultation would be carefully examined at the COSMB meeting on 13 February 2025;

(v) The increase to Employers National Insurance Contributions introduced by the Government remained a significant concern for the council both in terms of its direct costs as an employer but also relating to those commissioned services within areas such as adult social care and children's social care delivered by third party organisations. The impact of these increases was not fully understood and members reiterated their desire that discussions continue with the sector to fully ascertain the impact of these increases to both the council's costs and costs of service users;

(vi) Reference was made to Appendix 3 of the 17 January Cabinet report and members welcomed the information detailed therein which clearly set out the financial impact of the Local Government Financial settlement on the 2025/26 budget and MTFP(15) forecasts both in terms of targeted Government funding received and the pressures identified on service grouping base budgets. This provided members with much needed clarity on the incremental change in the MTFP(15) budget assumptions moving forward;

(vii) In respect of the Government's announcement of the Fair Funding Formula reform for local government, members expressed concern that any benefits that the council might receive in terms of an increased local government funding allocations could be offset by any transitional arrangements agreed by government for implementation following any lobbying against proposals by those Councils who would be adversely impacted by the reforms;

(viii) COSMB noted and welcomed the additional resources allocated to the council under the Provisional Local Government Financial settlement set out in paragraph 10 and noted the updated MTFP 15 assumptions described in paragraph 11 of the cabinet report;

(ix) Whilst noting the improved MTFP position in terms of a reduction in the budget deficit for 2025/26 to £3.184m (as highlighted in the Cabinet Report dated 15 January 2025), concern remained that in light of the continued absence of a multi-year local government financial settlement and the uncertainty around the impact of the government's proposed Comprehensive Spending Review and Fair Funding Formula reforms, the financial position for 2026/27 and beyond remained a projected deficit of around £46m;

(x) Some concern was expressed regarding the additional Transformational Change funding of £3m to support the council to redesign and transform the way it delivers services to modernise provision and to seek to achieve savings and efficiencies over the next three years. Some members questioned how this budget was being allocated to realise additional efficiency savings;

(xi) Finally, COSMB recommended that MTFP/budget monitoring training be incorporated into any member induction programme delivered following the 2025 Durham County Council elections to provide new and returning members with information regarding the historical pressures that the council has had to address since 2010 in respect of local government funding reductions, staff losses and service reforms to provide further context to the ongoing MTFP process; the drive to deliver ongoing efficiencies and savings and future challenges facing the Council in terms of service demand and costs.

Consideration of Consultation Responses

269 As a result of the consultation, Cabinet have proposed that some amendments are made to the profiling of some of the savings set out in the December report and have amended one of the savings in Neighbourhoods and Climate Change. A reduction in the savings proposals of £0.043 million in relation to staffing arrangements and other budgets in Park and Countryside Services have been made. This reduction reflects feedback from the Chair of the Environment and Sustainable Communities Scrutiny Committee regarding the importance of these roles in supporting the management of the countryside and

biodiversity. Cabinet should also note that additional budget provision is included and referenced in Appendix 2 relating to additional Parks and Countryside Staffing totalling £0.109 million, to mainstream fund positions that were grant funded.

Recommendations

270 Cabinet is asked to:

(i) note the approach taken by service groupings to achieve the required savings to help balance the Council's revenue budget;

(ii) consider the identified equality impacts and mitigations associated with the savings proposals proposed in 2025/26, as set out at Appendix 8; and

(iii) note the programme of future work to ensure full impact assessments are included where appropriate at the point of decision once all necessary consultations have been complete.

(iv) note the outcome of the budget consultation on the proposed saving proposals, as set out in Appendix 16 and the changes made to the proposals, which were originally set out in the 4 December 2024 Cabinet report; and

(v) approve the recommending of the savings proposals set out in Appendix 4 and Appendix 5 and summarised in Table 3 to Council for approval on 19 February 2025.

Workforce Considerations

271 The £23.404 million of savings included in this report are expected to require the reduction in full time equivalent posts of circa 314 Full Time Equivalents (FTE) across the MTFP(15) planning period, representing 4.7% of the council's workforce. 101 FTE relates to savings agreed for inclusion in MTFP(14) in February 2024 that cut across this MTFP(15) planning period, and 213 FTE relate to the new savings proposals that have been developed over the course of the last year.

272 It is forecast that further savings of £45.536 million are required to balance the budget over the period 2025/26 to 2027/28, which would result in further significant reductions in posts across that period as savings proposals and Transformational change is implemented to balance the Council's budget.

273 The Council will continue the approach of forward planning, retaining vacant posts where required in anticipation of any required change. If required in the future, the council will seek volunteers for early retirement

and/or voluntary redundancy and maximise redeployment opportunities for the workforce wherever possible reducing the necessity for compulsory redundancies in the process.

274 The way that work is organised, and jobs are designed will continue to be reviewed by service groupings and this is being supported by some strategic HR initiatives such as moving more towards generic posts, smarter working practices, and maximising efficiencies across the workforce through new ways of working, skills development, and use of technology. This will ensure that as changes continue to be made, the council maximises the capacity of the remaining workforce.

Current Capital Budget: Period 2024/25 to 2027/28

275 The existing (MTFP(14)) capital programme was agreed by Council on 28 February 2024 and has been subject to amendments / reprofiling through various budgetary control reports considered by Cabinet during the year, the most recent of which was 4 December 2024, which factored in a range of additions and reprofiling of capital schemes. The position as of 4 December 2024 is set out in the table below:

Table 6: Capital Budgets Presented to Cabinet on 4 December 2024

Service Area	2024/25 Programme £000	2025/26 Programme £000	2026/27 Programme £000	2027/28 Programme £000	TOTAL £000
AHS	740	0	0	0	740
CYPS	91,034	29,538	3,201	0	123,772
CEO	0	0	0	0	0
NCC	70,940	50,135	1,463	100	122,638
REG	178,210	165,655	48,823	5,735	398,422
Resources	7,734	5,227	1,988	0	14,949
TOTAL	**348,657**	**250,555**	**55,474**	**5,835**	**660,521**

276 Due to changes in service grouping structures, some capital schemes have now moved under a new summary line: - Chief Executive’s Office (CEO). In addition, Member’s Neighbourhood Budgets and Area Action Partnership Budgets moved from NCC to REG. Transfers resulting from changes to the service structures are shown in the table below. The changes to service grouping structures implemented on 6 January 2025 in relation to Transport and Contracted Services moving to NCC and Corporate Property and Land moving to Resources from REG will not be actioned in the budgets until 2025/26.

Table 7: Budget Transfers Resulting from Service Structure Changes

Service Area	2024/25 Programme £000	2025/26 Programme £000	2026/27 Programme £000	2027/28 Programme £000	TOTAL £000
AHS	0	0	0	0	0
CYPS	-76	0	0	0	-76
CEO	1,993	0	0	0	1,993
NCC	-1,506	-4,417	0	0	-5,923
REG	1,506	4,417	0	0	5,923
Resources	-1,917	0	0	0	-1,917
TOTAL	**0**	**0**	**0**	**0**	**0**

277 The current approved position for the 2024/25 to 2027/28 Capital Programme, is shown in the Table below:

Table 8: Revised Capital Budgets post Transfers from Service Structure Changes

Service Area	2024/25 Programme £000	2025/26 Programme £000	2026/27 Programme £000	2027/28 Programme £000	TOTAL £000
AHS	740	0	0	0	740
CYPS	90,958	29,538	3,201	0	123,696
CEO	1,993	0	0	0	1,993
NCC	69,434	45,718	1,463	100	116,715
REG	179,715	170,073	48,823	5,735	404,345
Resources	5,816	5,227	1,988	0	13,031
TOTAL	**348,657**	**250,555**	**55,474**	**5,835**	**660,521**

278 The current Capital Programme, as summarised above, is financed via a mixture of funding sources, as detailed in the Table below:

Table 9: Funding of the existing Capital Budget

Funding Source	2024/25 Programme £000	2025/26 Programme £000	2026/27 Programme £000	2027/28 Programme £000	TOTAL £000
S106	3,896	29	0	0	3,925
Specific Grant	78,496	49,732	4,907	0	133,135

Funding Source	2024/25 Programme £000	2025/26 Programme £000	2026/27 Programme £000	2027/28 Programme £000	TOTAL £000
Third Party Capital Contributions	3,518	58	1,350	0	4,926
DCC Non-Ring-Fenced Grant	47,456	33,177	0	0	80,633
Grants and Contributions	**133,366**	**82,996**	**6,257**	**0**	**222,619**
DRF Reserves	2,008	75	0	0	2,083
DRF Revenue Funding	5,677	2,312	458	454	8,901
Revenue and Reserves	**7,685**	**2,387**	**458**	**454**	**10,984**
DCC Capital Receipts	2,475	2,745	1,401	0	6,621
DCC Capital Receipt Loan Repayment	971	916	872	0	2,759
Capital Receipts	**3,446**	**3,661**	**2,273**	**0**	**9,380**
Self-Financing Budget Transfers	64,231	22,511	10,100	0	96,842
Other Borrowing	139,929	139,000	36,386	5,381	320,696
Total Borrowing	**204,160**	**161,511**	**46,486**	**5,381**	**417,538**
TOTAL	**348,657**	**250,555**	**55,474**	**5,835**	**660,521**

Updated 2024/25 Capital Budget Position

279 Since the December Cabinet report was considered, Service Management Teams and budget holders have identified further amendments to the 2024/25 to 2027/28 Capital Programme, which have been considered by the Capital Member Officer Working Group that oversees the delivery of the capital programme. All proposed amendments require formal Cabinet approval.

280 The revised 2024/25 capital budget factoring in the proposed amendments is shown in the Table below.

Table 10: Summary of proposed changes to the 2024/25 Capital Budget:

Service Area	Current Capital Programme 2024/25 £000	Additions / Reductions £000	Reprofiling to Later Years £000	Transfers £000	Revised Capital Programme 2024/25 £000
AHS	740	0	0	0	740
CYPS	90,958	1,458	(29,936)	27	62,506
CEO	1,993	(57)	(736)	0	1,201
NCC	69,434	1,559	(19,444)	(2)	51,547
REG	179,715	1,417	(13,568)	(25)	167,539
Resources	5,816	0	(1,253)	0	4,563
TOTAL	**348,657**	**4,377**	**(64,937)**	**0**	**288,096**

281 Factoring in the proposed amendments summarised above, the updated Capital Programme across the MTFP(14) planning period is set out in the Table below:

Table 11: Updated MTFP(14) Capital Plan for changes outlined in this report:

Service Area	2024/25 Programme £000	2025/26 Programme £000	2026/27 Programme £000	2027/28 Programme £000	TOTAL £000
AHS	740	-	-	-	740
CYPS	62,506	52,050	8,829	1,795	125,181
NCC	51,547	61,932	5,978	115	119,571
REG	167,539	185,960	56,187	5,735	415,421
RES	4,563	6,480	1,988	-	13,031
CEO	1,201	736	-	-	1,937
TOTAL	**288,096**	**307,159**	**72,982**	**7,645**	**675,881**
Financed By					
Grants & Contributions	140,087	79,351	4,765	-	**224,203**
Revenue and Reserves	8,584	2,387	458	454	**11,883**
Capital Receipts	3,351	3,967	2,967	-	**10,285**

Service Area	2024/25 Programme £000	2025/26 Programme £000	2026/27 Programme £000	2027/28 Programme £000	TOTAL £000
Self-financing Borrowing	59,974	28.680	14,950	-	**103,603**
Council Prudential Borrowing	76,100	192,774	49,842	7.191	**325,907**
Total	**288,096**	**307,159**	**72,982**	**7,645**	**675,881**

282 The changes to the MTFP(14) Capital programme are explained below:

Additions and Reductions to the Budget – 2024/25

283 Additional capital resources have been identified for 2024/25 for which service groupings are proposing to amend the approved capital programme:

(i) **CYPS –** net additions of £1.458 million. This includes £0.535 million of additional DfE grant that has been secured for Aycliffe Secure Services for Acoustic Panels in Sports Hall, Replacement of Multimedia System and CCTV Upgrade. The other major addition is a Section 106 contribution of £0.783 million for the expansion of Wingate Primary School.

(ii) **NCC –** net additions of £1.559 million. This includes £0.343 million for Compact Tractor Spreader Ploughs funded from a revenue contribution from the Public Health Reserve, £0.426 million for Back Office ICT Development funded from an earmarked reserve; a reduction of £0.247 million for Swimming Pool Support Fund at Louisa Centre due to the reduction in the grant allocation from Sport England; as well as £0.605 million for various schemes within Environmental Services funded from Species Survival Fund Heritage Lottery Grant.

(iii) **REG –** net addition of £0.531 million. This includes £0.233 million for the Single Homelessness Accommodation Programme funded from an additional grant secured from Homes England. A reduction of £0.100 million for Rural England Prosperity Fund (REPF), as there are no other external capital projects that can be delivered before 31 March 2025 so the service will seek to use this grant allocation in revenue. An addition of £0.258 million for Bus Service Improvement Plan T2, funded from a NECA grant.

There is an additional £0.969 million that has been added to the budget for Woodhouse Close Leisure Centre in 2026/27, to reflect revised upwards estimates for the costs of the new build leisure centre, funded from a transfer from capital contingencies.

An additional grant-funded budget allocation has been added for the DLI Museum and Art Gallery Project of £0.500 million to reflect the receipt of an additional Arts Council Grant for fit out.

Reprofiling of Capital Budgets from 2024/25 to Future Years

284 Net reprofiling of £64.938 million from 2024/25 into later years is proposed / required. The summarised position for each service grouping is set out below:

(a) **CEO –** net reprofiling of £0.736 million. This relates to Community Building works to reflect a revised schedule of works.

(b) **CYPS –** net reprofiling of £29.936 million, consisting of:

(i) **Education** – School Related. Reprofiling of £21.425 million, which includes £4.4 million for Framwellgate School in respect of a contribution to be paid to DfE, which is now expected to be paid in July 2025. Reprofiling of £14.200 million for the rebuild of Greenfield Community College due to difficulties with the contractor fixing their preliminary costs within the current budget envelope. Reprofiling of £2.000 million for Middleton in Teesdale Primary, due to DfE being expected to announce their update rebuild list soon and this school will be included. Other major amounts include reprofiling of £0.400 million for Spennymoor New Build Primary School which is linked to a contingency and may not be required; £0.150 million for Belmont School New Build in connection with snagging lists that are being drawn up and some will be programmed to be completed next year; as well as £0.275 million for Howletch Primary Replacement Windows due to the works now being scheduled to start in April 2025.

(ii) **Education – School Devolved Capital** - net reprofiling of £1.510 million for school devolved capital budgets to reflect revised spend profiles for committed schemes.

(iii) **Children's Services – Children's Care** - reprofiling of £3.503 million, consisting of:

(a) £0.215 million for Children with Disability Residential Home – Aycliffe, as the service is expecting to purchase the home in 2024/25 but moved £0.215 million into 2025/26 for refurbishment costs after purchase;

(b) £0.348 million for Witton Gilbert Children's Home (Coach Lodge) due to fencing and roofing works being subject to planning, which has delayed commencement of works by up to six months;

(c) £0.850 million for the Reprovision of Framwellgate Moor Home (additional home), as the service is not expecting to purchase the home until 2025/26;

(d) £0.490 million for the Reprovision of Moorside Home as the service is expecting to purchase the home in 2024/25 but has moved £0.490 million into 2025/26 for refurbishment costs after purchase;

(e) £0.650 million for Children with Disabilities – Short Breaks (reprovision of Park House Children's Home) as the purchase of new accommodation is now not expected until 2025/26;

(f) £0.575 million for the Refurbishment of Framwellgate Moor Children's Home due to delays in planning for the works and lead in times for refurbishment to commence; and

(g) £0.375 million for Mental Health Respite Accommodation as the service is expecting to purchase the home in 2024/25 but has moved £0.375 million into 2025/26 for refurbishment costs after purchase.

(iv) **Early Help Inclusion & Vulnerable Children-Inc SEN Capital** - net reprofiling of £3.498 million, with the major amount (£3.583 million) relating to Cotsford Infants High Needs Capital Provision to reflect the revised project cashflow.

(c) **NCC** – net reprofiling of £19.444 million, consisting of:

(i) **Environmental Services** - net reprofiling of £13.278 million into future years, which includes:

(a) Reprofiling of £0.340 million for Hardwick Park Play Improvements due to works being delayed into 2025/26;

(b) Reprofiling of £0.843 million for Morrison Busty Depot due to works being delayed;

(c) Reprofiling of £2.667 million for Food Waste Recycling Vehicles, as only three vehicles need to be purchased in 2024/25, with the remainder to be purchased in 2025/26;

(d) Reprofiling of £2.500 million from 2024/25 and 2025/26 to 2026/27 for Leachate Treatment at Coxhoe East Landfill as the planning and environmental permit applications are still being processed and procurement exercise is now expected to take place in 2025/26, with works to commence in 2025/26 Q4 and continue through 2026/27;

(e) Reprofiling of £2.400 million for Net Zero Heat Decarbonisation works in buildings, which in the main is the Council's match funding for PSDS Scheme 4 bids that have been submitted;

(f) Reprofiling of £4.000 million for Local Electric Vehicle Infra Fund Bridge Pilot due to contract award delays and delays with mobilising subcontractors due to unexpected site installation delays;

(g) Reprofiling of £0.400 million for Net Zero Electrical upgrades for heat Decarbonisation to cover spend on Bishop Auckland Town Hall and Newton Aycliffe Leisure Centre upgrades in 2025/26; and

(h) Other major amounts include reprofiling of £0.443 million for Durham Leadership Centre (installation of air source heat pump and solar PV), £0.770 million for Solar PV Unprogrammed, £0.240 million for Green Lane Offices LED installations and £0.170 million for Consett Leisure Centre LED installations, all due to works not due to start until 2025/26. This also includes reprofiling of £0.154 million for Stanley Cemetery Extension and £0.203 million for new drainage across multiple cemeteries, also due to works not scheduled to start until 2025/26.

(ii) **Highways** - net reprofiling of £6.167 million into 2025/26, consisting of:

(a) **Capitalised Maintenance** - net reprofiling of £3.855 million into 2025/26. Major amounts include £0.317 million for B6444 Heighington Lane P2 Aycliffe Industrial Estate, £0.308 million for C147 Greenfield Way and £0.272 million for Burnhill Way Newton Aycliffe, as these schemes cannot be delivered before the end of the financial year. This also includes reprofiling of £2.650 million for the A690 Landslip scheme, where programmed spend is behind profile because of delays with NWL mains diversion, license agreements and difficulties relating to listed buildings within the site.

(b) **Street Lighting** - net reprofiling of £0.937 million for various schemes within this service area, all to reflect revised programme of works or issues with gas mains or overhead lines.

(c) **Structures** - net reprofiling of £1.362 million, which includes an acceleration of £0.450 million for two new schemes that have been identified where spend will be incurred in 2024/25. Other major amounts include reprofiling of £0.200 million for the Wolsingham Bridge refurbishment works as the scheme is delayed and £0.250 million for the B0281 Frosterley Bridge Scour Protection, with detailed specification and scope of works to be progressed in 2024/25, scheme out to tender in March 2025 and design completion anticipated in late 2025.

(d) **REG** –net reprofiling of £13.568 million from 2024/25 into future years and other rephasing of budgets across the period 2027/28 to 2027/28 has been proposed, with the most significant amounts detailed below:

(i) **Economic Development** - net reprofiling of £3.535 million into 2025/26 and 2026/27, including:

(a) Acceleration of £0.900 million for Members Neighbourhood Fund budgets to match the level of applications received;

(b) Reprofiling of £0.203 million for Durham Targeted Business Improvement (TBI) Works, which is in part linked to an unallocated budget and partly to expenditure anticipated in 2025/26 to attract a company to locate their premises to Durham City;

(c) Reprofiling of £0.400 million for Seaham Townscape Heritage Initiative due to major heritage building works delayed and commencing in November 2024;

(d) Reprofiling of £0.214 million for NETPark Phase 3 to reflect revised spend profile received from contractors;

(e) Reprofiling of £0.500 million for Seaham Car Park – Top of North Dock, owing to delays with utilities and to avoid closing current parking areas in the lead up to Christmas, with works planned to start January 2025, which will likely continue into April and May 2025;

(f) Reprofiling of £2.200 million for Seaham Garden Village - Minewater Heating;

(g) Reprofiling of £1.600 million for Jade Business Park Phase 2, as it is unlikely that any major project will commence in 2024/25 regarding the Phase 2 development;

(h) Acceleration of £0.300 million for BA-Towns Deal-Springboard to Employment, as the scheme will be delivered ahead of schedule, and.

(i) Acceleration of £0.378 million for Neighbourhood Retailing due to an increase in expected TBIs completed and in application stages.

(ii) **Culture and Sport** - net reprofiling of £4.460 million, consisting of:

(a) £3.983 million for Woodhouse Close New Build Leisure Centre, where spend is delayed as due to value engineering, redesign and Northern Power Grid delays for diversion work, with the main construction package now expected to start later than originally plan, following the conclusion of the retendering exercise. The amount also includes reprofiling of £0.300 million for the refurbishment of Spennymoor Leisure Centre;

(iii) **Transport and Contracted Services** net reprofiling of £3.350 million into 2025/26, which includes:

(a) Reprofiling of £1.000 for Safer Roads Fund - A690 Corridor, as the development of individual elements has provided a revised delivery programme and timescales.

(b) Reprofiling of £0.400 million for Transforming Cities Fund Walking and Cycling (Northern Corridor), as two elements of the overall scheme were postponed to Summer 2025 due to road network access conflicts.

(c) Reprofiling of £0.250 million for Bishop Auckland Towns Deal Heritage Walking & Cycling, due to a slight delay to programme during Active Travel England Review and subsequent outcomes.

(d) Other major amounts include reprofiling of two Future High Street schemes: £0.375 million for Road Junction Capacity Improvements, as the works will now extend into 2025/26; and £1.250 million for Bus Station and Car Park, to reflect an updated spend profile.

(iv) **Corporate Property and Land** - net reprofiling of £0.394 million, with the main amount relating to £0.155 million for Spennymoor Green Lane Strategic Site, as the programmed start on site date was moved back to facilitate communications to staff (particularly to the canteen).

(v) **Planning and Housing** - net reprofiling of £1.829 million into 2025/26 and 2026/27. The main items relate to:

(a) Reprofiling of £1.000 million for Local Authority Housing Fund Round 3 (LAHFR3) as the scheme is scheduled to span two financial years;

(b) Reprofiling of £0.850 million for Temporary Accommodation, as the scheme is close to completion and the service is forecasting an underspend on the self-financing element of the budget; and

(c) An acceleration of £0.232 million for Care Connect Digital Upgrade, as the project is progressing ahead of schedule.

285 Following a review of service budgets, the following internal transfers within service areas need to be adjusted for which have a net nil impact on the overall Capital Programme. These are summarised below:

(i) **Transfers from NCC to REG -** A total of £0.138 million will be transferred from various schemes in NCC Environmental Services to REG Corporate Property and Land. This consists of £0.112 million refund against orison Busty Phases 3 and 3A; as well as £26,000 from the Net Zero Team towards LED light fittings at the Heighington Lane Waste Transfer Station. In addition, £0.100 million will be transferred from NCC Highways to three schemes within REG Transport and Contracted Services (dropped crossings, new traffic signs and countywide road markings).

(ii) **Transfers from Members Neighbourhood Budgets (REG) to other services** - AAPs and Members have requested budget transfers totalling £0.263 million to schemes being led in CYPS and NCC.

Capital Considerations in the MTFP(15) Process

286 It is important that any new additional prudential borrowing commitments for capital investment is affordable, in the context of the MTFP(15) forecast savings required over the MTFP(15) planning period and the inherent risks and uncertainty over the financial future of the Council at this time.

287 The Council is facing a MTFP(15) budget deficit / additional savings requirement of £23.040 million in 2026/27 and a £45.536 million savings gap over the four-year planning period.

288 There are inherent risks in the current capital programme both in terms of construction costs potentially being underestimated at the design and feasibility stages of a project, construction price inflation risks and a risk of interest rates continuing to stay relatively high, meaning that borrowing costs will exceed the budget provision when the required loans are taken out.

289 There are range of sources of funding available to finance new capital programme commitments as part of MTFP(15), as summarised below:

(i) **Government grants** – a range of grants are provided directly from the government for local integrated transport (circa £2.7 million each year), highways capitalised maintenance (circa £14.8 million each year), schools maintenance / basic need (circa £8.5 million each year), school devolved capital (circa £1.1 million) and disabled facilities grants to support independent living (circa £8 million per annum).

(ii) **Other Capital Grant / Devolution Funding** – additional capital funding can be forthcoming from regional and national funding streams, from lottery and other heritage grant funding streams or from third party contributions. In recent years, significant sums have been secured for investment in Bishop Auckland (through Levelling Up, Towns Fund and the Future High Street Fund), for investment in NETPark and Aykley Heads (Devolution “early capital” funding) and for investment in Housing Led Regeneration (Devolution Brownfield Housing funding).

In late January 2025 the council was notified that it has been allocated £23 million of City Regional Sustainable Transport (CRSTS) Funding, which will be received by NECA and be ring-fenced to Durham County Council, covering the period 2025/26 to 2026/27.

The CRSTS allocation has been allocated as a replacement (at a substantially less level) to the Local Transport Funding (LTF) that was announced by the previous Government, where the council was expected to receive £72.8 million of new additional transport related funding.

(iii) **Prudential Borrowing** – local authorities are permitted to take out borrowing to fund the capital programme. The council makes the distinction between additional borrowing used to fund the capital programme which will increase the net revenue budget costs of the council by way of future capital financing costs and self-financing schemes (for which additional borrowing costs are offset by additional savings or extra expected annual revenue income or reductions in current expenditure). In the case of self-financing schemes, it is determined that the additional costs of borrowing can be offset by matching revenue budget savings (on an invest to save basis) or through the generation of additional revenue funding streams.

(iv) **Capital receipts -** arising from the sale of long-term assets must be used to fund capital expenditure in the main.

(v) **Revenue contributions** to supplement the capital programme, including utilisation of any earmarked reserves; and

(vi) **Capital Contingencies** - There are several large complex schemes within the current programme. Contingencies are required to offset unanticipated inflationary and other costs pressures that exceed initial budget expectations.

290 The 2024/25 capital financing revenue budget is £39.470 million. This is a "fixed cost" and made up of costs associated with servicing debt associated with the Council's current and historic capital investment programme (mostly through a combination of interest payable on debt and amounts set aside to repay debt – known as the Minimum Revenue Provision (MRP)).

291 Included in the MTFP(15) forecasts are additional revenue budget growth relating to additional borrowing costs of £5.5 million in 2025/26 and £6.514 million in 2026/27 to fund the current capital programme commitments.

292 The current capital budget between 2024/25 and 2027/28 is £834.568 million with £523.147 million of this to be funded from new external borrowing, with £158.603 million of this being self-financed borrowing from income generated or reductions in costs achieved because of the capital investment.

293 The required borrowing to fund the existing capital expenditure commitments will increase the Council's overall borrowing requirement to £1.116 billion by 31 March 2028. At 31 December 2024, the external borrowing requirement was £586.318 million.

294 A sum of £1.686 million is provided for in 2027/28 to fund new capital spending commitments as part of MTFP(15), with a further £2.000m of borrowing costs provided for in 2028/29 to fund new capital spending commitments as part of MTFP(16) next year.

295 By 2028/29, the Capital Financing Costs budget is expected to be around £58.776 million, with the Capital Financing budget representing 9.4% of the Council's current Net Revenue budget by that time.

296 The current treasury management strategy / MTFP planning assumptions are based on £220 million of new loans being taken in 2025/26 (£100 million in April 2025 and £120 million in October 2025) at an assumed interest rate of over 5.00%; and £295 million of new loans being taken in 2026/27 at an assumed interest rate of around 4.5%. This will still leave the Council significantly under borrowed (by circa £126.211 million) by the end of 2027/28 (i.e. the Council will have debt balances of £990 million compared to a need to borrow highlighted above of £1.116 billion).

297 The level of cash balances held by the Council, and the ability to retain cash will determine whether there is a need to borrow earlier or more to

ensure the Council has sufficient liquid funds to meet its liabilities as they fall due. This will be in part linked to the extent to which the Council reduces its cash reserves in the coming years, for a variety of reasons such as being unable to address a persistent revenue budget shortfall or due to carrying an increasing High Needs deficit. This may require increases in future updates to the MTFP for prudential borrowing, to maintain an adequate level of cash balances.

298 The £1.686 million budget provision in 2027/28 is forecast to be able to finance circa £37.500 million of new capital expenditure commitments funded by this new non-self financed prudential borrowing, over and above the assumed existing capital financing budget, as part of the current capital budget setting process.

299 The new capital expenditure commitments will include schemes funded by capital grants and any self-financed borrowing proposals. Details of the forecast capital grants, and new capital expenditure commitments linked to these are set out in the report.

300 In addition to the assumed extra £37.500 million of new capital commitments funded by non self-financed prudential borrowing, it is proposed to repurpose the Transformational Change Revenue Reserve, which is forecast to be £2.9 million at 31 March 2025, to augment the capital resources available to fund new capital spending commitments. The available capital resource to fund new capital spending commitments is summarised in the table below:

Table 12: Available Capital Resources for New Spending Commitments.

	MTFP 15 Requirement £'m
Additional Capital Prudential Borrowing Available from £1.686 million additional capital financing budgets from 2027/28	37.5
Add : Self-Financing Borrowing for the Milburngate Project **(subject to Cabinet Approval on 12 February 2025)**	55.0
Add: Transformational Reserve Reallocation	2.9
Add : Forecast Additional Capital Grants 2025/26 & 2026/27	65.0
Available additional capital budget allocations funded by DCC	**160.4**

301 There are a number of known pre commitments against this capital funding that is being made available by the Council, based on decisions already taken by Cabinet and Council. These are set out at Appendix 11 to this report, and are detailed below:

(i) **County Hall £2.880 million** - MTFP(14) approved a 2026/27 budget fund the required budget to demolish County Hall. An additional allocation of £2.880 million needs to be made available to raise the total budget sum available for the demolition of County Hall to £13.341 million. Further assessment of the costs of demolition and site clearance will need to be undertaken to assess whether the capital allocations already committed, and now augmented, are sufficient to fund this complex demolition and site clearance project.

(ii) **NETPark Phase 3a £12.731 million** – at the Cabinet meeting on 15 May 2024, members considered and approved the speculative development at NETPark to facilitate a potential major inward investment. In May 2024, the required capital figure to top-up the self-financing element of borrowing, was estimated to be £7.722 million.

There is a risk that the proposed tenant does not ultimately take occupancy of the new facility, which will have been specified and built to their specific requirements, at the Council's risk. The Council may not get clarity on this tenancy position until early 2026.

The cost estimates for the scheme have increased since the Cabinet report in May 2024 and the costs of additional specification to accommodate the tenant's requirements (excluding separate negotiations on fit out) are greater than then level previously assumed widening the gap in terms of the element of the construction costs that would be "over-specified" for another prospective tenant.

A report will be presented to Cabinet in due course setting out the details and risks involved, but at this stage (for Capital Programme planning purposes) the contribution / underwriting required has increased to £12.731 million (£5.009 million more than what was set out in the May 2024 Cabinet report). This position could be mitigated if the prospective tenant takes occupancy of the building or additional capital funding is received to mitigate the risk.

All the cost estimates for NETPark remain provisional and are subject to clarification for the successfully appointed contractor who is completing pre-contract services in advance of the main site development commencing in Spring 2025.

302 There are a range of essential capitalised maintenance programmes, essential ICT equipment replacements & investments in major corporate systems, and recurring capital budget allocations that need to be funded. These are set out at Appendix 11, and are detailed below:

(i) **Building Structural Maintenance - £8.0 million:** over recent years the sum approved for building structural maintenance have varied between £4 million and £6 million per annum, with £6 million being agreed in MTFP(14) for 2025/26. The current budget provision can be summarised as follows:

- 2024/25 Building and Structural Maintenance. Capital Budget = £4.016 million

- 2025/26 Building and Structural Maintenance. Capital Budget = £6.00 million.

The current MTFP(14) budget provision fully allocated and insufficient to meet the capital investment needs across the Council's estate across the next two years, due in the main to significant repairs and upgrades being required across the Council's estate and in areas such as leisure centres, where transformational investment has uncovered maintenance issues that needed to be addressed.

Based on the current backlog of repairs and maintenance and based on the current condition surveys of the Council's land and property estate, an additional £8.0 million is required to be funded as a new capital commitment for MTFP(15). An additional draw on capital contingencies of £1.9 million has already had to be set aside in 2024/25 and into 2025/26 also to augment the budgets approved by Council in February 2024.

(ii) **Members Neighbourhood and Community Network budgets – £1.8 million:** Cabinet are proposing another year's recurrent allocation of this budget, based on additional funding for £1.372 million for Neighbourhood Budgets and £0.420 million for Community Networks in 2026/27.

(iii) **ICT replacement equipment and software upgrades – £5.734 million:** In recent years, the Council has had to invest significantly in business-as-usual capital allocations of somewhere between £3 million and £4 million per annum, with additional investments linked to major system upgrades or re-procurements. Major investment is required in replacing and upgrading the Council's Oracle Financial Management System, a new Library Management system alongside required investments core infrastructure (servers, member/staff devices and equipment, Wi-Fi and cyber security measures).

(iv) **Looked After Children Sufficiency Strategy– £2.0 million:** there is likely to be a significant requirement for further investment in Edge of Care and additional In-House Care Home capacity to help manage the children's social care residential market and help mitigate the forecast increase in Children Looked After costs identified by Newton Europe. These requirements will be set out in a report to Cabinet in Spring 2025. A sum of £2 million is a cautious estimate to include in MTFP(15) capital planning, with further bids likely into MTFP(16) capital planning.

(v) **Demolitions – £1.0 million:** the council has a strategy at the present time of seeking to demolish surplus property to ensure the risk of anti-social behaviour is limited. The current budget is expected to be fully utilised but there are additional surplus properties which need addressing, which will need a budget of circa £1 million to be set aside.

(vi) **Wolsingham Bridge - £2.0 million:** The estimated costs of the essential repair and remediation costs associated with this bridge are £2 million.

(vii) **Aykley Heads Joint Venture - £2.5 million:** The entering into a Joint Venture arrangement for Aykley Heads (subject to Cabinet consideration of the Final Business Case and outcome of the procurement to appoint a JV Partner) will necessitate an initial capital contribution from the Council of £2.5 million to fulfil pre-development design work for the first phase of development on Aykley Heads, the initial costs of providing suitable site-wide infrastructure and associated master planning for this site.

303 The above commitments need to be measured against the MTFP(15) Capital Allocations for schemes funded by prudential borrowing and from revenue contributions:

Table 13: Available Capital Budget Funded by MTFP(15) additional Borrowing and revenue contributions

Programme	**MTFP 15 Requirement £m**
Additional Capital Prudential Borrowing Available from £1.686 million additional capital financing budgets from 2027/28	**37.500**
Add: Transformational Reserve Reallocation	2.900
Available additional capital budget allocations funded by DCC prudential borrowing or from revenue contributions	**40.400**
Less: Committed Schemes	
County Hall Demolition – additional borrowing to add to existing £10.461 million – 2026/27	(2.880)
Net Park – Lockheed Martin Facility - Capital Shortfall Risk if prospective tenant does not take tenancy, and secondary tenant is identified instead.	(12.731)
Less: New Spending Commitments	

Programme	MTFP 15 Requirement £m
Buildings Capitalised & Structural Maintenance – 2026/27	(8.000)
Highways – Wolsingham Bridge – 2026/27	(2.000)
Neighbourhood and Community Network Partnership Capital Allocations – 2026/27	(1.792)
Digital Programme – 2025/26 and 2026/27	(5.734)
Children Looked After Sufficiency Strategy – 2026/27	(2.000)
Demolitions – 2026/27	(1.000)
Aykley Heads Phase 1	(2.500)
Total Capital Commitments	**(38.637)**
Remaining Headroom – MTFP 15 Capital Contingency	**1.763**

304 The remaining headroom will need to be held as a contingency in the capital programme to fund the significant level of risk across multiple capital schemes at this time.

305 Any additional or unexpected demands for additional funding for other projects will therefore need to be managed from re-prioritising other schemes in the capital programme across the next few years or from leveraging additional external funding opportunities. Cabinet will be notified on these emerging funding gaps and the limited opportunities to reprioritise capital resources as part of ongoing quarterly budget monitoring arrangements.

306 In light of the very challenging financial position and the significant uncertainty facing the Council at this stage, and in advance of the outcome of the upcoming Comprehensive Spending Review and Fair Funding Review, which will have a significant bearing on the Council's underlying financial position (where a budget deficit of £23.040 million is forecast in 2026/27 and £45.536 million to 2028/29 is forecast), the Capital Programme is unable to afford the inclusion of additional capital budget provision to fund further investment in the Leisure Transformation Programme.

307 The Cabinet remain committed to providing new build leisure facilities in Chester-le-Street and Seaham when the financial capacity exists to fund these investments. So far, a total of £62.820 million has been invested in leisure transformation across the county, however, investment in another two new leisure centres is now estimated to cost circa £70 million in total, and incur additional borrowing costs of £4 million per annum, which, in the current climate, is not affordable. Committing to undertaking additional capital investment at this scale would not be financially prudent because have been set out earlier and would invariably result in additional cuts to

front line services should the financial forecasts set out in this report come to fruition.

308 In terms of future funding opportunities for investment in new council leisure centres, and in the absence of any national or regional funding that may become available, the council could consider utilising any income generated from the Milburngate development acquisition (which remains subject to Cabinet Approval in a separate report to Cabinet dated 12 February 2025) to finance capital expenditure. Whilst at this stage it is not possible to define the revenue or capital sums that could be available, as this will be dependent on future decisions made in relation to how the development is managed and any capital receipt opportunities that may be available, the Cabinet will consider how any available surplus funding from the council purchasing (using self-financed borrowing) and owning the Milburngate Development can be used to fund capital expenditure priorities in future capital programmes, including new leisure centre provision.

Milburngate Development

309 The MTFP(15) capital programme includes a capital budget of £55 million, funded by self-financed prudential borrowing, which falls outside of the scope of the above additional corporate borrowing. This capital budget required for the Milburngate Development is set out in a separate report to Cabinet on 12 February 2025. The capital financing costs of this additional borrowing are expected to be managed from the additional rental income streams which will be generated once the facility is fully operational, with an expected drawdown from the Council's commercial reserve in the first few years of the operation in order to manage the timescales to tenant the facility.

Capital Grants

310 Capital grants for 2026/27 are yet to be fully confirmed but have been assumed to be in line with the allocations built into previous budget rounds.

311 The table below provides details of the indicative additional 2025/26 and 2026/27 capital grant allocations included in the capital planning. If the actual allocations for individual capital grants vary from the forecast position, then the capital budget is usually adjusted accordingly to mirror the difference in the allocations received.

312 The £23.0 million capital grant from Government via NECA (the City Regional Sustainable Transport fund) is significantly less than the originally expected Local Transport Fund allocation indicated by the previous Government of £72.8 million. This additional funding will be used to fund new or future capital projects and commitments, which will be detailed in subsequent Capital Budget Monitoring updates. The Council will be expected to provide supporting match funding to fund any new or

additional capital schemes, and this match funding resource will be found from the existing Capital Programme budgets.

Table 14 - Forecast Capital Grants Utilised in Support of the MTFP(15) Capital Programme

Capital Grant	2025/26 £'m	2026/27 £'m	Total £'m
Disabled Facilities	1.683	8.671	10.354
Local Transport Plan – Highways	-	14.800	14.800
Local Transport Plan – Highways (Autumn Statement)	6.596	-	6.596
Local Transport Plan – Integrated Transport	-	2.700	2.700
City Region Sustainable Transport Fund (Local Transport Fund) – additional NECA allocations	11.500	11.500	23.000
School Maintenance and Basic Need Allocations	-	6.500	6.500
School Devolved Capital	-	1.100	1.100
Total	**19.779**	**45.271**	**65.050**

Summary - Additional Capital Schemes in MTFP(15)

313 The table below summarises the additional schemes which will be funded from new additional corporate borrowing (including the elements which are self-financed) and additional grant funding, which totals £158.687 million. These new capital spending commitments will be funded from the additional £65.050 million of capital grant funding (as per Table 14), the £55.000 million of self-financed borrowing related to the Milburngate Development and the £38.637 million of prudential borrowing and Transformation Reserve funded capital commitments highlighted in Table 13.

Table 15 – Additional Capital Schemes for 2025/26 to 2028/29

Service	2025/26 £'m	2026/27 £'m	2027/28 £'m	Total £'m
AHS	-	-	-	**-**
CYPS	-	9.600	-	**9.600**
NCC	6.596	16.800	-	**23.396**
REG	13.183	106.774	-	**119.957**
RESOURCES	1.170	4.564	-	**5.734**

Service	2025/26 £'m	2026/27 £'m	2027/28 £'m	Total £'m
CHIEF EXECUTIVES	-	-	-	**-**
TOTAL	**20.949**	**137.738**	**-**	**158.687**

Updated MTFP(15) Capital Programme

314 Taking the above new capital spending commitments into account, the updated MTFP(15) capital programme is summarised in the table below:

Table 16 – Proposed MTFP 15 Capital Programme

Service Grouping	2025/26 £'m	2026/27 £'m	2027/28 £'m	Total £'m
AHS	-	-	-	**-**
CYPS	52.050	18.429	1.795	**72.275**
NCC	68.528	22.778	0.115	**91.421**
REG	199.143	162.961	5.735	**367.839**
RESOURCES	7.650	6.552	-	**14.202**
CHIEF EXECUTIVES	0.736	-	-	**0.736**
TOTAL	**328.108**	**210.720**	**7.645**	**546.473**
Financed by:				
Grants and Contributions	99.130	50.036	-	**149.166**
Revenue and reserves	2.387	0.458	0.454	**3.299**
Capital Receipts	3.967	2.967	-	**6.934**
Self-Financing Borrowing	28.680	62.178		**90.858**
New Prudential Borrowing	193.944	95.081	7.191	**296.216**
TOTAL FINANCING	**328.108**	**210.720**	**7.645**	**546.473**

Capital Receipts

315 In most cases, capital receipts received are utilised to support the overall council capital programme. Capital receipts are generated in the main from land sales which arise from the council's Asset Disposal Programme.

316 In the 2015 Autumn Statement, the Chancellor of the Exchequer announced that local authorities would be given flexibility under certain circumstances to utilise capital receipts to finance one off revenue costs associated with service transformation and reform.

317 The Government identified that revenue expenditure would qualify to be financed from capital receipts in the following circumstances:

(i) qualifying expenditure is expenditure on any project designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs or to improve the quality-of-service delivery in future years.

(ii) the key criteria to use when deciding whether expenditure can be funded by the capital receipts flexibility is that it is forecast to generate ongoing savings to an authority's, or several authorities', and/or to another public sector body's net current expenditure.

(iii) within this definition, it is for individual local authorities to decide whether a project qualifies for the flexibility – the Secretary of State believes that individual local authorities or groups of authorities are best placed to decide which projects will be most effective for their areas.

(iv) set up and implementation costs of any new processes or arrangements can be counted as qualifying expenditure. However, the ongoing revenue costs of the new processes or arrangements cannot be classified as qualifying expenditure.

318 The Government indicated, as part of the provisional Local Government Finance Settlement that it would extend the flexible use of capital receipts to 2030. Since 2016, this flexibility has allowed local authorities to use the proceeds from asset sales to fund the revenue costs of projects that result in ongoing cost savings or improved efficiency. The government will also remove the restriction with respect to redundancy costs, imposed from April 2022, that limits the use of the flexibility to statutory redundancy costs only. This will support authorities in taking forward transformation and invest-to-save projects.

319 At this stage, it is not considered that there are a large range of opportunities for the council to utilise this flexibility. Careful consideration also needs to be given to the other options of funding such expenditure as identified above e.g., from contingencies or from reserves.

320 On that basis, to ensure that the council has this option available, it will be recommended that it be noted that capital receipts could be utilised to finance severance costs.

321 A review of the current forecast capital receipts for the period to the end of 2027/28 has indicated that there will still only be sufficient capital receipts to meet the revised budget requirement for the current capital programme. It is recommended that no additional capital receipt targets be included in MTFP(15).

Recommendation – Capital Budget

322 Cabinet is asked to:

(i) approve the amendments to the 2024/25 Capital Budget and agree the revised MTFP(14) Capital Budget of £675,881 million (£288.096 million in 2024/25), as per Table 10;

(ii) approve the recommending of the Capital Strategy at Appendix 9 to Council for approval on 19 February 2025;

(iii) approve the updated current capital programme in Appendix 10 (before new additional capital schemes are allocated), reflecting previously notified additions and reprofiling of capital schemes;

(iv) approve recommending that the additional new capital investments detailed at Appendix 11, totalling £158.687 million, are included in the MTFP(15) Capital Budget. These schemes will be financed from a combination of additional capital grants, capital receipts and from new prudential borrowing and self-financing borrowing.

(v) approve the recommending of the updated MTFP(15) Capital Budget of £546.473 million for 2025/26 to 2028/29 as detailed in Table 16 to Council for approval on 19 February 2025.

(vi) Confirm and reapprove the Cabinet's desire to progress new build leisure centres in Chester-le-Steet and Seaham once the funding and affordability challenges that prevent these from being included in the MTFP(15) capital programme are addressed.

Prudential Code, Treasury Management and Property Investment

323 This section outlines the Council's prudential indicators for 2025/26 to 2027/28, sets out the expected treasury operations for this period and provides details on the council's Property Investment Strategy. The content fulfils five legislative requirements:

(i) the reporting of the prudential indicators, setting out the expected capital activities as required by the CIPFA Prudential Code for Capital Finance in Local Authorities as shown at Appendix 12.

(ii) the cash investment strategy which sets out the council's criteria for choosing investment counterparties and limiting exposure to the risk of loss. This strategy is in accordance with the MHCLG Investment Guidance and is also shown in Appendix 12.

(iii) the Treasury Management Strategy Statement which sets out how the council's treasury service will support the capital decisions taken above, the day-to-day treasury management and the limitations on activity through treasury prudential indicators. The key indicator is the 'Authorised Limit', the maximum amount of debt the council could afford in the short term, but which would not be sustainable in the longer term. This is the Affordable Borrowing Limit required by section 3 of the Local Government Act 2003. This is in accordance with the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code and shown at Appendix 12.

(iv) the council's Minimum Revenue Provision (MRP) Policy, which sets out how the council will pay for capital assets through revenue each year as shown at Appendix 12 and is reflective of the amendments to the Policy which were approved by Full Council on 11 December 2024.

(v) the Property Investment Strategy seeks to ensure that the council only enters investments which provide a reasonable level of return for the council after considering all risks as part of a robust business case and due diligence process. The Property Investment Strategy is appended at Appendix 13.

Recommendation - Prudential Code, Treasury Management and Property Investment

324 Cabinet is asked to:

(i) agree to the recommending of the Prudential Indicators and Limits for 2025/26 – 2028/29 contained within Appendix 12, including the Authorised Limit Prudential Indicator to Council for approval on 19 February 2025.

(ii) agree the recommending of the Minimum Revenue Provision (MRP) Statement contained within Appendix 12, which sets out the Council's policy on MRP (which was approved by Full Council on 11 December 2024) to Council for approval on 19 February 2025.

(iii) agree the recommending of the Treasury Management Strategy and the Treasury Prudential Indicators contained within Appendix 12 to Council for approval on 19 February 2025.

(iv) agree the recommending of the Annual Investment Strategy 2025/26 contained in the Treasury Management Strategy contained within Appendix 12, including the detailed criteria) to Council for approval on 19 February 2025.

(v) approve the recommending of the Property Investment Strategy at Appendix 13 to Council for approval on 19 February 2025.

Dedicated Schools Grant and Education Revenue Funding – 2025/26

325 The Dedicated Schools Grant (DSG) is a specific earmarked grant provided by the government which is the major source of direct funding for schools and funding for the support provided to them by the council.

326 The DSG is split into four ‘funding blocks’: Schools, Central School Services, High Needs and Early Years. The school’s block is ring-fenced, but local authorities retain limited flexibility to transfer up to 0.5% of their Schools Block funding into another block, with the approval of the schools Forum or in the absence of that with Secretary of State approval. Movements from the Central School Services Block to the Schools Block or from the High Needs Block to any other block are not subject to any statutory limits and can be made in consultation with the schools Forum. Movement from the Early Years Block can be made in compliance with the early years pass through rate conditions and in consultation with the schools Forum.

Schools Block

327 The Schools Block funds the funding formula for mainstream primary and secondary schools in respect of the education of pupils from Reception to Year 11. Funding for these schools is currently distributed according to a local formula determined by the council, after consultation with the Schools Forum and school governing bodies and leadership teams.

328 The local formula must comply with statutory regulations and there are limitations over what factors can be applied in the local formula, which significantly limits the discretion of local authorities in determining their local formulas and currently requires that at least 80% of funding is distributed through factors related to pupil numbers and needs.

329 The local formula set by the council is consistently applied to all mainstream schools (maintained and academy) and is primarily driven by their pupil numbers and profiles. DSG funding is provided to academies on an academic year basis whereas maintained schools receive their DSG funding on a financial year basis and is provided on a lagged basis, with pupil numbers in the October census each year informing funding levels provided the following year.

330 It is expected that local formulas will be replaced by a National Funding Formula (NFF) in the future. This is a long-standing DfE aim, with the intention that all mainstream schools will be funded in the same way across the country. In Durham, the local formula is already aligned to the NFF.

331 The government has been encouraging local authorities to move their local formulas towards the NFF and since 2018/19 DSG allocations to local authorities’ Schools Blocks have been based on notional NFF allocations for individual schools. These notional allocations cannot be fully replicated

in local formulas because the notional allocations are set in advance of the availability of the pupil numbers and other data that are used in the actual formula.

332 Initial information in relation to funding levels for 2025/26 was published by the Department for Education (DfE) in December 2024.

333 Nationally, core school funding, which includes the Schools Block and High Needs Block will increase in 2025/26 to £63.9 billion, representing a 3.6% (£2.6 bn) increase on the funding made available in 2024/25.

334 The DfE has continued its practice in recent years of supplementing the funding in the Schools Block with a separate grant for the annual pay award, which is subsequently rolled into the Schools Block core allocations the following year. Rolling grants into the Schools Block means that they become part of the baseline for future years, against which changes in funding are measured.

335 For 2025/26, the Schools Block includes the funding used in 2024/25 for the Teachers Pay Additional Grant, Teachers Pension Employer Contribution Grant and the Core Schools Budget Grant. It does not include any additional funding for schools to help offset the increased costs they will face from the changes to Employers National Insurance Contributions from April 2025.

336 The government has confirmed that an additional funding stream will be provided in 2025/26 to support schools with the additional direct costs associated with changes to Employer National Insurance Contributions announced in the Autumn Budget in October 2024. However, further information on the quantum of this funding and the basis for allocation to schools has not yet been received and may not be forthcoming until just before April 2025.

337 The change in the Schools Block allocation between 2024/25 and 2025/26 is summarised in the table below:

Table 17 – Changes in Schools Block Allocation

Reason for change	£ million
Pupil numbers	(5.571)
Units of Funding / pupil	32.464
Premises factors	0.358
TOTAL	**27.251**

338 In terms of funding changes because of changes to the NFF, which affect the Units of Funding, the values used in the NFF increased by between 0.5% and 3% compared to 2024/25. Much of the increase in the Units of Funding is a result of the inclusion of funding that was distributed as a

separate grant in 2024/25. The total supplementary funding was £23.270 million and so the net increase, on a like-for-like basis for 2025/26 is only £3.983 million or 1%. This net increase in funding also reflects a reduction of 885 pupils (625 Primary and 260 Secondary) between 2024/25 and 2025/26 across the County's school census results, with funding being circa £5.6 million lower than it would have been if pupil numbers had remained at the same level as the previous year.

339 Funding is also provided to recognise that it is sometimes necessary to adjust funding to individual schools to take account of significant growth in pupil numbers at the start of the following academic year, which is not reflected in formula funding because pupil numbers are based on the School Census from the previous October.

340 Growth funding can be provided to meet basic need but cannot be used to support schools whose numbers are increasing through parental choice. Growth funding is formula based. The council has made no adjustment in respect of growth for 2025/26.

341 In response to the original timetable for the planned replacement of local formulas, the council considered its approach to setting a local formula and after consultation with the Schools Forum, schools and the Children and Young People's Overview and Scrutiny Committee, Cabinet decided in December 2017 to adopt a transitional formula from 2018/19.

342 From 2019/20 to 2021/22 the council continued to set a transitional formula, with the formula being fully aligned, within the limits of affordability, from 2021/22. At its meeting on 15 January 2025, the Cabinet agreed to continue to align the formula as closely as possible in 2025/26.

343 The formula factors to be applied in 2025/26, which are subject to approval from the DfE, is summarised in the table below:

Table 18 – School Funding Formulae Outline

	Element (P = Primary, S = Secondary)	2025/26 Mainstream School Funding formula			
		Pupils / eligible pupils	Factor values £	Allocation	
				£ million	
Basic funding per pupil	KS1 & 2 (P)	36,595	3,837.32	140,426,687	33.67%
	KS3 (S)	16,343	5,408.36	88,388,753	21.19%
	KS4 (S)	10,326	6,097.62	62,963,988	15.10%
Deprivation	Free School Meals (P)	12,442	493.75	6,143,291	1.47%
	Free School Meals (S)	9,050	493.75	4,468,477	1.07%
	FSM6 (P)	12,514	1057.33	13,231,459	3.17%

	Element (P = Primary, S = Secondary)	2025/26 Mainstream School Funding formula			
		Pupils / eligible pupils	Factor values £	Allocation	
				£ million	
	FSM6 (S)	9,227	1551.09	14,311,878	3.43%
	IDACI Band F (P)	5,090	234.41	1,193,056	0.29%
	IDACI Band E (P)	6.060	284.28	1,722,703	0.41%
	IDACI Band D (P)	3,762	443.88	1,669,717	0.40%
	IDACI Band C (P)	2,993	488.77	1,462,975	0.35%
	IDACI Band B (P)	3,454	518.69	1,791,610	0.43%
	IDACI Band A (P)	2,425	683.28	1,656,810	0.40%
	IDACI Band F (S)	3,629	339.14	1,230,824	0.30%
	IDACI Band E (S)	4,339	448.87	1,947,762	0.47%
	IDACI Band D (S)	2,804	633.40	1,776,114	0.43%
	IDACI Band C (S)	2,069	693.25	1,434,491	0.34%
	IDACI Band B (S)	2,415	743.13	1,794,401	0.43%
	IDACI Band A (S)	1,574	947.61	1,491,161	0.36%
English as an Additional Language	Primary	1,259	593.50	746,992	0.18%
	Secondary	337	1590.99	536,512	0.13%
Mobility	Primary	360	962.57	346,268	0.08%
	Secondary	70	1381.51	96,449	0.02%
Low Prior Attainment	Primary	11,551	1172.04	13,537,949	3.25%
	Secondary	5,625	1780.51	10,015,009	2.40%
Minimum per-pupil funding				230,968	0.06%
Total for pupil-led factors				**374,616,306**	**89.81%**
Lump sum	Primary		30,471,000	30,471,000	7.31%
	Secondary		4,353,000	4,353,000	2.40%
Sparsity				1,082,965	0.26%
Total for school-led factors				**35,906,965**	**8.61%**
Total for premises factors				**6,588,808**	**1.58%**
Total funding				**417,112,079**	**100.00%**

344 Pupil numbers and the numbers of pupils who attract additional needs funding are taken from the October 2024 schools census and are provided by the DfE.

345 Further information relating to the factors included in the table above is outlined below:

(i) Free School Meals provides funding based on the number of pupils recorded as eligible for a free meal in the preceding October's school census;

(ii) FSM6 is a measure of deprivation and provides funding based on the number of pupils who have been recorded as eligible for Free School Meals on any school census in the last six years;

(iii) IDACI (Income Deprivation Affecting Children Index) is a subset of the Index of Multiple Deprivation. In accordance with statutory regulation there are seven bands in the formula, with Band A being for the pupils most likely to suffer deprivation and Band G being the lowest band. Regulations do not allow funding for Band G;

(iv) English as an Additional Language funding is provided where pupils have been recorded as having English as an Additional Language in any of the last three years;

(v) Mobility funding is provided where schools have had significant pupil movements during the academic year, based on data from the last three years' school censuses;

(vi) Low Prior Attainment funding is provided where pupils have not met the expected standard of attainment in their previous phase of education;

(vii) Minimum per pupil funding provides additional funding where the total of pupil-led funding plus the lump sum and sparsity funding falls below a minimum value, which has been set at £4,955 for primary schools and £6,465 for secondary schools. These values are mandatory for all local formulas and are of concern to the council because they favour larger schools with relatively low numbers of pupils with additional needs;

(viii) Sparsity funding is provided for small schools in sparsely populated areas; and

(ix) Premises-led factors provide funding for rates, split-site schools and the PFI contract affordability gap. Split-site funding was determined locally in previous years but is now allocated according to a formula set by the DfE, which is the same as the formula in the NFF; the schools that were formerly eligible for split-site funding are still eligible.

High Needs Block (HNB)

346 There are continuing pressures on the High Needs Block (HNB) of the Dedicated Schools Grant (DSG), which provides funding for Special Educational Needs (SEND) and inclusion support services for children and young people in County Durham.

347 The HNB provides funding for pupils with high-cost Special Educational Needs (SEN), i.e. those pupils requiring provision in specialist settings costing more than £10,000 per year or those pupils in mainstream primary and secondary schools whose provision costs more than £6,000 per year.

348 The main areas of SEN provision that is funded from the High Needs Block is as follows:

(i) place based funding for special schools;

(ii) targeted and top-up funding to reflect additional costs for individual pupil support in both special and mainstream schools;

(iii) specialist placements in out-of-county settings; and

(iv) SEN support services.

349 For 2025/26 the HNB grant allocation for Durham is £101.177 million, which is £7.350 million (or 7.8%), higher than the HNB funding provided in 2024/25.

350 The grant increase for 2025/26 is significantly below the average annual increase in the costs of meeting SEND provision (of circa 15% per annum) that has been witnessed over the period 2021/22 to 2023/24 but is higher than the increase of 4.5% for 2024/25. HNB funding for 2025/26 reflects the £1 billion of SEND funding nationally that was announced in the October 2024 Autumn Budget Statement.

351 The in-year deficit against the HNB for 2024/25 is forecast to be circa £13 million and, despite the higher level of increase to HNB funding next year, it is anticipated that there will be a similar level of in-year deficit in 2025/26 as pressures continue to outstrip funding.

352 There is forecast to be a cumulative HNB deficit of circa £23 million at 31 March 2025 , with this forecast to increase to over £35 million by 31 March 2026, despite the uplift in HNB grant provided next year.

353 This level of deficit is also continuing to place pressure on the Council's cash-flow arrangements, and it is estimated that loss of interest due to carrying the accumulated HNB deficit is circa £1.000 million in 2024/25, increasing to circa £1.500 million in 2025/26. The Council receives no additional funding to compensate for the interest lost on servicing the HNB accumulated deficit.

354 The significant and increasing HNB deficit position is a serious concern for Durham and for many other local authorities. The exceptional accounting override that allows councils to exclude HNB deficits from their main council general revenue funding position is due to end on 31 March 2026, at which point the HNB deficit may need to be funded by council resources from 2026/27.

355 In the past two years there has been a succession of reports from various bodies, including the County Council Network (CCN), Institute for Fiscal Studies (IFS), National Audit Office (NAO) and, most recently, the Public Accounts Committee (PAC) assessing the national SEND position in England. Whilst each report has a different emphasis, there is clear consensus that the SEND system in England is not functioning adequately, is financially unsustainable, and runs the risk of bankrupting many local authorities.

356 The NAO report published in October 2024 highlighted estimates from DfE that forecast the national cumulative HNB deficit will be between £4.3 billion and £4.9 billion by March 2026.

357 As part of the provisional Local Government Settlement published on 18 December 2024, alongside additional funding for 2025/26, the government stated its intention to reform England's SEND provision to improve outcomes and return the system to financial sustainability and confirmed its intention to work closely with parents, teachers and local authorities to take forward this work.

358 The government has recognised the strain that the rising costs of SEND provision are putting on councils . In particular, the impact of the HNB deficits on councils' finances and interest costs, with some authorities even having to take out temporary borrowing for cash flow purposes therefore.

359 The government intends to set out plans for reforming the SEND system in further detail this coming year. This will include details of how the government will support local authorities to deal with their historic and accruing deficits and any transition period from the current SEND system to the reformed SEND system. This will inform any decision to remove the statutory override. This will be underpinned by the objective to ensure local authorities can deliver high quality services for children and young people with SEND in a financially sustainable way.

Early Years Block (EYB)

360 The Early Years Block provides funding for the following Early Years childcare provision:

(i) the 15 hours entitlement for eligible working parents of children from 9 months up to 2 years old (due to be extended to 30 hours from 1 September 2025);

(ii) the 15 hours entitlement for eligible working parents of 2-year-old children (due to be extended to 30 hours from 1 September 2025);

(iii) the 15 hours entitlement for families of 2-year-olds receiving additional support (formerly known as the 2-year-old disadvantaged entitlement);

(iv) the universal 15 hours entitlement for all 3 and 4-year-olds; and

(v) the additional 15 hours entitlement for working parents of 3 and 4-year-olds.

361 The services are delivered by maintained nursery schools, nursery units in primary schools and academies, and Private, Voluntary, and Independent (PVI) sector providers.

362 Early Years Pupil Premium (EYPP) is also funded through the Early Years Block and a provisional allocation has been provided by the DfE, based on the 2024/25 allocations for 3–4-year-olds and estimated allocations for 2-year-olds and under 2's. As with the other elements of the Early Years funding, the 2025/26 final allocation will not be announced until the summer, based on the number of eligible children recorded in the January 2025 pupil census.

363 The EYPP funding rate of £0.68 per hour in 2024/25 increases to £1.00 per hour in 2025/26 (a 47% increase), which equates to £570 for each eligible child taking up the full 570 hours of state funded early education.

364 As part of the Early Years National Funding Formula, the council is required to implement a universal base rate for all providers. This has been a cause of concern to maintained nursery schools, which have higher costs than other PVI providers, (e.g. the cost of employing a head teacher) and which currently receive additional funding through a formula; the formula includes a deprivation element, a lump sum, and an allowance for rates.

365 The DfE have recognised that maintained nursery schools provide a high-quality provision, often in deprived areas and has allocated supplementary funding in addition to National Funding Formula to ensure that authorities can continue to provide funding to these schools through a formula in 2025/26.

Central School Services Block (CSSB)

366 The CSSB funds local authorities for the statutory duties that they hold for both maintained schools and academies. The CSSB brings together:

(i) funding previously allocated through the retained duties element of the Education Services Grant (ESG).

(ii) funding for ongoing central functions, such as admissions, previously top-sliced from the school's block; and

(iii) residual funding for historic commitments, previously top-sliced from the school's block.

367 For 2025/26 the CSSB is £3.349 million, which is £77,000 lower than the 2024/25 CSSB allocation of £3.426 million (after adjusting for specific grants now rolled into the CSSB).

Pupil Premium

368 Pupil Premium for pupils older than early years, is provided for several categories of need. Pupil Premium rates per pupil for 2025/26 have not been revised, we are expecting an increase to be announced in the spring. The 2024/25 rates are shown in the following table:

Table 19 – Pupil Premium Rates

	£ / eligible pupil 2024/25
Deprivation Pupil Premium – Primary	£1,480
Deprivation Pupil Premium – Secondary	£1,050
Looked After Children	£2,570
Children adopted from care or who have left care	£2,570
Service Children	£340

369 The numbers of pupils eligible for pupil premium in 2025/26 will be provided by the DfE later in the year (in the summer term). Pupils eligible in the current year are:

Table 20 – Pupil Premium Numbers

	Number of eligible pupils 2025/26
Deprivation Pupil Premium – Primary	12,514
Deprivation Pupil Premium – Secondary	9,050
Looked After Children	895
Children adopted from care or who have left care	1,006
Service Children	756

Total Dedicated Schools Grant (DSG)

370 DSG and forecast Pupil Premium funding for 2025/26 is shown in the following table:

Table 21 – DSG and Pupil Premium Funding

DSG Block	2024/25 Allocation £ million	2025/26 Allocation £ million	Year on Year Change £ million
Early Years Block	53.395	73.033	19.638
Schools Block	385.816	412.831	27.015
High Needs Block	93.827	101.177	7.350
Central School Services Block *	3.426	3.349	(0.077)
Total DSG	**536.464**	**590.390**	**53.926**
Pupil Premium (Based on 2024/25 pupil numbers)	32.801	33.166	0.365
TOTAL	**569.265**	**623.556**	**54.291**

371 Schools Block funding allocated to academies through formula funding will be recouped by the Education and Skills Funding Agency which provides this funding to academy trusts as part of the General Annual Grant. The total recouped will be adjusted during the year for subsequent academy conversions.

Recommendation – Dedicated Schools Grant

372 Cabinet is asked to note the Dedicated Schools Grant allocations for 2025/26 as set out in the report.

373 Cabinet is asked to approve the updated local formula for schools, as set out in Table 18, and authorise the Corporate Director of Resources to approve any amendments required following review by the Department for Education.

Pay Policy

374 The Localism Act 2011 requires the council to prepare and publish a Pay Policy Statement annually which sets out the authority's policy relating to the remuneration of its Chief Officers and how this compares with the policy on the remuneration of its lowest paid employees.

375 The first policy document was required to be approved by a resolution of the council prior to 31 March 2012 and the policy must then be updated and published by the end of March for each subsequent year, although the policy can be amended by a resolution of the council during the year.

376 The Act requires that in relation to Chief Officers the policy must set out the authority's arrangements relating to:

(i) the level and elements of remuneration for each Chief Officer;

(ii) remuneration of Chief Officers on recruitment;

(iii) increases and additions to remuneration for each Chief Officer;

(iv) the use of performance-related pay for Chief Officers;

(v) the use of bonuses for Chief Officers;

(vi) the approach to the payment of Chief Officers on their ceasing to hold office under or to be employed by the authority; and

(vii) the publication of and access to information relating to remuneration of Chief Officers.

377 The Pay Policy Statement, as updated, is set out at Appendix 14 which will be for council consideration and outlines the details for the authority in line with the above requirement.

378 In addition, the Pay Policy includes at Annex 1 the scale of fees payable during by elections.

Recommendation – Pay Policy Statement

379 Cabinet is asked to approve recommending of the Pay Policy Statement at Appendix 14 to Council for approval on 19 February 2025.

Risk Assessment

380 A range of risks remain to be managed and mitigated across the short, medium and longer term. The risks faced are exacerbated by the Council's responsibility for business rates and council tax support, and the late timing of the Government's Local Government Finance Settlement, together with uncertainty over the outcome of the Comprehensive Spending Review and Fair Funding Review next year. There are also substantial inherent risks of delivering and financing the Council's extensive capital programme. All risks will continue to be assessed and managed / mitigated as far as possible throughout the MTFP(15) planning period. Some of the key risks identified include:

(i) The Government have targeted the additional funding being made available in 2025/26 to those authorities with higher levels of deprivation / need and lower council tax raising capacity and have stated this is the first step in rebalancing the formula to ensure it is fairer to authorities like us. This has resulted in additional funding being received next year, but it is insufficient to be able to balance our budget. It is anticipated that these factors will be a key feature of the updated funding formulae review going forward beyond 2026/27.

It remains uncertain how changes to funding formulae will be made, the extent of the changes and over what period these funding changes are introduced. What is clear is that the formula used to distribute the additional finding made available in 2025/26 has caused significant unrest across many authorities who have historically benefited from previous formulae but who have been excluded from or received smaller allocations of the new funding being made available. These authorities will fight hard to avoid further, more fundamental changes being implemented from 2026/27, which could result in the pace of change being longer than we would want given the Council should benefit from such changes going forward.

Whilst the Government have committed to undertaking a Fair Funding Review, which could be implemented in 2026/27, there is a risk this review could be delayed further or de-prioritised if significant political pressure is brought to bear. The timescales for implementation in 2026/27 are very tight. The fair funding review and reforms will coincide with significant reform of English local government structures – including potential creation of more unitary authorities in two-tier areas and an amalgamation of some unitary authorities. The Government are going to look at the responsibilities and roles of mayoral authority responsibilities as well, which adds a further layer of complication and risk in terms of potential delay.

(ii) At a national level, since the Autumn Budget Statement, the financial markets have reacted to the Government's fiscal policies, which has fed into increases in gilt prices and yields. The costs of government borrowing have risen sharply in recent months, and the Government has indicated a clear intention to consider further spending cuts to Government Departments as part of the 2025 Spending Review to settle market concerns and improve confidence, which may reduce the quantum of revenue and capital funding for Local Government going forward. In recent months, the Council has been faced with much higher interest rates for borrowing, with forty-year rates typically exceeding 6% - far higher than our target assumptions for 2025/26.

(iii) There remains a significant challenge to ensure a balanced budget and financial position is achieved across the MTFP(15) period – including balancing the Council's appetite to take decisions to increase council tax, alongside the likely need to still must reduce service provision given the council inherent low tax raising capacity, high and increasing unavoidable demand / cost pressures and its reliance on Government grant funding.

There remains a budget deficit of £3.191 million next year to balance the budget and a forecast budget deficit / additional savings requirement across the MTFP(15) planning period of £45.536 million. Without the delivery of the £18.036 million of savings that are currently factored into the 2025/26 budget planning (inclusive of the previously agreed savings in MTFP(14)) the Council would be £21.227 million short of balancing its budget next year. This is because the cost pressures that need to be accommodated next year exceed the grant funding we will receive and the additional revenues that can be generated from a 4.99% council tax increase – and despite the additional grant being made available next year and the council benefitting from the focus on deprivation and low tax raising authorities.

There remains a significant concern over the budget deficit in 2026/27 of £23.840 million in 2026/27. Achieving savings of that magnitude will require the implementation of a series of transformational reviews and will inevitably require some fundamental changes to the services the council provides.

(iv) New savings plans presented on 4 December 2024 have been consulted on and the Cabinet have carefully reflected on the feedback received in finalising the proposals that are recommended to be included in the budget. Some amendments have been made to the profiling and scale of the savings in NCC, particularly in Parks and Countryside services. The bulk of the originally developed savings proposals are recommended to be included in the budget.

There will need to be suitable levels of management oversight on the delivery of these savings to ensure they are delivered and realise the financial returns expected. A detailed Equality Impact Assessment has been provided for the savings proposals being taken forward. Any savings that are not delivered or which are delayed / deferred will only serve to widen the budget deficit next year and beyond, increasing the reliance on reserves, which is not a sustainable budget strategy to adopt.

(v) The Council remains susceptible to any downturn in the economy and falls in business rates income. The Council retains 49% of all business rates collected locally but is also responsible for settling all rating appeals. Increasing business rate reliefs and the 'check and challenge' appeals process continue to make this income stream highly volatile and will require close monitoring to fully understand the implications upon MTFP(15).

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 Business Rates Retention in 2013/14, and the Council could because of this review expect to review increased Top-up Grant funding as a Council which does not collect Business Rates income up to the national average.

The Government have committed to implementing a Business Rate reset from 2026/27, which is to be welcomed but which would have significant adverse implications on some other authorities.

(vi) The localisation of council tax support in 2013, which passed the risk for any increase in council tax benefit claimants onto the council is a key risk. Activity in this area will need to be monitored carefully with medium term projections developed in relation to estimated volume of claimant numbers.

The Council's local council tax scheme is more generous than most other local authorities, and therefore any increase in uptake in this scheme has a compounding effect on the Council's income-generating tax base and is susceptible to any adverse economic fluctuations. A further review of this scheme in advance of 2026/27 will be required, and amendments may need to be made to make this scheme more affordable.

(vii) The impact of future increases in inflationary factors such as the National Living Wage and Local Government pay awards, and the impact of additional costs of business for our suppliers associated with a significant increase in Employer National Insurance taxation are a key financial risk. The budget uplift provision in 2025/26 reflects the additional costs providers will face next year. In later years, the Council is assuming national living wage increases will be 4% per annum. However, wage growth in the UK, which directly influences national living wage rates remain above 5% currently.

(viii) Pay award assumptions remain predicated on a notional uplift in later years. However, every 1% in terms of the pay award adds circa £3.0 million to the Council's pay bill, whereas every 1% increase in the National Living Wage adds circa £1.2 million of costs into the council's base budget for Adult Social Care – increasing the funding gap that needs to be bridged to balance the Council's budget.

The increases in National Living Wage from April 2025 announced on 30 October 2024 of 6.7% were more substantial than originally forecast, so the Council will need to consider carefully update reports from the Low Pay Commission in the Spring to gauge whether the current assumptions are sufficiently prudent.

(ix) The Government's funding for local authority Employer National Insurance Contributions is not sufficient to cover the full costs of this new burden and our latest estimates indicate that this will only cover circa 57% of the cost pressures the Council will face next year. The additional funding received in the settlement for the Recovery Grant, though welcomed, has been dwarfed by significant cost increases associated with social care and other unavoidable inflationary pressures.

(x) The Council continues to experience significant increases in demand for social care services – particularly children's social but is also now seeing some additional demand in adult social care over recent months. Significant budget allocations have been set aside in MTFP(15) for these areas. These allocations are being closely monitored and the forecasts have been externally validated, as in recent years the Council has seen the eventual outturn forecasts in these areas exceed the budget allocations set aside to fund these pressures. The Quarter 3 Children's Social Care pressures are looking increasingly likely to show a worsening forecast position due to the proportion of children in care who require residential care – when a c.£7.5 million overspend was previously forecast.

The Council appointed external consultants to undertake a detailed diagnostic assessment of these costs, review existing mitigation measures and to suggest other measures that could be taken to offset an estimated rising trend of volumes of looked after children and overall costs per case. The findings of this review concluded that without taking additional substantial measures to mitigate this demand and cost pressure, over and above our existing plans, the Council will spend £30 million more than the assumed budgetary growth projections included in this MTFP(15) report.

A series of measures to help manage this demand are currently being developed and will be reported to Cabinet by July 2025. These measures will draw on the new grant funding being provided for prevention and looked after sufficiency measure but may also require a drawdown from reserves to pump-prime activities, additional capital investment and/or permanent base budget growth to support transformational change in how we manage children's social care demand.

(xi) High Needs Dedicated Schools Grant: officers have reported to Schools Forum and lobbied the new Government regarding its projections for the current and future High Needs Deficit Shortfall. At the end of 2023/24, this cumulative deficit was £10.595 million, with a further £11.572 million shortfall in 2024/25 predicted at Quarter 2, increasing the cumulative deficit to a forecast £22.167 million.

Local Education Authorities are required, using a statutory override, to charge the cumulative high needs deficit to an Unusable Reserve on the council's balance sheet. This statutory override is due to end on 31 March 2026, and as things stand, the value of the high needs deficit the following year (31 March 2027) would need to be charged to the General Fund Reserves.

The value of the deficit at that point (March 2027) was estimated to be £44 million and would place significant financial strain on the Council's depleted reserves levels at this point.

This level of deficit is also placing additional challenges on the Council's cash-flow planning arrangements and it is estimated that loss of interest on the High Needs DSG deficit balance is around £1.000 million this year for the council.

The local authority sector is lobbying Government to highlight that many authorities are at risk of issuing s114 notices due to the emerging substantial high needs deficit balances.

As part of the Autumn Budget Statement, it was announced that there would be an additional £1 billion added to overall High Needs budgets. This means an increase to High Needs funding of over 9%, compared to 2024/25.

The Council have been notified it will receive an additional £7.350 million. Of this, a £3 million assumed increase was already factored in for notional inflationary uplifts and budget forecasts. The extra £7.350 million is welcome, however Cabinet should note it does not fully cover the assumed planned High Needs Deficit forecast for 2024/25 let alone the forecast deficit that will materialise in 2025/26. The Council could therefore see, based on projected levels of demand, a deficit of £14 million, resulting in a cumulative deficit of £38 million by the end of 2025/26.

There remains significant uncertainty about the arrangements to continue the Statutory Override for carrying forward cumulative deficits or seek to write off these cumulative deficits from local education authority balance sheets. There was no clarity on this in the Local Government Finance Settlement. This omission is very concerning and heightens the risks of the statutory override ending and any deficit write-offs not been funded by central government.

(xii) Prudential Borrowing: The Council's current Capital Programme / Capital Investment Plans are predicated on high levels of future borrowing in the next few years, with the Council currently managing a highly under-borrowed position, whereby the actual level of debt held is significantly below the levels of debt required to be held by the Council in line with its underlying Capital Financing Requirement.

The Council will need to borrow c.£515 million over the next two-years from the date of this report to fund the existing capital programme commitments and to remain sufficiently solvent.

In recent years the Council has been successful in managing an under-borrowed position, and delaying the point at which borrowing needs to be taken by running down its cash balances. This position is becoming less tenable, and the Council will be forced to undertake borrowing to retain an acceptable level of solvency. The Council will look at options to do some short-term borrowing in expectation (but at risk), that interest rates do fall by the time this borrowing is refinanced.

The existing MTFP(15) forecasts now assume PWLB forty-year borrowing rates will be over 5% during 2025/26. Current forty-year borrowing rates have risen to over 6%. There is a risk that PWLB market rates do not start to fall as quickly as the council requires in line with its capital financing budget provision.

In November 2024, the Monetary Policy Committee of the Bank of England cut the bank base rate by 0.25% but in doing so projected that interest rates may not fall as fast as originally anticipated during 2025. The Bank of England held interest rates in December 2024 and remain concerned about rising inflation in the UK economy, though the improved CPI position for January has raised the prospects of a further reduction in rates in the coming months.

It is important that the council resists the temptation to increase the provision for prudential borrowing in MTFP(15), given the significant uncertainty and pressure within the council's revenue budget in the future, the size of the current capital programme commitments and the forecast of additional borrowing already required to support the current capital programme.

The Cabinet remain committed to providing new build leisure facilities in Chester-le-Street and Seaham when the financial capacity exists to fund these investments. So far, a total of £62.820 million has been invested in leisure transformation across the county, however, investment in another two new leisure centres is now estimated to cost a further circa £70 million in total and would incur additional borrowing costs of £4 million per annum, which, in the current climate, is not affordable.

Committing to undertaking additional capital investment at this scale would not be financially prudent because of the reasons set out earlier and would invariably result in additional cuts to front line services should the financial forecasts set out in this report come to fruition.

(xiii) The capital programme is significant and highly complex and there remains significant risk of delay and cost rises in the delivery of the programme, which will result in the need to constantly review the deliverability and affordability of the Capital Programme. As part of MTFP(15), the Council has had to prioritise available capital resources and not succumb to pressure to increase borrowing due to higher costs of borrowing currently and the need to fund essential and pre-committed projects.

Recommendation – Risk Assessment

381 Cabinet is asked to note the risks to be managed in 2025/26 and over the MTFP(15) planning period as outlined / summarised in Appendix 1 and in detail within the report.

Proposal for changes to the Council Tax Section 13A(1)(c) Reduction Policy

382 Following a public consultation held in July 2023, cabinet made the decision on 15 November 2023 that, from 1 April 2024, changes were to be made to the Council's long term empty homes Council Tax premiums.

383 These changes included the period a property needed to be classed as empty and unfurnished before attracting a 100% Council Tax premium being reduced from two years to twelve months and for properties classed as empty and unfurnished for over 10 years, a 300% Council Tax premium applied.

384 In line with these changes and utilising feedback from the public consultation, the Council Tax Empty Property Premium Charge Section 13A (1)(c) Reduction Policy, and the reliefs available to liable parties, were reviewed and updated. The Section 13A relief is a discretionary relief.

385 Relief is currently offered for those properties in need of major renovation, properties which are currently up for sale/let, owners who are experiencing legal or technical difficulties in relation to the property and properties being deliberately kept empty because of interventions to support regeneration of an area. The benchmarking undertaken, confirmed the discretionary reliefs the Council offer, are above what is offered by other regional Local Authorities.

386 As of the 31 October 2024, there were 558 awards for Section 13A relief, totalling £1,178,390.

387 From 1 April 2025 a further Council Tax premium charge will be introduced for those properties which are classed as second homes. In line with this change, the Council Tax Empty Property Premium Charge Section 13A (1)(c) Reduction Policy has been reviewed and updated.

388 On 1 November 2024 the Government announced several regulation exceptions from both empty and second homes Council Tax premium charges relating to properties which fall into a series of categories.

389 A second phase of review activity has identified a preferred way forward which reflects the new Government exceptions, local discretionary reductions and achieving a balance between the aims of the legislation, the council's financial challenges and ongoing support of residents.

390 It is proposed to align the second homes approach with the current empty homes approach from 1 April 2025, with no time limit on the period an exception may be applied for. This relief is open ended with no cap on the amount of time the discretionary relief may be applied. This approach will continue to provide discretionary support for residents with additional time to bring properties back into use while introducing the Government exemptions for the first 12 months of a premium charge, where eligible. An annual review of this policy will continue going forward.

391 The updated policy is set out in Appendix 15.

Recommendation – Proposal for changes to the Council Tax Section 13A (1) (c) Reduction Policy

392 Cabinet is asked to approve the updated Council Tax Empty Property Premium Charge Section 13A(1)(c) Reduction Policy attached at Appendix 15, effective from 1 April 2025, noting the alignment of the second homes approach to the current empty homes approach.

Reform of Local Government Funding

393 Alongside the funding announcements in the provisional Local Government Finance Settlement on 18 December 2024, the Government also launched consultation on longer term funding reforms for local government.

394 The consultation focusses on the objectives and principles for the planned review, with an aim of establishing some degree of consensus around the approach to the review, which will direct the next steps the Government will take.

395 The overall approach is familiar, the government plans to base reforms on published principles which were set out in the former government's 2018 consultation:

(i) simplicity,

(ii) transparency,

(iii) contemporary – (renamed dynamism),

(iv) sustainability,

(v) robustness and

(vi) stability.

(vii) The government proposes to add an additional principle - ‘accountability’.

396 These reforms will be driven by an evidence-based policy approach, using the best available statistical techniques and the latest data, to arrive at a simpler, more transparent outcome.

397 The consultation lacks detail in terms of financial allocations to local government (and indeed the weightings applied to different categories of local authority expenditure), which makes it challenging to properly assess the potential financial impact of any proposed changes to the sector as a whole, and on individual authorities or groups of authorities at this stage. This has made it quite difficult to respond fully to the consultation.

398 The proposals are set in a broader context of a planned shift of power away from the centre towards people and communities, including through the English Devolution White Paper, and efforts to set out and measure progress on key services and outcomes and to secure the highest standards in local government.

399 There are further references to simplifying and consolidating the funding landscape, more emphasis on local authorities adopting prevention-based approaches to the delivery of services, through place-based plans; identifying excessively burdensome activities and streamlining and rationalising reporting and evaluation requirements; and increasing flexibilities for fees and charges.

400 The consultation focusses on remedying the existing finance system (‘fixing the foundations’). It does not consider broader or more radical ideas on how to transform the system to better support economic growth and service delivery. It does not seem to consider:

(i) fiscal devolution, such as devolving existing national taxes or assigning revenues, new revenue raising powers, freedoms and constraints on spending, or the role of financial incentives for local authorities.

(ii) developing existing and new infrastructure financing mechanisms, such as tax increment financing (a public financing method that is used as a subsidy for redevelopment, infrastructure, and other community-improvement projects), or

(iii) reforming existing local taxes and policies, such as council tax or business rates retention.

401 The case for funding reform is based on the argument by many that the allocation formulae are now more than ten years out of date and no longer reflects relative need or the relative funding disparities across the sector due to the significant differences in council tax raising capacity.

402 The reforms will be implemented through a multi-year settlement, beginning in 2026/27.

403 A technical consultation on the planned reset of accumulated business rates retention growth is also planned for early 2025. A consultation on detailed proposals will follow the multi-year Spending Review, which will conclude in 'late Spring', with a multi-year provisional settlement later in the year.

404 Relative funding needs of authorities arising from differences in demand, are to be assessed through statistical formulas. A bespoke funding formula is proposed only for the largest and most significant service areas, with specific cost drivers. The consultation therefore proposes to simplify the existing approach with new bespoke formulas for adult social care; children, young people and family services; fire and rescue; and potentially highways maintenance. This small list of areas (but which represents a large share of the Council's expenditure) raises the question of whether other services areas will also be assessed, including free or concessionary transport for the elderly, disabled or children; and the provision of temporary accommodation. It suggests there may not be a case for a flood defence and coastal protection formula. The remaining, very large number of smaller services would be covered by upper and lower tier 'Foundation Formulas'.

405 Each formula should incorporate the most important factors which drive demand. Little detail is provided on this at this stage. Potential cost drivers for the children's formula are outlined, with detailed consultation promised after the conclusion of the Spending Review. There is no information about the adult formula, nor any commitment on when this will be available.

406 The main cost driver underpinning the Foundation Formula will be population, which the consultation document stating that 'population of a local authority remains the most important driver of demand for the bulk of non-social care services', but with a likely added emphasis on deprivation, potentially based on Ministerial discretion.

407 This approach is also very similar to that proposed in 2018 (where a considerable amount of 'needs' assessment was undertaken), with the exception of Public Health Grant, which is omitted without any reference; however, there is little, or no detail provided on the needs formulae itself (and no accompanying proposed numbers in terms of quantum of spend, drivers of demand nor unit costs). This will be provided later (after the 2025 Spending Review) and will need to show whether a separate formula

is needed (or not) and to demonstrate that funding through a general population-based formula would not materially disadvantage some individual authorities or authority types.

408 Transitional arrangements are proposed to take account of the impact of the reforms, including the business rates growth reset. One proposed approach to transitional arrangements is a phased or 'blended' model, over a three-year period of transition. Future years' settlement allocations would be determined by a proportion based on the existing approach to allocations and a proportion based on the reformed approach. An option for constructing the baseline for transition would be to use the measure of Core Spending Power plus reset business rates.

409 The 2018 consultation paper raised the potential for the speed of change to depend on the current disparity between a local authority's existing funding level and the distance to their target allocations under reform. The proposal set out in this consultation is a more forceful model, in which gains will flow more quickly to relative 'winners', while relative 'losers' will have to adjust within a fixed timescale, irrespective of the distance from their target (reform) allocations.

410 The four main areas of the consultation are as follows:

(i) **Business Rates reset:** There will be a long-overdue reset of accumulated business rates retention growth in 2026/27.

On introduction of the business rates retention system in 2013/14, a commitment was made to carry out the first periodic reset in 2019, so this review is now 7-8 years overdue. These freed-up financial resources generated from national business rates growth, will be reallocated from authorities who have retained them locally for many years, to authorities using the new needs formulae. Thereafter, there will be periodic resets and views are invited on their frequency.

The consultation is more explicit than the previous policy statement in that there will be a 'full reset' in 2026/27 (100% reset). However, designated areas (such as Freeports, Enterprise Zones and Investment Zones) will be exempt – where Government have permitted local arrangements for local retention of 100% of growth (rather than a 50% share being retained by Government, or the growth been retained for an extended period across multiple decades). There is a suggestion for a new model of business rates retention to support economic growth in proposed 'Strategic Authorities' (Combined Authorities, County Combined Authorities and the Greater London Assembly). A technical consultation on all this is promised in early 2025.

(ii) **Resources (Council Tax) equalisation:** Resources equalisation is the way in which allocations are adjusted to take account of the different levels of resources potentially available locally to fund services. This is a major factor in the review's outcome: those local authorities with better ability to raise resources locally will receive a larger reduction to their allocations, while those with less ability receive a smaller reduction. Once again, this is well precedented in previous settlement funding reviews.

The 2018 consultation raised the question of considering the level of sales, fees and charges in each area, and concluded that this was probably not a good idea. The current consultation agrees with this thinking and therefore proposes that resources equalisation is based only on a measure of the ability to raise council tax in each authority.

The consultation paper gives a strong steer that equalisation will be based on "notional" rather than actual council tax levels. Notional equalisation has been used in previous funding review and was proposed in the 2018 consultation. The paper proposes using an authority's share of the national taxbase and an assumed level of council tax.

This is calculated by multiplying the tax base (which depends on the number and value of domestic properties) by a uniform (national) assumed level of council tax and not the actual council tax level charged in each area.

The consultation invites views on the degree of equalisation (the percentage equalisation or assumed council tax level). The consultation also invites views on assumptions to be made in the calculation. The 2018 consultation contained much more detail on this principle, and therefore limited proposed options or analysis of the impact of these options is provided. The Government have indicated that Council tax referendum principles are to be maintained in the future.

(iii) **New Homes Bonus:** The government is committed to ending NHB in 2026/27. The consultation notes that allocations intended to incentivise or reward local authorities (such as New Homes Bonus) are at tension with the objective to recognise relative needs. In recent settlements, minimum funding guarantees have blunted the New Home Bonus incentive effect altogether. Options include allocating all resources according to need; or introducing a housebuilding incentive outside the settlement.

Further consultation on detailed proposals for reforming the New Homes Bonus is promised in the first half of 2025. In the meantime, 2025-26 will be the final year of New Homes Bonus allocations in their current form and this consultation invites views on how to enable and encourage housebuilding through the settlement.

(iv) **Sales, Fees and Charges:** Separate from the system changes described above, the government proposes to explore proposals to devolve responsibility for setting levels for some statutory fees and charges to local government. This will have an impact in circumstances where central government has not acted to update statutory fees to cover the cost of providing services. Changes would allow more discretion to localise and tailor sales, fees and charges, to specific local circumstances, while protecting vulnerable individuals or those on lower incomes.

(v) Finally, the consultation invites comments on how to keep formulae up to date, by incorporating new data or even forward projections for future years. This highlights a conflict with stable, multi-year allocations and highlights a potential separate challenge, which is not raised, with multi-year allocations being linked to the forward horizon of the Spending Review process. At present, there is a clear Treasury constraint that allocations cannot be made beyond the final year of Spending Review allocations, which means that 3-year horizon can be reduced.

Recommendation – Fair Funding Reform

411 Cabinet is asked to note the updates provided on the Government's consultation for reform of Local Government which closes on 12 February 2025.

Conclusion

412 This report provides a detailed overview of the final 2025/26 budget and MTFP(15) financial forecasts, with the underpinning assumptions reflecting a detailed analysis of the announcements made in the Chancellor of the Exchequer's Autumn Budget Statement on 30 October 2024, and the publication of the provisional local government finance settlement on 18 December 2025.

413 The updated financial planning assumptions are set out in detail in this report and are summarised in the updated MTFP(15) financial model at Appendix 2, with a detailed explanation of these figures included in the body of the report.

414 The financial forecasts factor in the Governments expectations with regards to Council Tax increases next year and the increases allowed beyond that. The report sets out a recommendation to raise council tax by a total of 4.99% next year – consisting of a 2.99% core council tax increase and a 2.00% adult social care precept.

415 Though welcome, the additional funding being provided by Government next year, and the additional revenues that will be generated from the council tax increases, is more than offset by a range of significant unavoidable cost pressures in social care, employer costs (pay awards and Employer National Insurance Contribution increase), capital financing costs to meet existing and new capital commitments, the funding of a transformation change programme and other key service budget pressures which require additional budget growth to ensure the Council can set a balanced budget and continue to deliver its services effectively next year.

416 There remains a budget deficit of £3.191 million next year to balance the budget and a forecast budget deficit / additional savings requirement across the MTFP(15) planning period of £45.536 million.

417 Without the delivery of the £18.036 million of savings that are currently factored into the 2025/26 budget planning (inclusive of the previously agreed savings in MTFP(14)) the Council would be £21.227 million short of balancing its budget next year. This is because the cost pressures that need to be accommodated next year exceed the grant funding the council will receive and the additional revenues that can be generated from the proposed (and expected) council tax increase next year.

418 There remains a significant concern over the budget deficit in 2026/27 of £23.040 million in 2026/27. Achieving savings of that magnitude will require the implementation of a series of transformational reviews and will inevitably require some fundamental changes to the services the council provides.

419 The report outlines the results of the consultation on proposed savings for MTFP(15) and has provided a detailed equality impact assessment of these proposals. Amendments to the proposals set out in the 4 December 2024 report outlined in this report.

420 The report provides updated versions of the Capital and Treasury Strategy for Council approval on 19 December 2025. An updated Pay Policy Statement is also appended and will require Council approval as part of the budget and MTFP(15) report).

421 The report sets out a range of proposed amendments to the MTFP(15) and 2024/25 Capital Programme and sets out proposals for additional capital schemes to be added into the MTFP(15) capital programme, which are essential or meet key corporate objectives of the Council.

422 The report identifies that Council's capital programme is stretched and subject to overspending in some areas, and further ongoing reviews of individual schemes and the capital programme will need to be undertaken. The risk is compounded by recently increasing rates of interest on borrowing, which makes the current capital programme increasingly more expensive in terms of the capital financing costs (the costs of servicing the debt) of borrowing to fund the programme.

423 Despite these challenges, Cabinet remains committed to providing new build leisure facilities in Chester-le-Street and Seaham when the financial capacity exists to fund these investments. So far, a total of £62.820 million has been invested in leisure transformation across the county, however, investment in another two new leisure centres is now estimated to cost circa £70 million in total and would incur additional borrowing costs of £4 million per annum, which, in the current climate, is not affordable. Committing to undertaking additional capital investment at this scale would not be financially prudent for the reasons that have been set out earlier and would invariably result in additional cuts to front line services should the financial forecasts set out in this report come to fruition.

424 In terms of future funding opportunities for investment in new council leisure centres, and in the absence of any national or regional funding that may become available, the council could consider utilising any income generated from the Milburngate development to finance capital expenditure. Whilst at this stage it is not possible to define the revenue or capital sums that could be available, as this will be dependent on future decisions made in relation to how the development is managed and any capital receipt opportunities that may be available, the Cabinet will consider how any available surplus funding from the council purchasing (through self-financed borrowing) and owning the Milburngate Development can be used to fund capital expenditure priorities in future capital programmes, including new leisure centre provision.

425 The report includes a detailed risk assessment, setting out the key factors that have influenced and can influence the councils underlying financial position next year and beyond and what mitigation exists in this regard. The council will need to keep these risks and its financial forecasts under constant review.

426 The Government have launched consultation on funding reforms for 2026/27 and the Council will set out its views on the Government's approach to changing the way local government funding is distributed as part of its consultation response. Limited information on the impact of these changes is available at this time.

Other useful documents

- Medium Term Financial Plan (14), 2024/25 to 2027/28 – Report to Council 28 February 2024
- Medium Term Financial Plan (15), 2025/26 to 2028/29 – Report to Cabinet 18 September 2024
- Council Tax Base 2025/26 and Forecast Surplus / Deficit on the Council Tax Collection Fund – Report to Cabinet 13 November 2024
- Medium Term Financial Plan (15), 2025/26 to 2028/29 – Report to Cabinet 4 December 2024

- Medium Term Financial Plan (15), 2025/26 to 2028/29 – Report to Cabinet 15 January 2025

Author(s)

Rob Davisworth Tel: 03000 261946

Appendix 1: Implications

Legal Implications

The council has a statutory responsibility to set a balanced budget for 2025/26. It also has a fiduciary duty not to waste public resources and recklessly run down reserves to an unacceptably low level.

All members have a fiduciary responsibility for managing public finances and for facilitating the setting of a balanced budget. These responsibilities are set out at Appendix 3.

Section 47 of the Local Government Finance Act 1988 and subsequent amending legislation provides the provisions and criteria for awarding discretionary rate relief. The Localism Act 2011 amended Section 47 Clause 69 of the Local Government Finance Act 1988 to allow local authorities to reduce the business rates of any local ratepayer (not just those who can currently be granted discretionary relief), via a local discount scheme.

Finance

The report sets out the revenue budget position for 2025/26 and MTFP(15) financial planning assumptions, which reflects announcements made in the Chancellor of the Exchequer's Autumn Budget Statement, which was presented to the House of Commons on 30 October 2024 and following publication of the Provisional Local Government Finance Settlement on 18 December 2024.

The report sets out an intention to seek Council approval to raise council tax by a total of 4.99% in 2025/26 – a combination of a 2.99% increase in the core council tax and a 2.00% adult social care precept, and to deliver of MTFP(15) savings of £18.036 million next year and £23.404 million over the four-year MTFP(15) planning period. The budget proposals for 2025/26 and the savings that have been identified to support MTFP(15) have been subject to two phases of budget consultation during the period between 20 September and 1 November 2024, and 6 December 2024 to 17 January 2025.

The Local Government Finance Settlement provided clarification of additional grant funding and council tax raising capacity in 2025/26. However, the Council has identified several additional and emerging cost pressures and there remains a budget deficit in 2025/26 of £3.191 million, with a four-year budget deficit of £45.536 million.

The additional funding being made available next year does not match the significantly higher increases in cost pressures due to demand pressures in children's social care, school transport, payroll costs and adult social care costs (due to rising national living wage and employer national insurance costs).

Without the delivery of the £18.036 million of savings that are currently factored into the 2025/26 budget planning (inclusive of the previously agreed savings in MTFP(14)) the Council would be £21.227 million short of balancing its budget next year. This is because the cost pressures that need to be accommodated next year exceed the grant funding we will receive and the additional revenues that can be generated from a 4.99% council tax increase.

The Council is therefore likely to be required to utilise reserves to balance its budget next year.

The MTFP Support Reserve balance on 31 March 2024 was £36.299 million, however, £3.720 million was utilised to balance the 2024/25 revenue budget, leaving an unallocated balance of £32.579 million available to support MTFP(15).

The four-year financial gap of £45.536 million is far more than the remaining MTFP Support Reserve Balance. Therefore, additional savings measures and council tax rises (potentially above the assumed annual increases of 2.99% already factored into planning assumptions for 2026/27 onwards) must be considered.

The outcome of any fair funding review may improve this position, but the indicative timescales for this review are challenging and the outcome may be heavily dampened in terms of their redistributive impact across English local authorities and spread out over a number of years.

The use of reserves to excessive levels to balance budgets is not a sustainable long term budget strategy. There remains a significant risk that the Council may be forced to use its significantly depleted reserves to fund the writing off any large cumulative High Needs Deficit as of 31 March 2027 (no clarity was provided regarding these arrangements in the Provisional Local Government Funding Settlement).

Consultation

A second round of consultation with AAP's and partners in relation to the new savings proposals included in the 4 December Cabinet report has now been completed, and this report outlines the detailed responses received to this consultation.

The Corporate Overview and Scrutiny Management Board provided scrutiny of the MTFP(15) and budget setting process and considered the contents of the report outlining details of the draft provisional local government finance settlement on 21 January 2025. COSMB will meet again on 13 February 2025, to consider this report, and their deliberations will be represented by their Chair in Full Council on 19 February 2025.

Equality and Diversity / Public Sector Equality Duty

Under section 149 of the Equality Act 2010 all public authorities must, in the exercise of their functions, “have due regard to the need to” eliminate conduct that is prohibited by the Act. Such conduct includes discrimination, harassment and victimisation related to protected characteristics but also requires public authorities to have due regard to the need to advance equality of opportunity and foster good relations between persons who share a “relevant protected characteristic” and persons who do not. This means consideration of equality analysis and impacts is an essential element that Members must consider when considering these savings proposals.

Climate Change and Biodiversity

The council budget will be developed to provide resource to enable the council to meet the requirements set out in the council’s Climate Change Emergency Response Plan. Additional revenue budgetary growth of £0.109 million has been added into the 2025/26 revenue budget to augment staffing arrangements in Parks and Countryside Services. The Council has reduced a savings proposal in Parks and Countryside Services following consideration of Phase 2 Consultation Feedback around the importance of this service area.

Human Rights

Any human rights issues will be considered for all proposals agreed as part of MTFP(15).

Crime and Disorder

None

Staffing

The new savings proposals included in the 4 December 2024 Cabinet report would result in the deletion of around 213 full time equivalent posts, of which around one third to half of these posts are expected to be vacancies.

The previously agreed savings proposals that impact across the MTFP(15) planning period included 101 full time equivalent post reductions also.

Re-deployment of staff, deletion of vacant posts and Early Retirement and Voluntary Redundancy will be utilised where possible to minimise the potential for compulsory redundancy. HR processes will be followed to ensure fair treatment of staff.

Land and Property

Additional Budgetary growth of £400,000 has been included in MTFP(15) to cover additional revenue repair and maintenance costs associated with the Council’s land and property and the updated budget planning assumptions factor in a further £330,000 of budget growth for depot repairs and running costs. More substantial allocations of capital funding will be required to augment existing capitalised maintenance and structural infrastructure investment budgets.

Risk

Prudent financial planning assumptions have continued to be made in terms of forecasting the base budget pressures the council will face over the coming years. The underpinning rationale is explained in detail in the report and a range of key risks and issues is set out in the body of the report.

Procurement

None

MTFP(15) 2025/26 - 2028/29 - Latest MTFP Model - APPENDIX 2

	2025/26	2026/27	2027/28	2028/29
	£'000	£'000	£'000	£'000
Government Funding				
Revenue Support Grant Indexation (1.7%,2.6%,2.3%,2.1%)	-586	-995	-903	-843
Revenue Support Grant - Rolled in Specific Grants	-2,506	0	0	0
Extended Rights to Home to School Transport grant rolled into RSG	2,450	0	0	0
Electoral Integrity Programme Rolled into RSG	40	0	0	0
Tenant Satisfaction Measures New Burdens - rolled into RSG	3	0	0	0
Transparency code - Rolled into RSG	13	0	0	0
Additional Domestic Abuse Safe Accommodation Grant	-300	0	0	0
LG Finance Settlement 2024 - Social Care Grant	-11,979	0	0	0
Extended Producer Responsibilities Funding	-9,800	0	0	0
National Insurance Funding - DCC Payroll	-4,744	0	0	0
Recovery Grant	-13,851	0	0	0
Children's Social Care Prevention Grant	-2,763	0	0	0
Market Sustainability and Improvement Grant	0	0	0	0
BCF Inflation	-1,000	0	0	0
Local Authority Better Care Grant	-7,212	0	0	0
Adult Social Care Discharge Grant	7,212	0	0	0
New Homes Bonus grant increase	-1,495	0	0	0
Services Grant reduction	889	0	0	0
Homelessness Grant	-1,149	0	0	0
Housing Benefit Administration Grant reduction	100	100	100	100
B Rates/S31 - S31 Adj & CPI increase (1.7%/2.6%/2.3%/2.1%)	-1,315	-2,011	-1,779	-1,624
Top Up - CPI increase (1.7%/2.6%/2.3%/2.1%)	-832	-1,272	-1,125	-1,027
Other Funding Sources				
Council Tax Increase (2.99%/2.99%/2.99%/2.99%)	-8,600	-8,800	-9,100	-9,450
Council Tax Increase - Adult Social Care Precept (2.00%)	-5,800	0	0	0
Council Tax Base increase	-3,300	-1,500	-1,500	-1,500
Council Tax Premiums -Second Homes	-650	0	0	0
Business Rate Tax Base increase	-1,148	-750	-500	-500
Estimated Variance in Resource Base	**-68,323**	**-15,228**	**-14,807**	**-14,844**
All Services - Pay Inflation (3.00%/2.5%/2%/2%)	8,850	7,458	6,047	6,147
All Services - Price Inflation (1.7%/2.6%/2.3%/2.1%)	2,437	3,857	3,527	3,360
Employers National Insurance - DCC Payroll Costs	8,240	0	0	0
Base Budget Pressures				
AHS - Social Care Fees (incl NLW, CPI & Employers NI)	16,876	8,567	8,546	8,279
AHS - Demographic Pressures	1,000	1,000	1,000	1,000
AHS - Domestic Abuse	300			
CEO - Coroners Support (G1)	30	0	0	0
CYPS - Children Looked After Placement Costs, Fostering Allowances	16,610	5,798	2,629	1,701
CYPS - Children Sufficiency Strategy / Prevention Initiatives	2,763	0	0	0
CYPS - Early Help, Inclusion and Vulnerable Children SEND (G2)	1,127	0	0	0
CYPS - Home to School Transport	2,966	1,555	1,636	2,034
CYPS - Secure Aycliffe Operating Budget	-250	0		0
CYPS / REG - National Living Wage Other Service Areas	400	200	200	200
NCC - Community Protection Workforce Development	-200	-410	-200	0
NCC - Deport NNDR Costs (G8)	102	0	0	0
NCC - Gully Cleansing (G9)	250	0	0	0
NCC - Parks & countryside staffing (G7)	109	0	0	0
NCC - Tees Valley SPV Set Up Costs	30	0	0	0
NCC - Tree Maintenance and Woodland Management (G6)	156	0	0	0
NCC - Vehicle Fleet - Transfer to electric vehicles	102	358	988	211
NCC - Waste Collection & Recycling - Simpler Recycling	0	1,600	0	0
NCC - Waste Collection & Recycling - Persistent Organic Pollutants	250	0	0	0
NCC - Waste Management / Extended Producer Related Expenditure	9,050	0	0	0
NCC - Waste Disposal	500	0	0	3,000
NCC - Woodland Protection /Nature Reserves /Public Rights of Way	-145	0	0	0
NCC - Fuel Costs	300			
NCC - Depot Repair Costs	330			
REG - Building Repairs and Maintenance (G10)	400	0	0	0

MTFP(15) 2025/26 - 2028/29 - Latest MTFP Model - APPENDIX 2

	2025/26	2026/27	2027/28	2028/29
	£'000	£'000	£'000	£'000
REG - DLI & Arts Gallery	300	0	0	0
REG - Park and Ride Extension	-257	0	0	0
REG - Park and Ride Income	-60	-60	-60	-60
REG - Temporary Accommodation	-150	0	0	0
REG - Clayport Library / LT Programme (MTFP14)	200	-200		
REG - Leisure Centre Income / Operating Costs Adjustment	450			
REG - New Homelessness funding ring-fenced spend	749		0	0
REG - Aykley Heads - Joint Venture	150			
RES - Centralised Training Budget - H&S for REG/NCC (G3)	100	0	0	0
RES - Civica System Licensing / Cloud Solution (G4)	86	0	110	0
RES - Resourcelink Licensing / Cloud Solution (G5)	0	328	0	0
Corporate - Housing Benefit Subsidy Loss and x1 Year Extention for Supported Housing Improvement Programme	680	-280	0	0
Corporate - Energy Budget Savings	-2,000	0	0	0
Corporate - Additional Water Rates	110	0	0	0
Corporate - Pension Fund Revaluation	0	1,000	0	0
Corporate / All Services - School SLA's - Loss of Income	300	300	300	300
Corporate - Unfunded Superannuation	0	-100	-100	-100
Corporate - Transformation Programme	3,000	0	0	-3,000
Corporate - Investment Income	5,000	2,100	500	0
Corporate - Capital Financing Costs - MTFP 14	5,500	6,514	0	0
Corporate - Phoenix Loans - refinancing	-410	-27	-25	-22
Corporate - Capital Financing Costs - MTFP 15	0	0	1,686	0
Corporate - Capital Financing Costs - MTFP 16	0	0	0	2,000
Corporate - MRP Policy Change - Assets Under Construction	-500	-400	1,600	0
TOTAL PRESSURES	**85,830**	**39,158**	**28,384**	**25,050**
Use of One Off funds				
Adjustment for use of MTFP Support Reserve in previous year	3,720	0	0	0
Use of MTFP Support Reserve in year	0	0	0	0
Savings				
MTFP(14) Savings	-3,389	-3,184	-754	0
MTFP(15) New Savings Proposals	-14,647	-897	-534	1
Budget Deficit / Savings Requirement	**3,191**	**19,849**	**12,289**	**10,207**
Total Budget Deficit / Additional Savings Requirement				**45,536**

Appendix 3 – Legal Responsibilities – Budget Setting : Monitoring Officer Advice Note

1 Summary

1.1 Under section 31A of the Local Government Finance Act 1992, the Council has a duty to set a budget before 11 March. In setting the budget, Members jointly and severally (collectively and individually) have a fiduciary duty to Council taxpayers. This means that they have a duty to facilitate, rather than obstruct, the setting of a lawful budget.

1.2 Failure to set a lawful budget in time can lead to a loss of revenue, significant additional administrative costs and reputational damage. It may leave the Council at risk of a legal challenge from council taxpayers and/or intervention from the Secretary of State under section 15 of the Local Government Act 1999.

1.3 Failure to set a lawful budget in time may also lead to personal liability for individual Members for misfeasance in public office, negligence, or breach of statutory duty.

1.4 This advice note sets out the position in more detail and is intended to assist Members in considering their approach to the Council meeting on 19 February 2025.

2 The Local Government Finance Act 1992 – Duty to set a budget

2.1 Section 30(6) of the Local Government Finance Act 1992 provides that the Council has to set its budget before 11 March in the financial year precenting the one in respect of which the budget is set. This means that the Council has a duty to set the 2025/26 budget before 11 March 2025.

2.2 If the budget is set after that date, the Act says the failure to set a budget within the deadline does not, in itself, invalidate the budget. However, such a delay is likely to have significant financial, administrative and legal implications, including potential liability of any Member who contributed to the failure to set a budget.

2.3 Section 66 of the Local Government Finance Act 1992 provides that failure to set a Council tax (or delay in setting a Council tax) shall not be challenged except by an application for judicial review. The Secretary of

State and any other person with an interest or “standing” (e.g. a council tax payer within County Durham) may apply for judicial review.

3 Financial Implications of Delay

3.1 A delay in setting the Council Tax means a delay in collecting the tax due not only to the Council but also the other precepting authorities such as Police and Fire as well as Town and Parish Councils on whose behalf the Council acts as collection authority.

3.2 The Council has a legal duty to provide a range of statutory services (such as children’s and adults social care), which continues notwithstanding the delay in setting Council tax. It must also pay the monies due to the precepting authorities whether or not it collects any Council Tax.

3.3 A delay in setting the budget may also impact on the Council’s ability to enter into new agreements with significant financial commitments until and unless the budget is agreed. Otherwise, they would be potentially unlawful unfunded commitments.

3.4 If the Council sets the budget by 10 March but later than the planned February budget Council meeting, there is still likely to be disruption to the administrative arrangements for Council tax (printing, posting, delivery of bills) which will have cost implications.

4 Duty to take the advice of the Section 151 Chief Financial Officer

4.1 Sections 25 to 28 of the Local Government Act 2003 impose duties on the Council in relation to how it sets and monitors its budget. These provisions require the Council to make prudent allowance for the risk and uncertainties in its budget and regularly monitor its finances during the year. The Council has a discretion as to how such allowances are made and the action to be taken.

4.2 Section 25 also requires the Council’s section 151 Officer to make a report to full Council when it is considering its budget and Council tax. The report must deal with the robustness of the estimates and the adequacy of the reserves allowed for in the budget proposals, so that members will have authoritative advice available to them when they make their decisions. Members must have regard to this report in making their decisions. Any decision that ignores this advice, including the implications of delay, is potentially challengeable.

5 Section 114 and Section 5 Reports

5.1 Section 114 of the Local Government Finance Act 1988 puts an obligation on the Section 151 Officer to issue a report "if it appears to him that the expenditure (including proposed expenditure) is likely to exceed the resources (including borrowing) available to the Council." A similar duty arises if he becomes aware of a course of action which, if pursued, would be unlawful and likely to cause loss or deficiency on the part of the authority.

5.2 Section 5 of the Local Government & Housing Act 1989 imposes similar obligations on the Monitoring Officer, if it appears to her that what the Council has done or is proposing to do is likely to contravene a rule of law or any code of practice made or approved by or under any enactment or maladministration. The Monitoring Officer is also under a duty to warn Members of the consequences under the Member Code of Conduct.

5.3 In the event Council failed, or looked likely to fail to set a budget before 11 March, the s.151 Officer and Monitoring Officer would be required to issue a report in accordance with the duties above.

6 Member Code of Conduct

6.1 The Localism Act 2011 imposes a duty on Members to abide by the Code of Conduct for Members. In interpreting the Code, regard must be had to the seven Principles of Public life, including the requirement that Members should make decisions in accordance with the law.

6.2 Members have an active duty to ensure that the Council sets a lawful budget. Voting against proposals repeatedly, knowing that the result means no lawful budget will be set, is incompatible with Members' obligations under the Code as failure to set a lawful budget is likely to bring the Council into disrepute.

7 Personal Liability of Members

7.1 If a Member's wilful misconduct is found to have cause loss to the council, the Member may be liable to make good such loss.

7.2 Depending on the role played by a Member and the seriousness of the loss incurred, a Member could in principle, be guilty of misfeasance in public office. The indemnity cover provided to Members by the Council does not include actions that constitute an offence or are reckless.

7.3 There is also a possibility that a Member might be liable in negligence and/or breach of statutory duty.

7.4 In order for an action against a Member to succeed, it would be necessary to prove that their actions were deliberate or reckless and involved persistent failure to facilitate the setting of a lawful budget. The longer the budget is delayed and the more repeatedly the Member(s) “blocks” the setting of a lawful budget, the more likely it is that personal liability will arise.

8 Intervention by the Secretary of State

8.1 The Local Government Act 1999 imposes a duty on the council “…to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness”.

8.2 Section 15 of the Local Government Act 1999 gives the Secretary of State the power to intervene and take a range of measures. The powers of the Secretary of State are extensive and include:

a) directing the council to take any action which he/she considers necessary or expedient to secure its compliance with the requirements of this Part (setting a budget by a specified date).

b) the Secretary of State/or a person nominated by them, exercising the Council’s functions (such as setting the Council Tax) for a specific period or such time as the Secretary of State considers appropriate.

c) requiring the Council to comply with any instructions of the Secretary of State or their nominee in relation to the exercise of that function and to provide such assistance as the Secretary of State or their nominee may require for the purpose of exercising the function.

8.3 If the Secretary of State were to intervene on the issue of setting Council Tax, he/she need not set the full budget and could, for example, direct the Council to set a budget at a specified Council tax level by a set date, leaving the Council to work out the detailed savings for each service.

8.4 Intervention by the Secretary of State is a measure of last resort and is usually preceded by a report from external auditors, an inspector appointed by the Secretary of State or a regulatory body. However, the

Secretary of State can intervene directly in cases of urgency. It is unlikely that the Secretary of State would intervene and set a budget for the Council immediately after 11 March deadline. Given the complexities involved and the calculations and assumptions required in setting a budget, it is more likely that the Secretary of State would give directions to the Council to set its budget by a particular date and take particular steps rather than set it themselves.

9 Reputational Damage

9.1 Failure to set a budget, even in the absence of legal challenge and/or formal/informal intervention by the Secretary of State will have a significant impact on the Council's reputation locally and nationally. It will have an impact in terms of investor confidence, people's preparedness to work with the Council and on Council Tax collection rates as residents may see the council as residents may see the Council as wasteful, procrastinating and/or inefficient. Reputation and credibility is hard to earn, but once lost, difficult to regain.

10 Failure to set a budget at the February Council meeting

10.1 If Council fails to agree the budget proposed by the Cabinet at its meeting on 19 February 2025, the Council's Constitution requires the Cabinet to meet and consider the reasons why the budget was rejected. At that meeting, it would need to decide whether to re-submit the budget unamended or to make changes. Council would then need to meet again to consider the Cabinet's proposals.

10.2 The Council must set the budget at this second meeting. There is no provision for further objections being referred to the Cabinet to consider. If it looked as if the Council were unlikely to agree the budget at this meeting, it is likely that the section 151 Officer and Monitoring Officer would suggest adjourning the meeting to allow Groups to negotiate a way to agreement. If after an adjournment, agreement still looks unlikely (as a measure of last resort) those Members unable to vote in favour of the budget may be advised to abstain.

11 Section 106 of the Local Government Finance Act 1992

11.1 Under section 106 of the Local Government Finance Act 1992, a member who has not paid an amount due in respect of their Council tax for at least two months after it became payable is unable to vote on any matters affecting the level of Council Tax or arrangements for administering the Council Tax (they are entitled to speak).

11.2 Any members unable to vote by virtue of section 106, must make a declaration to that effect at the start of the meeting. Failure to make such a declaration and/or voting when the provisions are engaged may constitute a criminal offence (maximum fine £1000).

Helen Bradley

Director of Legal & Democratic Services, Monitoring Officer

31 January 2025

APPENDIX 4

Medium Term Financial Planning 14 SAVINGS

Adult and Health Services

Savings Proposal	Description	2025/26	2026/27	2027/28	2028/29	TOTAL
		£	£	£	£	£
Commissioned Services - Efficiencies	Review of contractual arrangements across Adult and Health Services	0	0	0	0	**0**
Market Shaping - Reablement & Direct Payments	Maximising use of reablement and direct payments to promote independence for service users	250,000	300,000	0	0	**550,000**
High Cost Learning Disability Care Packages	Review of specialist/high cost care provision across learning disability services	210,484	0	0	0	**210,484**
Review of Non-Assessed Community Based Services	Review of non-assessed community-based commissioned services	93,000	0	0	0	**93,000**
Total - Adult and Health Services		**553,484**	**300,000**	**0**	**0**	**853,484**

Chief Executives

Savings Proposal	Description	2025/26	2026/27	2027/28	2028/29	TOTAL
		£	£	£	£	£
Review of Legal Services	Review and restructuring of Legal Services Team	0	127,640	0	0	**127,640**
Review of Legal and Democratic Services non employee budgets	Review / Reduction of Non Staffing Budgets	0	12,000	0	0	**12,000**
Legal and Democratic Services - Non-staffing reductions	The service has a small, combined training/conference fees & seminars budge - proposal is to reduce this	0	0	9,000	0	**9,000**
Total - Chief Executives Office		**0**	**139,640**	**9,000**	**0**	**148,640**

Children and Young People Services

Savings Proposal	Description	2025/26	2026/27	2027/28	2028/29	TOTAL
		£	£	£	£	
Review of Support Services	Delivering resource efficiencies in the provision of non frontline services through greater automation of tasks and simplifying systems.	210,000	0	0	0	**210,000**

Savings Proposal	Description	2025/26	2026/27	2027/28	2028/29	TOTAL
		£	£	£	£	£
New approach to delivering One Point activities	Planned reduction in physical activities held in centres with increased use of technology and virtual services for Families, which support the new work on development of Family Hubs	50,000	0	0	0	**50,000**
Early Help, Inclusion and Vulnerable Children Services review	Achieving efficiencies within Early Help services through turnover of staff, reviewing deployment of staffing resources and use of non council funding to support activity	84,000	84,000	0	0	**168,000**
Restructure of Adult Learning Service	Changes to the Councils Adult Learning Service to align to the future direction of Education, Employment and Training opportunities for disadvantaged Young People	70,000	0	0	0	**70,000**
Reduction in Historic Further Education Liabilities	Planned reduction in Service Pension liabilities	221,000	200,000	100,000	0	**521,000**
Review of Music Service	Review of current model of delivery, including overheads, pricing policy and accommodation.	40,000	0	0	0	**40,000**
Review of council nursery provision	Review of provision of early years and council run nursery services	0	0	150,000	0	**150,000**
Total - Children & Young People Services		**675,000**	**284,000**	**250,000**	**0**	**1,209,000**

Neighbourhood and Climate Change

Savings Proposal	Description	2025/26	2026/27	2027/28	2028/29	TOTAL
		£	£	£	£	£
Review of Community Protection Structure & Income Generation	A restructure of the service will deliver efficiency savings along with some income generation opportunities	195,000	50,000	0	0	**245,000**
Increase in Fees and Charges within Environmental Services	Increases would relate to Refuse & Recycling, Fixed Penalty Notices, and Durham Crematoria surplus	100,000	90,000	0	0	**190,000**
Review of Neighbourhood Protection	Identification of efficiencies within Neighbourhood Protection	0	180,000	180,000	0	**360,000**
Review of Allotments	Review of maintenance and fees for council retained allotment sites	11,750	11,750	11,750	0	**35,250**
Review of Pest Control Charging	Review of the existing pricing for domestic and commercial treatments, including retention of support for households on council tax relief scheme.	10,000	10,000	10,000	0	**30,000**

Savings Proposal	Description	2025/26	2026/27	2027/28	2028/29	TOTAL
		£	£	£	£	£
Moving vehicle/Bus Lane enforcement income.	Introduction of camera enforcement intended to address moving traffic offences, and to increase compliance at existing Framwellgate Moor bus lane restrictions	0	30,000	0	0	**30,000**
Clean and Green	Review of Clean and Green Service provision including move to perennial bedding, income generation and efficiencies in street cleansing.	50,000	169,374	160,000	0	**379,374**
TOTAL - Neighbourhoods and Climate Change		**366,750**	**541,124**	**361,750**	**0**	**1,269,624**

Regeneration, Economy and Growth

Savings Proposal	Description	2025/26	2026/27	2027/28	2028/29	TOTAL
		£	£	£	£	£
Increase surplus rental income on commercial properties	Additional rental income generated from commercial properties managed by Business Durham	48,438	0	0	0	**48,438**
Review of Local Networks	Review of the Local Network model, taking into account the ongoing Boundary Commission review of the County Council's Elected Member boundaries	250,000	250,000	0	0	**500,000**
TOTAL - Regeneration, Economy and Growth		**298,438**	**250,000**	**0**	**0**	**548,438**

Resources

Savings Proposal	Description	2025/26	2026/27	2027/28	2028/29	TOTAL
		£	£	£	£	£
Review of Human Resources and Employee Services and Training budgets	Review and restructure of the Human Resources and Employee Services Team and Efficiencies in Training budgets through digitisation of learning	0	86,940	0	0	**86,940**
Review of Business Support (administration)	Review and restructuring of the Business Support service	0	517,000	0	0	**517,000**
Review of Internal Audit and Insurance	Review and restructure of Internal Audit and Risk, including a review of services to external clients to generate additional income	0	43,000	0	0	**43,000**
Review of Digital Services	Review and restructure of Digital Services Team	164,011	0	0	0	**164,011**

Savings Proposal	Description	2025/26	2026/27	2027/28	2028/29	TOTAL
		£	£	£	£	£
Review of Digital Services non employee budgets	Review / Reduction of Non Staffing Budgets	65,000	0	0	0	**65,000**
Review of Transactional and Customer Services non employee budgets	Review / Reduction of Non Staffing Budgets (including income budgets)	0	102,120	0	0	**102,120**
Review of Customer Services	Review of Customer Access Point provision and service model in line with changing customer demands	160,000	59,000	0	0	**219,000**
Review of Transactional and Customer Services	Review and restructure of Transactional and Customer Services Team through Introduction of new systems, process review and new ways of working	48,728	0	0	0	**48,728**
Corporate Finance and Commercial Services - Review of Service Structures	A review of roles and more effective utilisation of Oracle will enable a reduction in the resource requirement.	150,000	0	0	0	**150,000**
Digital Services - Further Review of Service Structures	Review of service structures	202,000	0	0	0	**202,000**
Transactional and Customer Services - Customer Feedback Review	Customer Feedback and Investigation Process Review with savings aligned to the implementation of process and technology improvements that focus on reductions in demand and increased capacity, without limiting the ability to meet statutory guidelines.	40,985	0	0	0	**40,985**
Transactional and Customer Services - Service Review	Review of service processes and structures and implementation of a new operating model to support innovation, new ways of working, increased capacity to meet changing levels of demand and effective delivery of strategic and corporate objectives		206,193	0	0	**206,193**
Digital Services - Ceasing device delivery service, moving to collection only	Meadowfield Depot Digital Drive Through to be used by staff or collection points established at strategic sites.	25,973	0	0	0	**25,973**
Digital Services - Ceasing/pausing of corporate projects	This will include Unified Communications, digital workforce, etc.	33,988	0	0	0	**33,988**
Service Review of Catering, Cleaning & Facilities Management	Service efficiencies from catering, cleaning and facilities management through strategic service review including commercial opportunities, opening hours, levels of service etc	90,000	95,000	0	0	**185,000**
Review of Office Accommodation - New Head Quarters operating costs	Saving in running costs generated from the move from County Hall	0	275,000	0	0	**275,000**

Savings Proposal	Description	2025/26	2026/27	2027/28	2028/29	TOTAL
		£	£	£	£	£
Catering review	Review of service to ensure it is cost neutral	100,000	0	0	0	**100,000**
Human Resources - Durham Learning & Development & Management Development	Savings and efficiencies from the corporate Workforce Development budget especially as a result of digitisation.	0	0	30,000	0	**30,000**
Human Resources - Payroll and Employee Services	Review and rationalisation of staffing structures especially in the light of the utilisation of improved Information Technology developments	0	0	103,000	0	**103,000**
TOTAL - Resources		**1,080,685**	**1,384,253**	**133,000**	**0**	**2,597,938**

Corporate

Savings Proposal	Description	2025/26	2026/27	2027/28	2028/29	TOTAL
		£	£	£	£	£
Local Council Tax Reduction Grant to Town and Parishes	The grant payments to Town & Parish Council's in 2023/24 is forecast to be £1.5 million. The council is one of a few across the country and the only one in the north east that still pays a grant to Town & Parish Council's in respect of Local Council Tax Reduction tax base impacts. There are no council tax capping requirements for Town and Parish councils. Consideration to reduce the grant by 50% over a three year period.	250,000	250,000	0	0	**500,000**
Members Budgets	It is expected that the number of members will reduce from 126 to 98 from May 2025. After reviewing member allowance levels to reflect the overall increase in member numbers it is forecast that a saving will be realised from total member related budgets	165,000	35,000	0	0	**200,000**
TOTAL - Corporate		**415,000**	**285,000**	**0**	**0**	**700,000**

TOTAL COUNCIL SAVINGS Agreed in Medium Term Financial Planning (14)	**3,389,357**	**3,184,017**	**753,750**	**0**	**7,327,124**

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Medium Term Financial Planning SAVINGS (NEW) - MTFP 15

Adult and Health Services

Savings Proposal	Description	2025/26	2026/27	2027/28	2028/29	TOTAL
		£	£	£	£	£
Deprivation of Liberty Safeguards	Review of Deprivation of Liberty Safeguards arrangements	207,327	-	-	-	**207,327**
Adult Protection & Practice Improvement	Review of the Adult Protection and Practice Improvement team	229,771	-	-	-	**229,771**
Social Care Direct	Review of the Social Care Direct Team	79,059	-	-	-	**79,059**
Substance Misuse Team	Review of the Substance Misuse Team and absorb the work into other adult teams	246,961	-	-	-	**246,961**
Learning Disabilities & Mental Health Project Team	To cease the Learning Disabilities & Mental Health Project Team	222,790	-	-	-	**222,790**
Locality Team	Review of Locality Team arrangements	225,268	-	-	-	**225,268**
Review team	Review of the Review team arrangements	221,680	-	-	-	**221,680**
Sensory Support	Review of the Sensory Support Team arrangements	109,104	-	-	-	**109,104**
Pathways	Review of the Pathways team arrangements	193,792	-	-	-	**193,792**
Support and Recovery	Review of the Support and Recovery arrangements	26,359	36,902	-	-	**63,261**
Hawthorn House, Shared Lives & Extra Care	To review Hawthorn House, Shared Lives & Extra Care arrangements	70,262	-	-	-	**70,262**
Commissioning	To review the Commissioning arrangements within adults	138,512	-	-	-	**138,512**
Charging for Learning Disability Transport – Harmonisation of Arrangements	Introduction of a subsidised charge of £2.00 per journey (£4.00 return) for individuals accessing Learning Disability provision through our internal fleet service	13,500	13,500			**27,000**

Savings Proposal	Description	2025/26	2026/27	2027/28	2028/29	TOTAL
		£	£	£	£	£
Income – Recharge for North East Association of Directors of Adult Social Services Secretariat Support	To charge North East Association of Directors of Adult Social Services for support provided in Durham County Council role as host of North East Association of Directors of Adult Social Services	17,380				**17,380**
Total - Adult and Health Services		**2,001,765**	**50,402**	**-**	**-**	**2,052,167**

Chief Executives

Savings Proposal	Description	2025/26	2026/27	2027/28	2028/29	TOTAL
		£	£	£	£	£
Legal & Democratic Services - staffing savings	A restructure of the service aligned to a review and re-prioritisation of resources with staffing savings	113,384	-	-	-	**113,384**
Increased Income in relation to the Registration Service	To generate additional income aligned to the new service offer / increased capacity provided by the move to the Story and from a review of fees and charges	200,000	-	-	-	**200,000**
Corporate Affairs restructure	A restructure of the service aligned to a review and re-prioritisation of resources with staffing savings	342,662				**342,662**
Review of corporate sponsorships, advertising and subscription arrangements	To review the corporate sponsorships, advertising and subscription arrangements	57,000	20,000	-	-	**77,000**
Durham County News online only	To review the arrangements of Durham County News to online only	40,000	-	-	-	**40,000**
Total - Chief Executives		**753,046**	**20,000**	**-**	**-**	**773,046**

Children and Young People Services

Savings Proposal	Description	2025/26	2026/27	2027/28	2028/29	TOTAL
		£	£	£	£	£
Education	Review of Education Service management structure and non-staff budgets.	285,000	-	-	-	**285,000**
Early Help Including Vulnerable Children	Review of Early Help and Youth Justice services to stream line management and operational delivery	453,000	-	141,000	189,000	**783,000**
Central	Review of non-staff budgets across Children Young Peoples Service and a reduction in third party expenditure.	50,000	-	-	-	**50,000**
Total - Children & Young People Services		**788,000**	**-**	**141,000**	**189,000**	**1,118,000**

Savings Proposal	Description	2025/26	2026/27	2027/28	2028/29	TOTAL
		£	£	£	£	£

Neighbourhood and Climate Change

Savings Proposal	Description	2025/26	2026/27	2027/28	2028/29	TOTAL
		£	£	£	£	£
Grass Cutting on Central Reservations	Reduce grass cutting on the central reservations of dual carriageways.	-	50,000	-	-	**50,000**
Community Highways Workers	Review Community Highway Workers arrangements	-	-	35,840	-	**35,840**
Review of Clean & Green	Review staffing arrangements within clean and green	134,670	-	-	-	**134,670**
Verge Cutting	Reduce roadside verge cutting from 2 cuts to 1 cut per year	-	20,000	-	-	**20,000**
Review of Find & Fix	To review the arrangements around the Find and Fix team	-	300,000	-	-	**300,000**
Review of Parks & Countryside	Review staff arrangements and other budgets within Parks and Countryside	52,260	-	-	-	**52,260**
Vacancies in Clean & Green	Removal of vacant post in clean and green	47,083	-	-	-	**47,083**
Weed spraying in open spaces	Cease weed spraying to fence lines and obstacles on open space grassed areas	-	131,300	-	-	**131,300**
Northumbria in Bloom & Carpet Beds	Cessation of some carpet bedding in Durham City, and cease subscription to Northumbria in Bloom	4,000	-	-	-	**4,000**
Review of arrangements around animals killed on highway	Review the arrangements around collection and disposal of animals killed on the highway	4,600	-	-	-	**4,600**
Depot security cover	Increased standardisation of security arrangements across the depot estate	103,534	-	-	-	**103,534**
Depot contract cleaning	To review contract cleaning at depots	121,642	-	-	-	**121,642**
Review of Environment & Design	To review the staffing and grant arrangements within the Environment and Design Team	110,853	-	-	-	**110,853**
Review of Low Carbon Team	Review of staffing arrangements within the Low Carbon team	100,943	-	-	-	**100,943**
Review of Pest Control	Review of staffing arrangements within the Pest Control Team	42,867	-	-	-	**42,867**
Review of Civic Pride	Reviewing staffing arrangements within the Civic Pride Team	51,260	-	-	-	**51,260**
Allotments	Reduction in staff and material budgets associated with the reduced number of sites managed within the service	41,333	-	-	-	**41,333**
Vacant apprentice post in Strategic Waste	Remove vacant Strategic Waste apprentice post	27,883	-	-	-	**27,883**
Vacancies in Strategic Waste	Remove vacant Environment Monitoring post in Strategic Waste	34,832	-	-	-	**34,832**
General premises and supplies savings	Savings in premises and supplies costs across the whole of Neighbourhoods & Climate Change	99,132				**99,132**
Review of Community Protection Service	Review of current service provision including the rationalisation of existing posts with Community Protection Service	-	176,123	176,123	-	**352,246**
Gypsy, Roma Traveller & Community Action	Reduce contributions to other bodies	-	17,268	17,268	-	**34,536**
Civil Contingency Unit	Reduce contributions to other bodies - Civil Contingency Unit grants	5,500	-	-	-	**5,500**

Savings Proposal	Description	2025/26	2026/27	2027/28	2028/29	TOTAL
		£	£	£	£	£
Highways Permit Scheme	Realignment of the resources utilised under the Highways Permit Scheme	278,232	-	-	-	**278,232**
Staff reductions in Civil Engineering	To review the arrangements of the Civil Engineering Team	27,656	-	-	-	**27,656**
Staff reductions in Road Safety	To review the arrangements of the Road Safety Team	75,999				**75,999**
Recharge Highway Maintenance staff to Capital	To Recharge Highway Maintenance staff to Capital	226,994	-	-	-	**226,994**
Reduction in Camera Enforcement purchases	To put forward the enforcement budget as a saving that is no longer required	100,000	-	-	-	**100,000**
Parking Enforcement Contract	To review the arrangements of the Parking and Transport Team	78,637	-	-	-	**78,637**
Airport Legal Expenses	To review the budget in Transport for airport legal fees	10,000	-	-	-	**10,000**
Minor Projects	To review the budget in Transport Management which acts as a "minor project" budget	15,000	-	-	-	**15,000**
Vacancies in Stores	Removal of a vacant post in Stores team	33,043	-	-	-	**33,043**
Vacancies in Estimating	Removal of a vacant post in Estimating team	33,043	-	-	-	**33,043**
TOTAL - Neighbourhoods and Climate Change		**1,860,996**	**694,691**	**229,231**	**-**	**2,784,918**

Regeneration, Economy and Growth

Savings Proposal	Description	2025/26	2026/27	2027/28	2028/29	TOTAL
		£	£	£	£	£
Casual staff reductions in Cultural Venues	To rationalise the public opening hours in our two main theatres (Gala and Consett)	160,000	-	-	-	**160,000**
Staff reductions in Visit County Durham (Option 1)	To review the arrangements of the Visit County Durham Team	137,532	-	-	-	**137,532**
Staff reductions in Business Durham and Employability	To review the arrangements of the Business Durham and Employability Service	172,000	-	-	-	**172,000**
Reductions in Area Action Partnerships staffing and Neighbourhood Budgets	To look at the arrangements of the Area Action Partnerships Team	97,080	-	-	-	**97,080**
Promotional Events	To look at the arrangements around how we fund promotional events	39,000	-	-	-	**39,000**
Staff reductions in Care Connect	To review the arrangements of the Care Connect Team	259,741	-	-	-	**259,741**
Staff reductions in Strategy & Delivery	To review the arrangements of the Strategy and Delivery Team	72,732	-	-	-	**72,732**
Staff reductions in Building Safety and Standards	To review the arrangements of the Building Safety and Standards Team	126,858	-	-	-	**126,858**
Recharge Humanitarian Support staff costs to reserve	Contribution from Humanitarian Support reserve towards staff costs	50,000	-	-	-	**50,000**
In House Telecare Engineer Contract	To review the arrangement of the external Telecare Engineers	100,000	-	-	-	**100,000**

Savings Proposal	Description	2025/26	2026/27	2027/28	2028/29	TOTAL
		£	£	£	£	£
Temporary Accommodation and Out of Hours Homelessness	Ending out of hours homelessness contract with Durham County Council Children Young Peoples Service and having this in house and also a reduction to the Temporary Accommodation budget	125,000	-	-	-	**125,000**
Central Costs	Rebasing of Regeneration central budgets	44,979	-	-	-	**44,979**
TOTAL - Regeneration, Economy and Growth		**1,384,922**	**-**	**-**	**-**	**1,384,922**

Resources

Savings Proposal	Description	2025/26	2026/27	2027/28	2028/29	TOTAL
		£	£	£	£	£
Corporate Finance Restructure - staffing and non staffing savings	A restructure of the service aligned to a review and re-prioritisation of resources with staffing and non staffing savings	258,583	-	-	-	**258,583**
Digital Services Restructure - staffing and non staffing savings	A restructure of the service aligned to a review and re-prioritisation of resources with staffing and non staffing savings	552,215	-	-	-	**552,215**
Human Resources & Employee Services Restructure - staffing and non staffing savings	A restructure of the service aligned to a review and re-prioritisation of resources with staffing and non staffing savings	265,048	-	-	-	**265,048**
Internal Audit & Corporate Fraud Restructure- staffing and non staffing savings	A restructure of the service aligned to a review and re-prioritisation of resources with staffing and non staffing savings	7,167	-	78,456	-	**85,623**
Procurement, Sales and Business Services Restructure - staffing and non staffing savings	A restructure of the service aligned to a review and re-prioritisation of resources with staffing and non staffing savings	787,836	-	-	-	**787,836**
Increased income - North East Procurement Organisation Rebate	Increase in budget linked to North East Procurement Organisation rebate based on Durham County Council engagement with regional procurement frameworks	100,000	-	-	-	**100,000**
Staff Reductions in Health & Safety	To review the arrangements of the Health and Safety and Compliance Team staffing budget	101,797	-	-	-	**101,797**
Staff funded from Capital Receipts and Capital	To review the arrangements of the remaining staffing budgets excluding Health and Safety and Compliance Team	219,817	-	-	-	**219,817**
Supplies and Services	Proposal to reduce a number of budgets across the service line	149,565	-	-	-	**149,565**
Transactional & Customer Services Restructure - staffing and no staffing savings	A restructure of the service aligned to a review and re-prioritisation of resources with staffing and non staffing savings	896,211	-	-	-	**896,211**
Transactional & Customer Services - Increased Court Cost Income	Increase in budget to reflect review of Court Cost fees implemented in 2024/25.	97,000	-	-	-	**97,000**
TOTAL - Resources		**3,435,239**	**-**	**78,456**	**-**	**3,513,695**

Savings Proposal	Description	2025/26	2026/27	2027/28	2028/29	TOTAL
		£	£	£	£	£

Corporate

Savings Proposal	Description	2025/26	2026/27	2027/28	2028/29	TOTAL
		£	£	£	£	£
Review of the Section 13a Council Tax discount for properties impacted by the Empty Home Premium	Review of existing policy in line with statutory mandatory relief scheme for empty homes, moving to a time limited relief scheme based on Government guidance (max of six months)	-	275,038	275,038	-	**550,076**
Loan Expenses	Removal of dedicated budget provision for loan arrangement fees. Such one off fees to be met from the central capital financing or corporate contingencies budgets going forwards.	41,000	-	-	-	**41,000**
Bank / Payment Card Expenses	Savings based on changes in activity levels and efficiencies achieved in current budget.	27,000	-	-	-	**27,000**
Reduction in General Contingencies Budget	Reduction in the centrally held General Contingencies budget - reducing the budget to £1.5m.	300,000	-	-	-	**300,000**
Dividend from Chapter Homes	Additional income from increased dividend from Chapter Homes - current budget assumes £50k per annum - increased to £300k per annum for the period 2025/26 to 2028/29.	250,000	-	-	-	**250,000**
Review of Minimum Revenue Provision (MRP)	To adopt a change to the councils Minimum Revenue Provision Policy in relation to provision for principal on external loans - changed to an annuity basis	3,568,000	(190,000)	(190,000)	(190,000)	**2,998,000**
Members Budgets	Reduction in members Basic Allowances budget post implementation of the Independent Remuneration Panel recommendations agreed at Council in January and factoring in the reduction in the number of members from May 2025	236,667	47,333	-	-	**284,000**
Total - Corporate		**4,422,667**	**132,371**	**85,038**	**(190,000)**	**4,450,076**

TOTAL COUNCIL NEW SAVINGS FOR MEDIUM TERM FINANCIAL PLANNING (15)	**14,646,635**	**897,464**	**533,725**	**(1,000)**	**16,076,824**

GRAND TOTAL - APPENDIX 4 AND APPENDIX 5 COMBINED	**18,035,992**	**4,081,481**	**1,287,475**	**(1,000)**	**23,403,948**

Budget Summary by Expenditure and Income Type			Appendix 6
	Original Budget 2024/25	2024/25 Projected Outturn Position	Original Budget 2025/26
	£'000	£'000	£'000
Employees	580,470	571,716	596,982
Premises	50,523	53,422	50,253
Transport	68,675	72,426	74,597
Supplies & Services	118,010	156,245	133,694
Third Party Payments	610,416	645,163	675,074
Transfer Payments	167,936	192,710	207,776
Central Costs	138,357	152,082	161,021
DRF	430	4,645	611
Capital Charges	56,482	56,478	58,824
Other	0	1,668	0
GROSS EXPENDITURE	**1,791,299**	**1,906,555**	**1,958,832**
Income			
- Government Grants	635,383	691,126	703,656
- Other Grants & conts	106,440	114,308	112,026
- Sales	6,342	5,955	6,326
- Fees & charges	129,597	138,801	139,679
- Rents	10,900	15,011	15,491
- Recharges	314,235	318,141	325,293
- Other	4,973	12,102	6,082
Total Income	**1,207,870**	**1,295,444**	**1,308,553**
NET COST OF SERVICES	**583,429**	**611,111**	**650,279**

Capital Charges	-56,481	-56,481	-58,824
Interest and Investment Income	-8,800	-8,669	-4,050
Interest payable and similar charges	39,470	35,348	46,850
DSG Deficit reserve addjustment	-6,546	-11,572	-13,352
LEVIES			
North East Combined Authority	16,905	16,905	16,937
Environment Agency - Flood Defence	524	545	555
North East Inshore Fisheries Conservation /	91	85	87
NET OPERATING EXPENDITURE	**568,592**	**587,272**	**638,482**
Use of Reserves			
Earmarked Reserves	-3,720	-18,110	-3,191
Schools Reserves			-11,858
Cash Limit Reserves	0	661	0
General Reserves	0	-5,334	0
Net budget requirement	**564,872**	**564,489**	**623,433**

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Budget Summary by Service Grouping					APPENDIX 7
2024/25 Original Budget	**2024/25 Projected Outturn**		**2025/26 Gross Exp**	**'2025/26 Gross Inc**	**'2025/26 Net Exp**
£000	**£000**		**£000**	**£000**	**£000**
		Council Controlled Budgets			
160,100	160,487	Adult and Health Services	509,163	335,355	173,808
4,613	18,776	Chief Executive Office	30,405	17,727	12,678
195,737	213,305	Children and Young People's Services	495,056	266,965	228,091
122,252	119,559	Neighbourhoods and Climate Change	257,574	135,564	122,254
54,929	62,462	Regeneration, Economy and Growth	116,474	61,931	54,543
25,664	14,865	Resources	155,545	127,991	27,554
4,059	3,997	Corporate Costs	4,043	110	3,933
13,474	9,815	Contingencies	12,560	0	12,560
580,828	**603,266**		**1,580,820**	**945,643**	**635,421**
		Non Council Controlled Budgets			
0	4,562	Schools (including Academy transfers)	259,768	247,910	11,858
2,600	3,283	Benefits	118,000	115,000	3,000
2,600	**7,845**		**377,768**	**362,910**	**14,858**
583,428	**611,111**	**NET COST OF SERVICES**	**1,958,588**	**1,308,553**	**650,279**
-56,481	-56,481	Reversal of Capital Charges			-58,824
-8,800	-8,669	Interest and investment income			-4,050
39,470	35,348	Interest payable and similar charges			46,850
-6,546	-11,572	DSG Deficit reserve adjustment			-13,352
		Levies			
16,905	16,905	North East Combined Authority			16,937
524	545	Environment Agency - Flood Defence			555
91	85	North East Inshore Fisheries Conservation Authority			87
568,591	**587,272**	**NET OPERATING EXPENDITURE**			**638,482**
-59,929	-59,519	Business Rates - local share			-62,908
-78,907	-78,907	Business Rates Top up Grant			-79,740
-35,176	-35,176	Revenue Support Grant			-38,268
-686	-686	Estimated Net -Surplus/Deficit on Collection Fund			-3,232
-640	-640	New Homes Bonus			-2,136
-40,149	-40,176	Section 31 Grant			-39,631
-64,857	-64,857	Social Care Grant			-76,836
-888	-889	Services Grant			0
0	0	Recovery Grant			-13,851
0	0	National Insurance Grant			-4,744
-3,720	-18,110	Use of Earmarked Reserves			-3,191
0	0	Use of Schools Reserves			-11,858
0	661	Use of Cash Limit Reserves			0
0	-5,334	Use of General Reserve			0
283,639	**283,639**	**AMOUNT REQUIRED FROM COUNCIL TAXPAYERS**			**302,088**

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Appendix 8: MTFP (15) Equality Impact Assessment Summary for Savings Proposals

Adult and Health Services (AHS)

Savings Proposal	Savings Proposal Description	Equality impact and analysis	Mitigation
Deprivation of Liberty Safeguards	Deprivation of Liberty Safeguards (DoLS) ensures people who cannot consent to their care arrangements in a care home or hospital are protected if those arrangements deprive them of their liberty. A review of DoLS arrangements to include a staffing reduction.	A reduced staffing resource could impact the ability to maintain manageable caseloads, and result in a growing backlog which would impact people with protected characteristics. The profile of referrals are older people (65+) and more likely to be female (59%). The profile for younger aged referrals are more likely to be male (61%). As the proposal involves the removal of vacant posts there are no implications for current staff.	Refinement of administrative processes and systems upgrades will allow for effective management existing workload with less staffing.
Adult Protection & Practice Improvement	The Adult Protection team coordinate interagency safeguarding adults enquires for the most complex cases as a key part of our safeguarding duties under the Care Act.	A reduction in staffing could impact service delivery for the most vulnerable people, where serious allegations of abuse need to be investigated. The client group for this service tend to be older, with more females. Although disability is not specifically recorded, we know a high proportion of service	Impact will be closely monitored alongside potential to upskill other lead officers to enhance resilience. HR processes will be followed to ensure fair treatment of staff.

Savings Proposal	Savings Proposal Description	Equality impact and analysis	Mitigation
	A review of the Adult Protection and Practice Improvement team to include a staffing reduction.	users have some form of support need, most are likely to have a disability or long term health condition. The staffing reduction will be met by the removal of vacant posts, also ER/VR.	
Social Care Direct	Social Care Direct (SCD) is the front door to Adult Social Care in County Durham. It handles all initial enquiries and commences the assessment process for those with the appearance of care and support needs. A review SCD to include a staffing reduction.	A reduced workforce capacity may impact operationally if volume of demand increases. Service users are more likely to be older and disproportionately female. As the proposal involves the removal of vacant posts there are no staffing implications.	Work has been undertaken to streamline some of the call activity in SCD. A further review of SCD to be undertaken with a view to increasing productivity and further develop delivery standards.
Substance Misuse Team	The Substance misuse team is a countywide team who undertake assessments and case work with service users whose primary needs emanate from the effects	The team will be absorbed into the work of other AHS teams with staff re-deployed. Service users will continue to get a service linked to substance misuse, but it will come from within the broader adult provision. Over two thirds of service users in this group are	There will be a specialist within the mental health provision, retaining capacity to be able to provide substance misuse advice and support to all social workers across the system. There are no changes to the Treatment Centre Offer and

Savings Proposal	Savings Proposal Description	Equality impact and analysis	Mitigation
	of chronic substance misuse. A review of the Substance Misuse Team and absorption of the work into other adult service's teams.	male and these are largely in the younger age group of 18-64. Most female service users tend to be in the younger age group. Workers within the team would be redeployed into other adult care vacancies therefore redundancies or early retirement would not be required, retaining a skills set within the workforce.	services provided by public health to those with substance misuse needs. HR processes will be followed to ensure fair treatment of staff affected by redeployment.
Learning Disabilities & Mental Health Project Team	The mental health and learning disability service includes three locality learning disability teams and five mental health social work hubs which undertake most of the long-term social care work for these service user groups. To cease the Learning Disabilities and Mental Health Project Team.	There would be minimal impact on service users with the removal of this project team. This has been an additional function within the learning disability and mental health team. The work would normally be picked up through the teams in localities and the review teams. Staff will be redeployed.	HR processes will be followed to ensure fair treatment of staff affected by redeployment.
Locality Team	Locality social work teams cover the whole of the county.	Staffing reductions for locality and occupational therapy teams are likely to have a detrimental impact in terms of service delivery. Given	Effective risk management and triage.

Savings Proposal	Savings Proposal Description	Equality impact and analysis	Mitigation
	Teams are based in the Dales, Durham and Chester le Street, Derwentside, Easington and Sedgefield. A review of Locality Team arrangements to include a staffing reduction.	the nature of the service this will have an impact largely; older people, women and disabled people, some with complex needs. The staffing reduction will be met by the removal of vacant posts, also ER/VR.	Assistant roles can work with lower risk clients. Examine streamlining recording practices to explore if effective and safe improvements could be implemented. Continued support of the apprentice programme which helps with the provision of qualified staff. HR processes will be followed to ensure fair treatment of staff.
Review Team	The remit of the review team is to monitor and review cases annually in line with Care Act guidance. A review of Review Team arrangements to include a staffing reduction.	A staffing reduction in the review team may have a detrimental service delivery impact. Given the ageing population within the County, and complex care needs, this provides additional pressure on the team to deliver timely reviews with a potential disproportionate impact on older people, disability and women.	Extra care team to manage their own reviews will mitigate some of the risk. Work ongoing to streamline processes and continue to ensure the time committed to undertaking reviews is proportionate to the level of need and risk. HR processes will be used to ensure fair treatment of staff,

Savings Proposal	Savings Proposal Description	Equality impact and analysis	Mitigation
		The staffing reduction will be met by the removal of vacant posts, also ER/VR.	to include slot in and deletion of posts where possible.
Sensory Support	The sensory support team is a specialist service that offers support and rehabilitation to people with a hearing or sight loss. Review of sensory support team arrangements.	The proposal to remove two specialist posts will impact people with sight and hearing loss and their families in seeking support. The service is rehabilitation intensive, as well as acting as an advocate or method of communication. There is potential for an increase in waiting / response times for assessment, reviews and rehabilitation. This could impact on wider general health and subsequent increased reliance on other services e.g. health and social care, carers support. On most occasions the service users supported by the team have come from hospital registers (sight loss) or have been referred via Social Care Direct or internally via a social work team.	Both the sight and hearing loss teams have a great knowledge around the voluntary and community resources available who share this knowledge and support people to access this to reduce intervention of council services. Combined service management may benefit some service users, particularly those with dual sensory loss. Continuity in management across each service type. HR processes will be followed to ensure fair treatment.

Savings Proposal	Savings Proposal Description	Equality impact and analysis	Mitigation
		This could lead to additional pressures for family carers who are more likely to be female. The reduction in specialist knowledge will have an impact, although it is anticipated that the supervision and monitoring of staff should remain manageable. Due to the small cohort of people supported it is felt that the work can be maintained within the team.	
Pathways	Pathways is part of the County Durham Care and Support in-house provider service. They are a cohort of day centres for people with learning disabilities. A review of Pathway team arrangements to include a reduction in sites and staff.	The proposal is to decommission existing delivery at the Pathway site at Newton Aycliffe and return Stanley Pathways from its temporary base at Chester Le Street to its permanent home in the Louisa Centre Stanley. This will offer improved facilities although those service users affected by moving facility may find it unsettling at first and may have longer journeys. There are no negative impacts in terms of facility access.	Working from reduced sites makes sense from a service delivery perspective as it will enable efficiencies to be made; both in terms of staffing and in building revenue costs. A strategic review of the remaining delivery sites including consultation with users and their families has commenced. Many of the service users live within the vicinity of more than one day centre, so travel disruption for those affected will be kept to a minimum.

Savings Proposal	Savings Proposal Description	Equality impact and analysis	Mitigation
		Removal of vacant posts and re-deployment of staff will be necessary.	Service user transitions will be carefully managed to minimise any distress or negative impact. HR processes will be followed to ensure fair treatment of staff.
Support and Recovery	The Support and Recovery service is part of the County Durham Care and Support in house provider service. Review of support and recovery arrangements.	Minimal impact on service users is expected as the saving involves the deletion of a currently vacant post and one staff reduction.	Management capability in the service helps to mitigate the risk. HR processes will be followed to ensure fair treatment of staff.
Hawthorn House, Shared Lives & Extra Care	Hawthorn House is part of County Durham Care and Support in house provider services. It is a respite facility to support people who have a diagnosed learning disability. To review Hawthorn House, Shared Lives and Extra Care arrangements.	The proposal to reduce staff will impact people with disabilities including learning disability. Two posts have never been filled at Hawthorn House and Habour Lodge with minimal impact on service users. There is a further vacant post to delete. Although impact is expected to be minimal for service users, the reduction in staffing capacity/skill	More efficient ways of working / rotas within the Shared Lives team to be implemented. Impact will be closely monitored. HR processes will be followed to ensure fair treatment of staff.

Savings Proposal	Savings Proposal Description	Equality impact and analysis	Mitigation
		will hamper development of the service. ER/VR or re-deployment will be considered in relation to one post.	
Commissioning	The integrated commissioning team have strategic responsibility for the procurement, delivery, review and monitoring of external adult and children's social care services. To review commissioning arrangements within adults.	No detrimental impact anticipated on service users. Staff reductions will be managed through deletion of vacant posts and ER/VR.	Mitigating actions are in place to support affected social care providers such as training in preparation for contract changes. Re-allocation of work and re-configuration of teams are planned to mitigate the impact on performance and outcomes. HR processes will be followed to ensure fair treatment of staff.
Charging for Learning Disability Transport – Harmonisation of Arrangements	Introduction of a subsidised charge of £2.00 per journey (£4.00 return) for individuals accessing Learning Disability provision through our internal fleet service.	This will impact people with learning disabilities. The introduction of a subsidised charge still represents value for money for service users and continues to provide access to a safe and reliable transport service. It also provides equity for those	Clear communication with service users affected.

Savings Proposal	Savings Proposal Description	Equality impact and analysis	Mitigation
		service users receiving transport outside of the DCC fleet.	
Income – Recharge for North East Association of Directors of Adult Social Services Secretariat Support	To charge NE ADASS for support provided in DCC role as host of NE ADASS	No equality impact.	

Chief Executive's

Savings Proposal	Savings Proposal Description	Equality impact and analysis	Mitigation
Legal and Democratic Services – staffing savings	A restructure of legal and democratic service aligned to a review and re-prioritisation of resources with staffing savings.	Non-staffing savings and deletion of vacant posts with no equality impact on service delivery.	
Increased income in relation to the Registration Service	To generate additional income aligned to the new service offer / increased capacity provided by the move to The Story and from a review of fees and charging.	Increased fees and charging with no disproportionate equality impact.	
Corporate Affairs restructure	A restructure of the service aligned to a review and re-	Potential impact across the protected groups as a result of reduced activity in equality and	Any negative impact will be minimised via broader

Savings Proposal	Savings Proposal Description	Equality impact and analysis	Mitigation
	prioritisation of resources with staffing savings.	diversity, data analysis and intelligence, communications and marketing and community engagement. Minimal impact on staff as savings are expected to be made through ER/VR, deletion of vacant posts and reduction in temporary posts.	integration of roles to spread available capacity. All statutory functions and core activity will be maintained. HR processes will be followed to ensure fair treatment of staff.
Review of corporate sponsorships, advertising and subscription arrangements	To review corporate sponsorships, advertising and subscription arrangements	Removal or reductions in sponsorships, advertising and subscription with no equality impact.	
Durham County News online only	To review the arrangements of Durham County News to online.	Proposed changes to move Durham County News from printed copy to digital affects how we communicate with residents who do not have digital access. Digital exclusion disproportionately impacts the following groups: older residents, people with disabilities and people on low incomes (possibly more women and minority ethnic). There are no staffing implications.	Reasonable adjustments will be made for people who cannot access information digitally due to their disability. Adjustments will include hard copies and/or alternative formats (large print, audio) distributed to those residents who request this as an adjustment. A limited number of hard copies will also be made available in customer access points and libraries each

Savings Proposal	Savings Proposal Description	Equality impact and analysis	Mitigation
			quarter for members of the public who wish to have them.

Children and Young People Services (CYPS)

Savings Proposal	Savings Proposal Description	Equality impact and analysis	Mitigation
Education	Review of education service management structure and non-staffing budgets.	Realignment of posts with no service user impact.	HR processes will be followed to ensure fair treatment of staff.
Early Help, Inclusion and Vulnerable Children	Review of early help and youth justice services to streamline management and operational delivery.	Staffing reductions may lead to waiting lists for families/carers with children to receive a service at the Front Door and may mean some cases could go more quickly to statutory social care referrals. This will have a disproportionate impact in terms of age (younger and working age) and disability (disproportionally more children and young people with SEND access the service). Also, a likely greater impact on women who generally undertake higher levels of care within the family unit or be a single parent with greater family responsibility.	Implementation of Family Hub and Start for Life programme and Supporting Families programme will seek to maximise wider partnership resources for early help work and collective best use of resources available to us. Social work caseloads and performance are regularly monitored and any changes in patterns of demand and workload are quickly identified. Regular monitoring of youth justice performance and any

Savings Proposal	Savings Proposal Description	Equality impact and analysis	Mitigation
		The impact on the early help workforce is likely to be an increase in average caseloads across Key Workers, as they will be allocated more families to work with. High caseloads can lead to increased pressure on staff in terms of staff wellbeing, sickness, and staff turnover. The workforce is predominantly female, and more females are likely to be impacted. The review and re-alignment of work in the youth justice service will involve a small staff reduction with minimal impact expected in terms of service delivery. Removal of vacant posts and ER/VR will be considered.	concerns added to the risk register/issues log. HR processes will be followed to ensure fair treatment of staff.
Central	Review of non-staff budgets across CYPS and a reduction in third party expenditure.	This proposal involves a review of existing budgets, with a particular focus on those areas where there has been underspending in recent years. There is no equality impact.	

Neighbourhood and Climate Change (NCC)

Savings Proposal	Savings Proposal Description	Equality impact and analysis	Mitigation
Grass Cutting on Central Reservations	Reduce grass cutting on central reservations of dual carriageways.	No equality impact.	
Community Highways Workers	Review of community highway workers arrangements.	Removing this service would have minimal impact on local residents as much of the work of the highway workers on DCC land can be absorbed by existing services such as litter pickers, grass cutting teams & gardeners. There are potential staffing implications which would disproportionately impact men, although redundancies are not being considered, staff would be re-deployed.	If alternative funding arrangements cannot be secured, staff will be reallocated to mainstreamed Clean & Green maintenance activity. HR processes to be followed to ensure fair treatment of staff.
Review of Clean & Green	Review staffing arrangements within clean and green.	Potential for reduced grounds maintenance and street cleaning which could impact access. It is proposed to cease removal of graffiti from private properties although a rapid response for removal of offensive or obscene graffiti will remain available. Removal of vacant posts.	The approach will be kept under review and any complaints or issues in relation to access will be addressed. Removal of offensive or obscene graffiti on private properties will be available (where consent received from property owner).

Savings Proposal	Savings Proposal Description	Equality impact and analysis	Mitigation
Verge Cutting	Reduce roadside verge cutting from two to one cuts per year.	Reduced verge cutting could potentially restrict access, although the verges are generally not pedestrian paths. No staffing implications.	The approach will be kept under review and any complaints or issues in relation to access will be addressed.
Review of Find & Fix	Review the arrangements around the Find and Fix team.	No equality impacts. Seconded staff would return to their posts and agency staff laid off.	
Review of Parks & Countryside	Review staff arrangements and other budgets within parks and countryside.	No direct equality impact.	
Vacancies in Clean & Green	Removal of vacant post in Clean and Green.	No equality impact.	
Weed spraying in open spaces	Cease weed spraying to fence lines and obstacles on open spaced grass areas.	Reduced weed spraying could potentially restrict access with a disproportionate impact for people with disabilities, mobility and sensory impairments or carers with pushchairs and wheelchairs. Removal of vacant posts with no wider staffing implications.	The approach will be kept under review and any complaints or issues in relation to access will be addressed.
Northumbria in Bloom & Carpet Beds	Cessation of some carpet bedding in Durham city,	No equality impact.	

Savings Proposal	Savings Proposal Description	Equality impact and analysis	Mitigation
	and cease subscription to Northumbria in Bloom.		
Review of arrangements around animals killed on highway	Review the arrangements around collection and disposal of animals killed on the highway.	No equality impact.	
Depot security cover	Increased standardisation of security arrangements across the depot sites.	No equality impact.	
Depot contract cleaning	Review contract cleaning at depots.	No equality impact.	
Review of Environment & Design	The review of staffing and grant arrangements within the Environment and Design Team.	Deletion of vacant posts, will reduce specialists and potentially add pressure to existing staff although no direct equality impact.	
Review of Low Carbon Team	Review of staffing arrangements within the low carbon team.	Potential removal of two posts, no specific equality impact.	
Review of Pest Control	Review staffing arrangements within the pest control team.	The continuation of the 50% subsidised rate for pest control treatment for those households receiving a council tax reduction supports low income households, potentially more likely to be beneficial for those with a disability and low income working age families with young children.	The subsidised rate improves access to the service for all communities. HR processes will be followed to ensure fair treatment.

Savings Proposal	Savings Proposal Description	Equality impact and analysis	Mitigation
		Reduction of one post with minimal impact on service delivery.	
Review of Civic Pride	Review staffing arrangements within the civic pride team.	Reduction in environmental campaigns with minimal equality impact. Reduction of one post and deletion of apprentice vacancy (not impacting current post holder).	HR processes will be followed to ensure fair treatment. Complaints will be monitored and any equality issues addressed.
Allotments	Reduction in staff and material budgets associated with the reduced number of sites managed within the service.	Transfer of some allotment sites will enable the reduction of one post with a corresponding reduction in maintenance costs. There will be no equality impact for allotment holders.	HR processes will be followed to ensure fair treatment.
Vacant apprentice post in Strategic Waste	Remove vacant strategic waste apprentice post.	Strategic Waste has teamed up with Refuse and Recycling to provide placement opportunities and training to their allocated apprentices, to ensure they gain a holistic apprenticeship program across all aspects of waste management therefore one vacant apprentice post can be removed.	

Savings Proposal	Savings Proposal Description	Equality impact and analysis	Mitigation
Vacancies in Strategic Waste	Remove vacant environment monitoring post in strategic waste.	Removal of vacant post which potentially adds pressure to existing staff although no direct equality impact.	
General premises and supplies savings	Savings in premises and supplies costs across the whole of Neighbourhoods and climate change.	No specific equality impact.	
Review of Community Protection Service	Review of current service provision including the rationalisation of existing posts with the community protection service.	This is a developing saving for 2026/27. A further update will be provided in due course.	
Gypsy, Roma and Traveller & Community Action	Reduce contributions to other bodies.	No direct equality impact anticipated at this stage.	
Civil Contingency Unit	Reduce contributions to other bodies.	No equality impact.	
Highways Permit Scheme	Realignment of the resources utilised under the Highways Permit Scheme.	Recharge of staffing to another budget with no equality impact.	
Staff reductions in Civil Engineering	To review the arrangements of the civil engineering team.	Removal of an apprenticeship post will have no impact to current posts or service delivery but will remove potential future apprenticeship opportunities.	

Savings Proposal	Savings Proposal Description	Equality impact and analysis	Mitigation
Staff reductions in Road Safety	To review the arrangements of the road safety team.	Removal of two vacant posts. Minimal service impact. Remit for coordination of the driving assessments is absorbed within the existing staff structure, plus with the assistance of our road safety partners. There are plans to deliver to as many of the same young driver audiences throughout the County.	Young driver safety awareness training sessions are lead by DCC officers from the Road Safety Team, and delivered jointly with Road Safety Partners from Durham Constabulary and CDDFRS which builds in resilience.
Recharge Highway Maintenance staff to Capital	To recharge highway maintenance staff to capital.	No equality impact.	
Reduction in Camera Enforcement purchases	To put forward the enforcement budget as a saving that is no longer required.	No equality impact.	
Parking Enforcement Contract	To review the arrangements of the parking and transport team.	Removal of car park night time patrols (supplied by contractors) due to changes in parking systems might result in users feeling less secure on an evening/night which impacts all but may have a disproportionate impact for women.	CCTV cameras will remain in operation and the car park has been awarded the Safer Parking ‘Park Mark’ accreditation.
Airport Legal Expenses	To review the budget for airport legal fees.	No equality impact.	
Minor Projects	To review the minor projects budget	No equality impact.	

Savings Proposal	Savings Proposal Description	Equality impact and analysis	Mitigation
Vacancies in Stores	Removal of a vacant post is stores team.	No equality impact.	
Vacancies in Estimating	Removal of a vacant post in estimating team.	No equality impact.	

Regeneration, Economy and Growth (REG)

Savings Proposal	Savings Proposal Description	Equality impact and analysis	Mitigation
Casual staff reductions in Cultural Venues	To rationalise the public opening hours at Gala and Empire Theatres.	Reduced opening times has been implemented for the early part of week, with minimal impact. This has reduced use of casual staff.	
Staff reductions in Visit County Durham (Option 1)	To review the arrangements of the Visit County Durham Team.	Staff reductions will impact service delivery although no specific equality impacts are anticipated at this stage.	HR processes will be followed to ensure fair treatment.
Staff reductions in Business Durham and Employability	To review the arrangements of the Business Durham and Employability Service	A staff reduction of two posts and the deletion of one vacant post. ER/VR will be utilised where possible. No equality impact in terms of service delivery.	HR processes will be followed to ensure fair treatment.
Reductions in Area Action Partnerships staffing and Neighbourhood Budgets	To look at the arrangements of the AAP Team	A staff reduction of two posts with no equality impact in terms of service delivery. ER/VR will be utilised where possible.	HR processes will be followed to ensure fair treatment.

Savings Proposal	Savings Proposal Description	Equality impact and analysis	Mitigation
Promotional Events	To look at arrangements around how we fund promotional events.	Removal of funding for business related promotional events with no equality impact.	
Staff reductions in Care Connect	To review arrangements in the Care Connect Team.	The Care Connect Service provides an emergency alarm and response service primarily for older people and people with additional needs / disabilities. The proposal involves the deletion of vacant posts due to the posts having been vacant for some time with no adverse impact. No impact on current staff and service users is foreseen.	An improved shift pattern and digitisation efficiencies will maintain robust service delivery and further enhance team resilience.
Staff reductions in Strategy & Delivery	To review the arrangements of the strategy and delivery team.	Although there is no impact on current staff, the removal of a future apprenticeship post will impact succession development and negatively impact apprenticeship opportunities which are more likely to attract younger applicants. The regrading of one post will release further savings. No specific equality impact for customers.	

Savings Proposal	Savings Proposal Description	Equality impact and analysis	Mitigation
Staff reductions in Building Safety and Standards	To review arrangements of the building safety and standards team.	Deletion of two posts. No specific equality impact.	
Recharge Humanitarian Support staff costs to reserve	Contribution from Humanitarian Support reserve towards staff costs.	No equality impact.	
In House Telecare Engineer Contract	To review the arrangement of the external telecare engineers.	Contractual arrangements with no equality impact.	
Temporary Accommodation and Out of Hours Homelessness	Ending of the out of hours homelessness contract and bringing this in-house with a budget reduction.	Removal of a service level agreement from CYPS, with support to be delivered by Care Connect service at a lower cost. No service delivery implications.	
Central Costs	Rebasing of regeneration central budgets.	No equality impact.	

Resources

Savings Proposal	Savings Proposal Description	Equality impact and analysis	Mitigation
Corporate Finance Restructure - staffing and non staffing savings	A restructure of the service aligned to a review and re-prioritisation of resources with staffing and non-staffing savings.	Deletion of vacant posts with no customer or equality impact.	

Savings Proposal	Savings Proposal Description	Equality impact and analysis	Mitigation
Digital Services Restructure - staffing and non staffing savings	A restructure of the service aligned to a review and re-prioritisation of resources with staffing and non-staffing savings.	No expected external customer impact with minimal impact for internal customers. Men could be disproportionately impacted as part of the restructure as they are over represented in the service.	HR processes will be followed to ensure fair treatment.
Human Resources & Employee Services Restructure - staffing and non staffing savings	A restructure of the service aligned to a review and re-prioritisation of resources with staffing and non-staffing savings.	Service delivery impact will be minimal with no external customer impact. Women and staff aged 41-60 are more likely to be impacted as part of the restructure due to the staff profile.	HR processes will be followed to ensure fair treatment with ER/VR utilised where possible along with deletion of vacant posts.
Internal Audit & Corporate Fraud Restructure- staffing and non staffing savings	A restructure of the service aligned to a review and re-prioritisation of resources with staffing and non-staffing savings.	Given the nature of the posts to be deleted, it is not expected to have any negative impact.	
Procurement, Sales and Business Services Restructure - staffing and non staffing savings	A restructure of the service aligned to a review and re-prioritisation of resources with staffing and non-staffing savings.	The outcome of future budget reviews may not be sufficient to resource all business services apprentice posts going forward. Although current apprentices within the service are not impacted this would impact any future intake (up	HR processes will be followed to ensure fair treatment with utilisation of ER/VR where possible. Improved efficiencies, harnessing digitisation and

Savings Proposal	Savings Proposal Description	Equality impact and analysis	Mitigation
		to 25 posts). An analysis of the current cohort shows this could potentially have a disproportionate impact in terms of gender (women) and age (younger age groups). Deletion of vacant posts and mini-restructures will be used to implement other elements of the business services saving with a minimal impact to service delivery. Minimal service delivery impact for procurement and sales is expected due to new ways of working. Women will be disproportionately impacted due to the service profile.	new ways of working will minimise any negative impact.
Increased income – North East Procurement Organisation Rebate	Increase in budget linked to NEPO procurement rebate based on DCC engagement with regional procurement frameworks.	No equality impact.	
Staff Reductions in Health & Safety	Review the arrangements of the Health and Safety Compliance Team staffing budget.	A proposed staffing reduction of two staff will be managed via ER/VR where possible. No equality impact.	HR processes will be followed to ensure fair treatment.

Savings Proposal	Savings Proposal Description	Equality impact and analysis	Mitigation
Staff funded from Capital Receipts and Capital	To review the arrangements of the staffing budgets.	No impact for staff or service delivery.	
Supplies and Services	Proposals to reduce a number of budgets across the service.	No equality impact.	
Transactional & Customer Services Restructure - staffing and non staffing savings	A restructure of the service aligned to a review and re-prioritisation of resources with staffing and non-staffing savings.	Reduced service levels may affect processing times which would impact customers and increase pressures on staff. Women will be disproportionately impacted due to the service profile.	Changes in processing, new ways of working and the realignment of work will help to mitigate impact. HR processes will be followed to ensure fair treatment with utilisation of ER/VR where possible.
Transactional & Customer Services - Increased Court Cost Income	Increase in budget to reflect review of court costs fees implemented in 2024/25.	No disproportionate equality impact identified.	Currently, DCC’s 100% Local Council Tax Reduction Scheme protects those most in need from this cost.

Corporate

Savings Proposal	Savings Proposal Description	Equality impact and analysis	Mitigation
Review of the Section 13a Council Tax discount for properties impacted by the Empty Home Premium	Review of existing policy in line with statutory mandatory relief scheme for empty homes, moving	Proposals will be subject to a Cabinet report in due course.	Any data on ownership of empty homes would be included in council reports.

Savings Proposal	Savings Proposal Description	Equality impact and analysis	Mitigation
	to a time limited relief scheme based on Government guidance.	At this stage, no differential impact is identified.	
Loan Expenses	One off fees to be met by central capital financing or corporate contingencies going forward.	No equality impact.	
Bank / Payment Card Expenses	Savings based on changes in activity levels and efficiencies achieved in current budget.	No equality impact.	
Reduction in General Contingencies Budget	Reductions on centrally held budget.	No equality impact.	
Dividend from Chapter Homes	Additional income from increased dividend.	No equality impact.	
Review of Minimum Revenue Provision (MRP)	To adopt a change to the council's MRP policy in relation to provision for principle on extra loans – changed to an annuity basis.	No equality impact.	
Member Budgets	Reduction in member's Basic Allowances budget post implementation of the Independent Remuneration Panel recommendations agreed at Council in January and factoring in the reduction	The reduction in the basic allowances budget reflects the reduced number of elected members from May 2025. Each elected member will cover a ward with a larger population. There is no expected equality impact on the	

Savings Proposal	Savings Proposal Description	Equality impact and analysis	Mitigation
	in the number of members from May 2025	elected member as a result of this proposal.	

Appendix 9: Capital Strategy 2025/26

Introduction

1 Capital expenditure is a strategic investment involving major expenditure on assets that provide benefits to the Council and the services it provides for more than one year. The Council works with a wide range of partners from the public, private, voluntary and community sectors, all of which have an influence over its spending priorities.

2 The Capital Strategy provides a framework to enable the Council to consider carefully how it prioritises spending to meet corporate and service aims and objectives – as set out in the Council Plan and County Durham Partnership Vision and Plan, underpinned by various service specific strategies. It takes account of the resources which are forecast to be available to the Council to fund capital investment and the effect of that investment on the achievement of corporate priorities and desired outcomes, alongside the impact on the Council's revenue budget as a result of the planned capital investment.

Objectives for Capital Investment

3 The main objectives for the Capital Strategy are to:

a) Support the Council's vision and priority themes as set out in the Council Plan;

b) Support service delivery strategies;

c) Support asset management plans for investment in Council and community assets;

d) Ensure that investments are prudent, affordable and sustainable;

e) Ensure use of resources and value for money is maximised;

f) Support 'Invest to Save' opportunities. These opportunities should wherever possible seek to support demand management and prevention strategies; and

g) Encourage inward investment into County Durham and thereby economic development and job creation.

The Council's Corporate Vision and Priorities

4 The Council Vision and priorities are developed together with partners and are based on consultation with local people, local businesses and a range of stakeholders through our Area Action Partnerships and the wider County Durham Partnership.

5 The County Durham Partnership has carried out a refresh of its vision for the county followed extensive consultation with partners and key stakeholders which included:

a) All 14 area action partnerships;

b) 11 County Durham Partnership thematic partnerships and sub-groups; and

c) 11 other groups including Cabinet Transformation Board and Corporate Overview and Scrutiny Management Board with invitations extended to all other non-executive members

6 The agreed Vision for 2035 is that County Durham is a place where there are more and better jobs, people live long and independent lives and our communities are well connected and supportive of each other.

7 The Council Plan is the primary corporate planning document for the County Council and details Durham County Council's contribution towards achieving the objectives set out in the Vision for County Durham 2035. The County Council at its meeting in February 2024 approved a refreshed Council Plan for 2024-28 providing Members, partners and the public a summary of our priorities for the county and informing future spending decisions in our medium-term financial plan.

8 The Council Plan is now refreshed annually in line with the annual budget and MTFP setting process and is presented to Council in February each year. Both the Vision for County Durham and the Council Plan are structured around around the County Durham approach to Wellbeing. This is based on the best public health evidence for improving people's wellbeing through implementing community centred approaches. The Approach to Wellbeing is about putting people at the heart of everything we do and underpins our work to achieve the County Durham Vision, which includes the following themes and focus:

a) Empowering communities. Working with communities to support their development and empowerment.

b) Being asset focused. Acknowledging the different needs of communities and the potential of their assets.

c) Building resilience. Helping the most disadvantaged and vulnerable and building up their future resilience.

d) Working better together. Working together across sectors to reduce duplication and ensure greater impact.

e) Sharing decision making. Designing and developing services and initiatives with the people who need them.

f) Doing ‘with’, not ‘to’. Making our interventions empowering and centred around you as an individual.

g) A strong evidence base. Everything we do is supported by evidence informed by local conversations.

9 The Council Plan also sets out five ambitions for the organisation, summarised as follows:

a) Our Economy

- A range of employment sites
- A strong, competitive economy
- A broader experience for residents and visitors
- Young people accessing good quality education, training and employment
- Helping all people into rewarding work
- Fewer people affected by poverty and deprivation

b) Our Environment

- A physical environment contributing to good health
- A carbon neutral county
- Reduced impact of waste and pollution on our environment
- A protected, restored and sustainable natural environment

c) Our People

- Children and young people enjoying the best start in life, good health and emotional wellbeing, and a safe childhood
- Children and young people with special educational needs and disabilities will achieve the best possible outcomes
- Promotion of positive behaviours
- Better integration of health and social care services

- Tackle the stigma and discrimination of poor mental health and build resilient communities
- Supporting people to live independently for as long as possible - more homes for older and disabled people
- Supporting people whose circumstances make them vulnerable and protect adults with care and support needs from harm
- Protect and improve the health of the local population, tackling leading causes of illness and death

d) Our Communities

- Improve standards across housing stock
- Towns and villages which are vibrant, well-used, clean, attractive and safe
- Good access to workplaces, services, retail and leisure opportunities
- Communities able to come together and support each other
- More high-quality housing which is accessible and meets the needs of our residents
- Rural communities which are sustainable whilst retaining their distinctiveness
- Narrowed inequality gap between our communities

e) Our Council

- Effectively managed resources
- A workforce for the future
- Services co-produced with service users
- Use data and technology more effectively

10 The Capital Strategy provides a framework to link capital investment to the achievement of the ambitions within Council Plan and ultimately supports the achievement of the Vision for County Durham.

Identification and prioritisation of Capital Investment needs

11 The purpose of the capital budgeting process is to ensure that the money available for capital expenditure is prioritised in the way which best meets the Council's strategic objectives.

12 In the absence of a long term financial settlement and greater certainty over our financial future, the Council has an annual process in which it assesses and

prioritises capital projects that can be funded from available resources. For the 2025/26 – 2028/29 financial planning period, the process was limited to normal maintenance and equipment replacement programmes and to strategically top priority schemes.

13 A key factor that is considered in the assessments is the revenue implications of capital investment – both in terms of the capital financing costs from any required prudential bortrrowing but also the impact on running costs following any investment.

14 The annual capital investment process normally begins in the summer of each year when service groupings are asked to identify capital investment proposals and prioritise them. The bids in the main should be for two years hence. This forward planning ensures that time is available after the approval of a bid to plan a scheme effectively. These are detailed on capital bid forms containing the following headings:

a) Name of Scheme;

b) Background;

c) Justification of inclusion in the capital programme, linked back to corporate vision, approach and ambitions;

d) Benefits - Outputs/Outcomes, linked back to corporate vision, approach and ambitions;

e) Investment by financial year;

f) What the impact would be if the Council did not go ahead with the proposal;

g) Are there any ongoing revenue costs and, if yes, how will these be financed?

15 When each service grouping has identified and prioritised its own capital investment proposals, all of the bids are consolidated. The bids are then considered for prioritisation at a corporate level under which the bids are challenged and assessed to ensure they align with corpoprate priorities.

16 In the autumn of each year capital proposals are presented at a capital budget review meeting of the Capital Member Officer Working Group (MOWG) that considers capital matters. This Working Group provides political oversight of the draft proposals.

17 The full timetable for capital proposals proceeding into the capital programme is as follows:

June/July	Service Groupings consider options, develop / finalise proposals and alignment to corporate priorities and receive Service Management Team approval.
August	Challenge sessions between Corporate Director of Resources and Corporate Directors.
September	Corporate Management Team (CMT) discussion on bids and agreement of bids to go onto MOWG for consideration.
October / December	MOWG consider bids submitted and sign off bids to approve in line with available capital resources.
January	MOWG consider impacts of the provisional local government finance settlement on available capital resources and finalise proposals to submit to Cabinet and County Council in February.
February	Cabinet and County Council approval.

17 There is an established mechanism in place where services are encouraged to drive innovation in service provision. Where capital investment can deliver savings or increase income to fully (or substantially) meet the revenue borrowing cost of the capital investment, services are encouraged to develop appropriate business cases. This invest-to-save (or self-financing) facility can be accessed at any time, not just during the annual budget setting process.

18 A good capital proposal is likely to be one which:

a) Makes a significant contribution to the achievement of the Council's vision, approach and ambitions;

b) Has been thoroughly researched including utilising option appraisals and whole life costing for major projects;

c) Contributes to better preventative and demand management strategies over the medium to long term;

d) Considers fully the ongoing revenue implications of the capital investment;

e) Has been developed in conjunction with stakeholders, including Members and any other services or partners affected, and has appropriate professional input and support from Corporate Property and Land;

f) Has identified and secured external funding; and

g) Has identified realistic and achievable outcomes and outputs.

Overview of the Capital Programme

19 The result of the process set out above is the Council Capital Programme which is simply a set of capital projects that the Council plans to undertake within a specific timeframe. The Capital programme being presented as part of the 2025/26 budget setting process totals £523.473 million, and covers the financial years 2025/26 to 2027/28. The spending is broken down by service grouping and into each financial year as follows:

Service Area	2025/26	2026/27	2027/28	Total
	£m	£m	£m	£m
Adult and Health Services	-	-	-	-
Children and Young People's Services	52.050	18.429	1.795	72.275
Neighbourhoods and Climate Change	68.528	22.778	0.115	91.421
Regeneration, Economy and Growth	199.143	162.961	5.735	367.839
Resources	7.650	6.552	-	14.202
Chief Executive's Office	0.736	-	-	0.736
Total Capital Programme	**328.108**	**210.720**	**7.645**	**546.473**

Managing the Capital Programme

20 The Council maintains comprehensive and robust procedures for managing and monitoring its Capital Programme. Briefly, this comprises the following:

a) The Capital Programme is managed at programme and service level, as well as individual project level;

b) Each scheme has a nominated project manager who is responsible for the successful completion of the scheme against factors such as time, budget, quality, scope and benefit;

c) The Senior Leadership are responsible for ensuring delivery objectives are met for all projects, but with a particular focus on ensuring that:

- high-profile projects are delivered on time and achieve the intended outcomes;

- good progress is being made in delivering the programme generally;
- the overall use of capital and revenue funding is as close as possible to the plans set out in the current year's budget, the capital programme and the medium-term financial strategy.

d) The performance of the capital programme and implications arising from capital monitoring are brought to the attention of the Service Grouping Management Teams, Corporate Management Team and Cabinet;

e) Capital budget monitoring is reported to Cabinet on a quarterly basis, for consideration of any slippage and budget amendments – additions and deletions and transfers between services / programmes;

f) At year end, the outturn position for capital schemes is determined, including accommodation for any slippage and budget carry forwards. The Council's Asset Register and Statement of Accounts are updated with new acquisitions within the year;

g) Reviews of projects are conducted once they have been completed to consider what extent the key delivery objectives, such as time, cost and quality, were met. Lessons learned should be used to improve the organisation's processes for selecting, developing and delivering capital projects.

Funding of the Capital Programme

21 The sources of funding that may be available to finance the Council's capital programme include:

a) External grants and contributions;

b) Capital receipts from the disposal of fixed assets and VAT Shelter arrangements;

c) Revenue contributions;

d) Borrowing.

External Grants and Contributions

22 Grants from external sources are a valuable source of capital finance for the Council and have enabled the Council to realise a substantial number of capital developments that would otherwise have been unable to progress. Some capital projects are financed wholly or partly through external grants and contributions that are specific to projects and cannot be used for other purposes.

23 This includes specific grants from Central Government. Schools benefit from a significant amount of capital grants to fund their expansion and improvement projects. Another example is funding from the Department of Transport to fund capitalised highways maintenance and improvement works.

24 Also included in this category are statutory contributions from developers towards the cost of providing infrastructure or other public assets related to a development, such as funding a new play area when building a housing development.

Capital Receipts

25 In the main, capital receipts are the proceeds from the disposal of assets, usually land and buildings. The Council's Land Disposal Strategy is expected to secure resources over the next few years through the release of surplus land and assets. The resulting capital receipts that are generated from the sale of surplus assets are an important funding source for the capital programme.

26 The Council's policy is to treat all capital receipts as a corporate resource, enabling funds from all asset disposals to be used to support priorities identified by the Council through the capital programme. This means that individual service groupings are not reliant on their ability to generate capital receipts. On that basis, schemes are selected and progressed on a prioritised basis and focused upon Council priorities.

Revenue and Reserves

27 Although the opportunities to fund capital expenditure directly from the base revenue budget are limited, there are occasions where service groupings fund capital expenditure through one-off revenue contributions, for example from service grouping revenue reserves or in-year forecast underspends. Another example relates to schools, which can allocate funds from their revenue budgets to supplement the capital resources allocated to schools improvement and expansion projects.

28 The Council also has earmarked reserves that can be used to support capital expenditure. These are one-off in nature and once used the financing is no longer available.

Borrowing

29 Local authorities are subject to a capital financing regime. This prescribes what may be classed as capital expenditure and how it may be financed. All other expenditure must be met from revenue funding. Authorities have discretion to borrow in accordance with the Prudential Code and they are required to make a prudent provision from their revenue budgets to cover their borrowing

commitments. This means that the ability to borrow to finance capital expenditure is determined largely by the authority's revenue budget position.

30 The Council seeks to minimise the level of borrowing required to finance capital expenditure by maximising grants and contributions received, and ensuring that any surplus assets are sold. The Council can then decide how much to borrow to fund the capital programme. The current policy is to borrow only the amount that the Council consider to be prudent and affordable.

Overview of Funding of the Capital Programme

31 The table below shows how the capital programme is estimated to be financed and covers the financial years 2025/26 to 2027/28.

Funding Source	2025/26	2026/27	2027/28	Total
	£m	£m	£m	£m
Grants and Contributions	99.130	50.036	0.000	149.166
Revenue and Reserves	2.387	0.458	0.454	3.299
Capital Receipts	3.967	2.967	0.000	6.934
Self-financing Borrowing	28.680	69.950	0.000	98.630
DCC Prudential Borrowing	193.944	87.309	7.191	288.444
TOTAL	**328.108**	**210.720**	**7.645**	**546.473**

Conclusion

32 The arrangements set out in the Capital Strategy provide a framework that enables the Council to allocate its capital resources to schemes that meet agreed corporate priorities. The arrangements will be subject to ongoing review to ensure they continue to meet requirements after any changes in the regulatory and financial environment.

Appendix 10: Current Council Capital Programme

Service Grouping / Service Area	Link to Corporate Plan Priorities	2024/25	2025/26	2026/27	2027/28	Total
		£	£	£	£	£
ADULT AND HEALTH SERVICES						
LD Provider Services	Our People – Support people whose circumstances make them vulnerable and protect adults with care and support needs from harm.	740,206	0	0	0	740,206
ADULT AND HEALTH SERVICES TOTAL		**740,206**	**0**	**0**	**0**	**740,206**
CHILDREN AND YOUNG PEOPLE'S SERVICES						
Support for Children's Homes	Our People – Children and young people enjoying the best start in life, good health and emotional wellbeing, and a safe childhood. Support people whose circumstances make them vulnerable and protect adults with care and support needs from harm.	2,887,745	3,752,953	0	0	6,640,698
Children's Services - AAP	Our Economy – Young people accessing good quality education, training and employment.	754	0	0	0	754

Service Grouping / Service Area	Link to Corporate Plan Priorities	2024/25	2025/26	2026/27	2027/28	Total
		£	£	£	£	£
DFE Special Provision Capital Fund	Our Economy – Helping all people into rewarding work. Our People - Children and young people enjoying the best start in life, good health and emotional wellbeing, and a safe childhood. Young people accessing good quality education, training and employment.	0	0	0	0	0
High Needs Capital Provision Fund	Our People- Children and young people enjoying the best start in life, good health and emotional wellbeing, and a safe childhood. Children and young people with special educational needs and disabilities will achieve the best possible outcomes. Young people accessing good quality education, training and employment.	8,847,649	12,184,488	15,602	0	21,047,739
School Devolved Capital	Our Economy – Young people accessing good quality education, training and employment.	2,660,584	2,610,385	0	0	5,270,969
Education - Early Years	Our People – Children and young people enjoying the best start in life, good health and	974,828	0	0	0	974,828

Service Grouping / Service Area	Link to Corporate Plan Priorities	2024/25	2025/26	2026/27	2027/28	Total
		£	£	£	£	£
	emotional wellbeing, and a safe childhood. Our Economy – Helping all people into rewarding work. A strong, competitive economy.					
DFE School Capital Incl. Basic Need	Our Economy – Young people accessing good quality education, training and employment.	20,789,596	15,959,240	1,358,266	0	38,107,102
Belmont School - New build	Our Economy – Young people accessing good quality education, training and employment.	17,534,135	2,487,598	0	0	20,021,733
Bowburn Primary School - New build	Our Economy – Young people accessing good quality education, training and employment.	1,921	0	0	0	1,921
Escomb Primary School - New build	Our Economy – Young people accessing good quality education, training and employment.	994,929	0	0	0	994,929
Greenfield Community College - New build	Our Economy – Helping all people into rewarding work. Our People – Young people accessing good quality education, training and employment.	2,296,443	14,200,000	7,075,262	1,794,922	25,366,627
Spennymoor Primary School - New build	Our Economy –	4,611,095	855,759	0	0	5,466,854

Service Grouping / Service Area	Link to Corporate Plan Priorities	2024/25	2025/26	2026/27	2027/28	Total
		£	£	£	£	£
	Young people accessing good quality education, training and employment.					
Building Schools for the Future	Our Economy – Young people accessing good quality education, training and employment.	0	0	380,218	0	380,218
Private Finance Initiative	Our Economy – Young people accessing good quality education, training and employment.	29,327	0	0	0	29,327
Secure Services	Our People – Support people whose circumstances make them vulnerable and protect adults with care and support needs from harm.	731,657	0	0	0	731,657
Children's Services - Planning and Service Strategy	Our People – Children and young people enjoying the best start in life, good health and emotional wellbeing, and a safe childhood.	145,414	0	0	0	145,414
CHILDREN AND YOUNG PEOPLE'S SERVICES TOTAL		**62,506,077**	**52,050,423**	**8,829,348**	**1,794,922**	**125,180,770**
NEIGHBOURHOODS AND CLIMATE CHANGE						
Community Protection	Our Communities – Communities able to come together and support each other.	1,084,122	0	0	0	1,084,122
AAP Schemes - Community Protection	Our Communities –	63,798	0	0	0	63,798

Service Grouping / Service Area	Link to Corporate Plan Priorities	2024/25	2025/26	2026/27	2027/28	Total
		£	£	£	£	£
	Towns and villages which are vibrant, well-used, clean, attractive and safe. Communities able to come together and support each other. Rural communities which are sustainable whilst retaining their distinctiveness. Narrowed inequality gap between our communities.					
Strategic Waste	Our Environment – Reduced impact of waste and pollution on our environment. Our Council – Effectively managed resources.	738,311	1,215,339	2,500,000	0	4,453,650
Fleet	Our Council – Effectively managed resources.	736,475	3,866,823	0	0	4,603,298
Clean and Green	Our Economy – A strong, competitive economy. Our Communities – Towns and villages which are vibrant, well-used, clean, attractive and safe.	614,340	1,371,036	0	0	1,985,376
Environment and Design	Our Environment – A physical environment contributing to good health. A carbon neutral county. Reduced impact of waste and pollution on our environment. A protected, restored and sustainable natural environment.	1,792,119	459,105	0	0	2,251,224

Service Grouping / Service Area	Link to Corporate Plan Priorities	2024/25	2025/26	2026/27	2027/28	Total
		£	£	£	£	£
Depots	Our Council – Effectively managed resources. Our Environment – A carbon neutral county. Reduced impact of waste and pollution on our environment.	132,495	842,826	0	0	975,321
Low Carbon Team	Our Environment – A physical environment contributing to good health. A carbon neutral county. Reduced impact of waste and pollution on our environment. A protected, restored and sustainable natural environment.	3,895,386	8,913,548	2,000,000	0	14,808,934
Neighbourhood Protection	Our Environment – A physical environment contributing to good health.	10,230	436,587	65,000	115,000	626,817
North Pennines Partnership	Our Environment – A physical environment contributing to good health. A carbon neutral county.	65,784	8,998	0	0	74,782
Refuse and Recycling	Our Environment – Reduced impact of waste and pollution on our environment. Our Council – Effectively managed resources.	1,750,113	0	0	0	1,750,113
Strategic Highways - Capitalised Maintenance	Our Economy – A strong, competitive economy.	25,857,449	34,590,239	0	0	60,447,688
Strategic Highways - Structures	Our Economy – A strong, competitive economy.	7,417,221	7,523,135	0	0	14,940,356
Highway Operations	Our Council –	854,826	13,029	0	0	867,855

Service Grouping / Service Area	Link to Corporate Plan Priorities	2024/25	2025/26	2026/27	2027/28	Total
		£	£	£	£	£
	Effectively managed resources.					
Strategic Highways - Street Lighting	Our Economy – A strong, competitive economy.	3,631,786	936,945	0	0	4,568,731
Strategic Highways - Drainage	Our Economy – A strong, competitive economy.	2,902,145	1,754,500	1,412,624	0	6,069,269
NEIGHBOURHOODS AND CLIMATE CHANGE TOTAL		**51,546,600**	**61,932,110**	**5,977,624**	**115,000**	**119,571,334**
REGENERATION, ECONOMY AND GROWTH						
Town Centres	Our Economy – A range of employment sites. A strong, competitive economy. Our Communities – Towns and villages which are vibrant, well-used, clean, attractive and safe. Rural communities which are sustainable whilst retaining their distinctiveness.	9,923,160	13,985,796	10,569,657	0	34,478,613
Eastgate	Our Communities – More high-quality housing which is accessible and meets the needs of our residents. Improve standards across housing stock.	0	150,000	360,830	0	510,830
North Dock Seaham	Our Economy – A range of employment sites. A strong, competitive economy.	20,570	20,000	0	0	40,570

Service Grouping / Service Area	Link to Corporate Plan Priorities	2024/25	2025/26	2026/27	2027/28	Total
		£	£	£	£	£
Minor Development and Housing Schemes	Our Communities – More high-quality housing which is accessible and meets the needs of our residents. Improve standards across housing stock.	108,926	0	0	0	108,926
Members Neighbourhood Fund	Our Communities – Towns and villages which are vibrant, well-used, clean, attractive and safe. Communities able to come together and support each other. Rural communities which are sustainable whilst retaining their distinctiveness. Narrowed inequality gap between our communities.	1,440,972	3,097,734	0	0	4,538,706
AAP Capital Budgets	Our Communities – Towns and villages which are vibrant, well-used, clean, attractive and safe. Communities able to come together and support each other. Rural communities which are sustainable whilst retaining their distinctiveness. Narrowed inequality gap between our communities.	625,019	420,000	0	0	1,045,019
Chapter Homes	Our Communities –	0	1,000,000	1,480,000	0	2,480,000

Service Grouping / Service Area	Link to Corporate Plan Priorities	2024/25	2025/26	2026/27	2027/28	Total
		£	£	£	£	£
	More high-quality housing which is accessible and meets the needs of our residents. Improve standards across housing stock.					
Beamish Capital Project	Our Economy – A broader experience for residents and visitors.	3,428,565	1,737,245	0	0	5,165,810
Town and Village Centres	Our Economy – A range of employment sites. A strong, competitive economy. Our Communities – Towns and villages which are vibrant, well-used, clean, attractive and safe. Rural communities which are sustainable whilst retaining their distinctiveness.	3,289,815	4,401,220	356,006	0	8,047,041
Business Durham	Our Economy – A range of employment sites. A strong competitive economy.	47,569,769	37,122,804	11,309,156	0	96,001,729
Community Infrastructure	Our Economy – A range of employment sites. A strong competitive economy. Our Communities – Towns and villages which are vibrant, well-used, clean, attractive and safe. Rural communities which are sustainable whilst retaining their distinctiveness.	3,450,000	0	0	0	3,450,000

Service Grouping / Service Area	Link to Corporate Plan Priorities	2024/25	2025/26	2026/27	2027/28	Total
		£	£	£	£	£
Rural England Prosperity Fund	Our Economy – A range of employment sites. A strong competitive economy.	284,324	87,000	0	0	371,324
Outdoor Sports and Leisure Facilities	Our Communities – Good access to workplaces, services, retail and leisure opportunities. Our People – Promotion of positive behaviours. Protect and improve the health of the local population, tackling leading causes of illness and death.	51,000	163,000	100,000	86,435	400,435
Leisure Centres	Our Communities – Good access to workplaces, services, retail and leisure opportunities. Our People - Promotion of positive behaviours. Protect and improve the health of the local population, tackling leading causes of illness and death.	7,758,179	28,453,487	8,861,766	527,405	45,600,837
Culture and Museums	Our Economy – A broader experience for residents and visitors. A range of employment sites. Our Communities – Towns and villages which are vibrant, well-used, clean, attractive and safe.	10,868,743	13,523,278	19,540	0	24,411,561
Durham History Centre	Our Economy –	1,934,826	270,907	420,696	0	2,626,429

Service Grouping / Service Area	Link to Corporate Plan Priorities	2024/25	2025/26	2026/27	2027/28	Total
		£	£	£	£	£
	A broader experience for residents and visitors. A range of employment sites. Our Communities – Towns and villages which are vibrant, well-used, clean, attractive and safe.					
AAP Schemes - Sport and Leisure	Our Communities – Good access to workplaces, services, retail and leisure opportunities. Our People – Protect and improve the health of the localpopulation, tackling leading causes of illness and death. Promotion of positive behaviours.	0	8,972	0	0	8,972
Library	Our Communities – Towns and villages which are vibrant, well-used, clean, attractive and safe. Our Council – Effectively managed resources.	0	150,000	0	0	150,000
Minor Strategy Programmes and Performance	Our Economy – A range of employment sites. A strong, competitive economy.	812	4,648	75,000	0	80,460
Local Transport Plan - Integrated Transport	Our Economy – A strong, competitive economy. Our Communities – Towns and villages which are vibrant, well-used, clean, attractive and safe.	1,086,553	2,423,094	0	0	3,509,647

Service Grouping / Service Area	Link to Corporate Plan Priorities	2024/25	2025/26	2026/27	2027/28	Total
		£	£	£	£	£
	Good access to workplaces, services, retail and leisure opportunities. Rural communities which are sustainable whilst retaining their distinctiveness. Narrowed inequality gap between our communities.					
Transport - Major Schemes	Our Economy – A range of employment sites. A strong, competitive economy. Our Communities – Towns and villages which are vibrant, well-used, clean, attractive and safe. .Good access to workplaces, services, retail and leisure opportunities.	42,674,711	41,457,507	6,837,000	0	90,969,218
Traffic and Community Engagement	Our Economy – A range of employment sites. A strong, competitive economy. Our Communities – Towns and villages which are vibrant, well-used, clean, attractive and safe. Good access to workplaces, services, retail and leisure opportunities. Our Council – Services co-produced with service users.	1,068,947	140,000	0	0	1,208,947

Service Grouping / Service Area	Link to Corporate Plan Priorities	2024/25	2025/26	2026/27	2027/28	Total
		£	£	£	£	£
Office Accommodation	Our Council – Effectively managed resources.	2,747,419	8,714,125	6,964,846	535,391	18,961,781
Capitalised Structural Maintenance	Our Council – Effectively managed resources.	5,082,872	9,915,213	0	0	14,998,085
Milburngate	Our Economy – A range of employment sites. A strong, competitive economy. A broader experience for residents and visitors. Our Communities – Towns and villages which are vibrant, well-used, clean, attractive and safe.	0	0	2,364,348	1,243,120	3,607,468
Aykley Heads	Our Economy – A range of employment sites. A strong, competitive economy.	4,009,200	0	0	0	4,009,200
Disabled Facilities/Financial Assistance	Our Communities – Narrowed inequality gap between our communities. Support people to live independently for as long as possible - more homes for older and disabled people.	5,843,430	6,588,844	537,212	273,933	13,243,419
Housing Renewal	Our Communities – More high-quality housing which is accessible and meets the needs of our residents. Improve standards across housing stock.	11,130,987	6,437,385	916,985	0	18,485,357
Housing Development	Our Communities –	2,022,888	4,973,368	5,014,021	3,068,456	15,078,733

Service Grouping / Service Area	Link to Corporate Plan Priorities	2024/25	2025/26	2026/27	2027/28	Total
		£	£	£	£	£
	More high-quality housing which is accessible and meets the needs of our residents. Improve standards across housing stock.					
Minor Planning and Housing	Our Communities – More high-quality housing which is accessible and meets the needs of our residents. Improve standards across housing stock.	1,116,842	714,685	0	0	1,831,527
REGENERATION, ECONOMY AND GROWTH TOTAL		**167,538,529**	**185,960,312**	**56,187,063**	**5,734,740**	**415,420,644**
RESOURCES						
Digital Workforce - HR/Payroll System	Our Council – Effectively managed resources. A workforce for the future. Use data and technology more effectively.	721	0	0	0	721
Applications and Development	Our Council – Effectively managed resources. A workforce for the future. Use data and technology more effectively.	200,000	33,749	0	0	233,749
Design and Print	Our Council – Effectively managed resources.	33,899	0	0	0	33,899
Technical Services	Our Council – Effectively managed resources.	2,652,304	5,104,766	0	0	7,757,070
Digital Durham	Our Economy –	363,554	1,341,698	1,987,784	0	3,693,036

Service Grouping / Service Area	Link to Corporate Plan Priorities	2024/25	2025/26	2026/27	2027/28	Total
		£	£	£	£	£
	A strong, competitive economy.					
Digital Engagement	Our Council – Services co-produced with service users.	62,625	0	0	0	62,625
Transactional and Customer Services	Our Council – Effectively managed resources. Use data and technology more effectively.	1,250,000	0	0	0	1,250,000
RESOURCES TOTAL		**4,563,103**	**6,480,213**	**1,987,784**	**0**	**13,031,100**
CHIEF'S EXECUTIVE OFFICE						
Community Buildings	Our Communities – Towns and villages which are vibrant, well-used, clean, attractive and safe. Communities able to come together and support each other. Rural communities which are sustainable whilst retaining their distinctiveness.	560,498	699,230	0	0	1,259,728
Policy Planning and Performance	Our Council – Effectively managed resources.	421,372	36,600	0	0	457,972
Equality	Our Council – Effectively managed resources. Our Communities - Narrowed inequality gap between our communities.	219,184	0	0	0	219,184
CHIEF'S EXECUTIVE OFFICE TOTAL		**1,201,054**	**735,830**	**0**	**0**	**1,936,884**

Service Grouping / Service Area	Link to Corporate Plan Priorities	2024/25	2025/26	2026/27	2027/28	Total
		£	£	£	£	£
COUNTY COUNCIL TOTAL		**288,095,569**	**307,158,888**	**72,981,819**	**7,644,662**	**675,880,938**

Appendix 11: New Capital Programme Schemes for MTFP(15)

Service	Scheme	Background	Linkages to Corporate Plan Priorities	2025/26 £'000	2026/27 £'000	Total £'000
CYPS	Schools Condition Funding and Basic Needs	This element of Capital Grant is allocated by the Department of Education to local authorities by both school condition and weighted pupil numbers, with the level of funding dictated by the Department for Education's Condition Data Collection Data. The additional grant funding is an estimate of the likely grant funding in 2026/27 and is in line with the estimated allocation in 2025/26.	Our Economy – Young people accessing good quality education, training and employment and Our People – Children and Young People enjoying the best start in life, good health and emotional wellbeing, and a safe childhood.		6,500	**6,500**
CYPS	School Devolved Capital	This capital grant is allocated to individual schools to invest in school infrastructure. The additional grant funding is an estimate of the likely grant funding in 2026/27 and is in line with the estimated allocation in 2025/26.	Our Economy – Young people accessing good quality education, training and employment and Our People – Children and Young People enjoying the best start in life, good health and emotional wellbeing, and a safe childhood.		1,100	**1,100**
CYPS	Children's Social Care Sufficiency Strategy	This budget sum enables further investment in Edge of Care and additional In-House Care Home capacity to help manage the children's social care residential market and help mitigate the forecast increase in	Our people – Children and Young People Enjoying the best start in life, good health and emotional wellbeing, and a safe childhood.		2,000	**2,000**

Service	Scheme	Background	Linkages to Corporate Plan Priorities	2025/26 £'000	2026/27 £'000	Total £'000
		children's social care costs in later years. This additional investment will be funded by borrowing.				
CYPS SUB-TOTAL				**0**	**9,600**	**9,600**
NCC	Department for Transport – Local Transport Plan Highways Maintenance	The Local Transport Adopted Highways Maintenance Grant Funding is annual capital grant funding, from the Department of Transport which is provided to support local authorities with their statutory responsibility to maintain the adopted highway in a safe condition. The additional grant funding is an estimate of the likely grant funding in 2026/27 and is in line with the estimated allocation in 2025/26.	Our Environment – A physical environment contributing to good health and a protected, restored and sustainable natural environment		14,800	**14,800**
NCC	Department for Transport – Local Transport Plan Highways Maintenance	The Autumn 2024 Budget announced nearly £1.6 billion in capital funding for local highways maintenance in England for the financial year 2025 to 2026. This includes £500 million of additional funding when compared to funding levels for 2024 to 2025. The additional funding will be allocated to the North East Combined Authority (NECA), and the Council's share is expected to be confirmed before the start of 2025/26.	Our Environment – A physical environment contributing to good health and a protected, restored and sustainable natural environment	6,596		**6,596**

Service	Scheme	Background	Linkages to Corporate Plan Priorities	2025/26 £'000	2026/27 £'000	Total £'000
NCC	Wolsingham Bridge	This budget sum will fund major essential repairs to Wolsingham Bridge.	Our Environment – A physical environment contributing to good health and a protected, restored and sustainable natural environment		2,000	**2,000**
NCC SUB-TOTAL				**6,596**	**16,800**	**23,396**
REG	Integrated Transport – Local Transport Fund	Local Transport Plan – Department for Transport Grant Funding to deliver the Local Transport Plan at the core of delivery of transport improvements across County Durham. The additional grant funding is an estimate of the likely grant funding in 2026/27 and is in line with the estimated allocation in 2025/26.	Our Environment – A Physical Environment contributing to good health and a protected, restored and sustainable natural environment. Our economy – a strong, competitive economy. Our Communities – Towns and Villages which are vibrant, well-used, clean, attractive and safe. Good access to workplaces, services, retail and leisure opportunities. Rural communities which are sustainable, whilst retaining their distinctiveness. Narrowed equality gap between our communities.		**2,700**	**2,700**
REG	City Region Sustainable Transport Settlement Funding from North East Combined Authority	The Council has received notification from NECA that it will receive £23.0 million as its allocation of the regional share of Phase 1 funding for City Region Sustainable Transport Settlement Funding, to be defrayed over 2025/26 and 2026/27.	Our Environment – A Physical Environment contributing to good health and a protected, restored and sustainable natural environment. Our economy – a strong, competitive economy.	**11,500**	**11,500**	**23,000**

Service	Scheme	Background	Linkages to Corporate Plan Priorities	2025/26 £'000	2026/27 £'000	Total £'000
		This provides a regionally equitable transport investment for Durham reflective of the unique context surrounding the devolution deal agreed in 2022. The Council will be required to put forward schemes which are subject to business case approval by NECA to drawdown the funding. The Council may also be required to provide some degree of match funding towards the schemes, on a case-by-case basis. It is expected that match funding will be found from within the existing capital programme.	Our Communities – Towns and Villages which are vibrant, well-used, clean, attractive and safe. Good access to workplaces, services, retail and leisure opportunities. Rural communities which are sustainable, whilst retaining their distinctiveness. Narrowed equality gap between our communities.			
REG	Disabled Facilities Adaptations Grant	Disabled Facilities Grant is a specific grant which provides significant support to the most vulnerable client groups across County Durham. Adaptations enable clients to remain within their own homes and to live independently. Most grants are awarded to the over-60 age group. Support for the grant is important as it plays a key role in increasing independence and enabling clients to live at home longer.	Our People – Supporting people to live independently for as long as possible – more homes for older and disabled people	1,683	8,671	**10,354**

Service	**Scheme**	**Background**	**Linkages to Corporate Plan Priorities**	**2025/26 £'000**	**2026/27 £'000**	**Total £'000**
REG	County Hall Demolition and Site Clearance	This additional budget allocation takes the total available capital budget to £13.341 million to estimated costs of the site demolition and site clearance.	Our Council – effectively managed resources and a workforce for the future		2,880	**2,880**
REG	NetPark Phase 3a	This capital allocation is provided to cover the element of the speculative build costs of Netpark Phase 3a which cannot be self-funded is a major inward investor does not take up occupancy in the facility and the asset must be leased at a lower secondary rent. This position could be mitigated if the prospective tenant takes occupancy of the building or would be willing to consider making a capital contribution to mitigate the risk, with discussions ongoing in this regard.	Our Economy – a strong and competitive economy		12,731	**12,731**
REG	Buildings Capitalised / Structural Maintenance	Continuing programme of planned work, alterations and adaptations to reduce the backlog maintenance of the Council's non-school portfolio and to meet obligations under relevant legislation such as the Health and Safety Act.	Our Council – effectively managed resources and a workforce for the future		8,000	**8,000**
REG	Members Neighbourhoods Budget (Capital)	To fulfil their roles as community champions and work in partnership with Community Networks to address local priorities in their communities, since 2009, elected members have been allocated a Neighbourhood	Our communities – Communities can come together and support each other and rural communities, which are sustainable, whilst retaining their distinctiveness.		1,372	**1,372**

Service	Scheme	Background	Linkages to Corporate Plan Priorities	2025/26 £'000	2026/27 £'000	Total £'000
		Budget. The capital allocation will be set aside for 2026/27 and represents £14,000 per elected member (98 members from May 2025).	Towns and Villages which are vibrant, well-used, clean, attractive and safe. Rural Communities which are sustainable, whilst retaining their distinctiveness. Narrowed inequality gap between our communities.			
REG	Community Network Budgets	Local Community Networks are allocated capital funds to use flexibly on grants to the local community. From May 2025, each of the Local Community Networks will be allocated capital funding to distribute. This allocation represents the allocation for 2026/27.	Our communities – Communities are able to come together and support each other and also rural communities, which are sustainable, whilst retaining their distinctiveness. Towns and Villages which are vibrant, well-used, clean, attractive and safe. Rural Communities which are sustainable, whilst retaining their distinctiveness. Narrowed inequality gap between our communities.		420	**420**
REG	Demolitions	It is a key ambition of the Council to create a connected series of communities, living in a safe and clean, attractive environment and where youth crime and antisocial behaviours are controlled and managed effectively. When Council derelict buildings remain on site whilst	Our Communities – Towns and Villages which are vibrant, well-used, clean, attractive and safe.		1,000	**1,000**

Service	Scheme	Background	Linkages to Corporate Plan Priorities	2025/26 £'000	2026/27 £'000	Total £'000
		awaiting disposal through sale or new development, they can be subject to or attract antisocial behaviour. This can result in fire damage and structural damage to the fabric of the building.				
REG	Aykley Heads	The entering into a Joint Venture arrangement for Aykley Heads requires an initial capital contribution from the Council of £2.5 million to fulfil pre-development design work for the first phase of development on Aykley Heads, the initial costs of providing suitable site-wide infrastructure and associated master planning for this site.	Our Economy – a strong and competitive economy		2,500	**2,500**
REG	Milburngate	Subject to separate Cabinet approval on 12 February 2025, this capital sum – funded on a self-financing basis from the income generated – will provide for the acquisition, remediation and changing layout of the site. The capital financing costs of this additional borrowing are expected to be managed from the additional rental income streams which will be generated once the facility if fully operational.	Our Economy – a strong and competitive economy		55,000	**55,000**
REG Sub-total				**13,183**	**106,774**	**119,957**

Service	Scheme	Background	Linkages to Corporate Plan Priorities	2025/26 £'000	2026/27 £'000	Total £'000
RES	ICT Equipment / Devices	Replacement of computers, mobile phones, monitors and peripheral IT hardware. This investment will ensure that all staff have appropriate equipment to fulfil their job roles and can operate in a hybrid working environment.	Our Council – using data and technology more efficiently		1,914	**1,914**
RES	Microsoft 365 Back Ups	Essential investment to back-up our existing Microsoft 365 infrastructure if Microsoft suffer an outage, which provides us with a separate independent disaster recovery copy of our data.	Our Council – using data and technology more efficiently	150	150	**300**
RES	Wireless Access Points	Investment to replace our Ageing Wireless Access Points. A lot of our buildings have legacy Wi-Fi access points. The service is distributing modern devices to users, and the connectivity to our existing Wi-Fi points is not sufficiently fast. This investment with improve the effectiveness of our Wi-Fi access points with our modern technology.	Our Council – using data and technology more efficiently	220		**220**
RES	Library System	Replacement of existing Library System to a more secure and efficient system. This is to replace a legacy system which is more that 25 years old and we have limited internal knowledge of the system.	Our Council – using data and technology more efficiently	300		**300**

Service	Scheme	Background	Linkages to Corporate Plan Priorities	2025/26 £'000	2026/27 £'000	Total £'000
RES	Oracle Fusion	Earmarked investment to replace our existing Financial Management System (Oracle) to a cloud-based system with enhanced functionality and performance. This initial allocation may need increasing as part of an MTFP(16) bid depending on the scale of the investment and opportunities to further rationalise our existing software systems, including the HR and Payroll systems.	Our Council – using data and technology more efficiently	500	2,500	**3,000**
Resources Sub-total				**1,170**	**4,564**	**5,734**
Grand Total				**20,949**	**137,738**	**158,687**

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Appendix 12: Durham County Council Annual Treasury Management Strategy Statement 2025/26

Purpose

1 In accordance with statutory guidance and the Council's Financial Procedure rules, this report sets out the proposed Treasury Management Strategy, the Annual Investment Strategy, Prudential Indicators, Minimum Revenue Provision (MRP) Policy and Treasury Management Policy Statement and Practices (which are detailed at Annex 1) 2025/26.

Background

2 Treasury management is defined as "the management of the local authority's borrowing, investments and cash flows, including its banking, money market and capital market transactions, the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks".

3 The Council operates a balanced budget, which broadly means that cash raised during the year will meet cash expenditure, although there are occasions when the budget needs to be balanced with the temporary use of reserves. Part of the treasury management function is to ensure that cash flow is adequately planned, with surplus monies being invested in low-risk counterparties. This is commensurate with the Council's low risk appetite and provides sufficient liquidity and security, with the achievement of the best possible investment returns ranking as less important.

4 The second main function of the treasury management service is to arrange the funding of the Council's capital programme, which will support the provision of Council services and delivery of Council Plan objectives. Part of the capital programme is financed through external borrowing, so longer term cash flows need to be planned to ensure capital spending requirements can be met. The management of longer-term cash may involve arranging long- or short-term loans, utilising longer term cash flow surpluses and, occasionally when prudent and economic, restructuring debt to meet Council's risk or cost objectives.

5 The Council adopts the latest CIPFA Code of Practice on Treasury Management (the Code) which is regarded as best practice, to ensure there is adequate monitoring of the Council's capital expenditure plans and its Prudential Indicators (PIs). It is recommended in the Treasury Management Code that Members are appraised of the Council's treasury management activity through regular reports, that include the following as a minimum:

(a) an annual Treasury Management Strategy Statement in advance of the year (this report);

(b) a mid-year Treasury Management Review report, covering the first six months of the financial year (the 2024/25 mid-year review was reported to Council on 11 December 2024);

(c) an annual review following the end of the year, describing the activity compared to the strategy (the 2023/24 review was reported to Council on 17 July 2024).

6 The 2021 Prudential Code introduced a requirement for the monitoring and reporting of treasury management performance against forward-looking indicators at least quarterly. A report is not required to be taken to Full Council but the information is reported as part of the Council's integrated revenue and capital monitoring.

7 This report provides a summary of the following for 2025/26:

(a) Summary Treasury Position;

(b) Borrowing Strategy;

(c) Other Debt and Long-Term Liability Plans;

(d) Annual Investment Strategy;

(e) Non-Treasury Investments;

(f) Treasury Management Indicators;

(g) Prudential Indicators;

(h) MRP Policy Statement;

(i) Other Matters.

8 These elements cover the requirements of the various laws, codes and guidance that cover the treasury management activity, including the Local Government Act 2003, the CIPFA Prudential Code, Statutory Guidance on Minimum Revenue Provision, the CIPFA Treasury Management Code and Statutory Guidance on Local Government Investments.

Summary Treasury Position

9 The Council's debt and investment position is organised to ensure adequate liquidity for revenue and capital activities, security for investments, and to manage risks within all treasury management activities.

10 The following table shows the Council's treasury position (excluding borrowing through leasing and the Private Finance Initiative (PFI)) as at 31 March 2024, mid-year as at 30 September 2024, and the expected position for 31 March 2025.

	31/03/2024 Actual £ Million	Average Rate / Return	30/09/2024 Actual £ Million	Average Rate / Return	31/03/2025 Estimate £ Million	Average Rate / Return
Total Debt (principal)	411.632	3.12%	409.445	3.02%	424.770	3.03%
Total Investments (principal)	217.049	5.65%	157.142	5.35%	7.000	4.39%
Net Debt	**194.583**		**252.303**		**417.770**	

11 The main factor representing the movement throughout the year in the Council's borrowing level was the maturity of PWLB borrowing in November 2024 (£32 million), along with repayments of annuity and equal instalment of principal loans in year (£5 million). It is estimated that £50 million of new borrowing will be taken out before 31 March 2025.

12 Working closely with the Council's external treasury management advisers, the Council refinanced £58 million of loans held with Phoenix Finance during the first half of 2024/25. This secured an interest rate saving of 0.68 percentage points on the loans held at no premium refinancing costs. The refinanced loans have been converted to an equal instalment of principal (EIP) basis from an annuity basis and have been refinanced over a shorter period. The refinancing will save £0.383 million in interest costs in 2024/25 and £0.410 million in 2025/26, with small interest savings accruing in the last three years of the MTFP (15) planning period.

13 Investment balances are expected to reduce further towards the end of the financial year, as the Council continues to use internal balances to fund capital expenditure whilst interest rates on borrowing remain high.

Borrowing Strategy

14 The Council held circa £412 million of loans at 31 March 2024. The balance had reduced to circa £409 million at 30 September 2024 and is expected to be circa £425 million at 31 March 2025. The table below provides a breakdown of the Council's borrowing portfolio.

	31/03/2024 Actual £ Million	In Year Movement £ Million	31/03/2025 Estimate £ Million	Average Rate
Public Works Loan Board	325.379	-4.940	320.439	2.75%
Other Local Authorities	-	20.000	20.000	4.75%

Private Sector	86.253	-1.921	84.332	2.97%
Total Borrowing	**411.632**	**13.138**	**424.770**	**3.03%**

15 The Council's chief objective when borrowing has been to strike an appropriate risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required.

16 The difference between the Council's borrowing requirement and the actual borrowing undertaken is met by internal borrowing. This represents the ability of the Council to use its balance sheet reserves to delay the date that loans are taken out.

17 The strength of the Council's balance sheet means that despite the underlying need to take out new borrowing to fund the capital programme, in the past the Council was able to delay borrowing until interest rates have come down. Using internal balances is generally the most cost-effective option, particularly during periods of high inflation and high interest rates.

18 The strategy of maintaining an under-borrowed position is prudent as medium- and longer-dated borrowing rates are expected to fall from their current levels, albeit only once prevailing inflation concerns are addressed by restrictive near-term monetary policy. The Bank Rate is forecast to remain relatively elevated in 2025/26, even if some rate cuts arise.

19 The current MTFP planning assumptions are based on £515 million of new loans being taken out during 2025/26 and 2026/27. This will still leave the Council under-borrowed by the end of 2028/29.

20 The following sources of long-term and short-term borrowing have been identified for approval:

(a) Public Works Loan Board ("PWLB");

(b) UK local authorities;

(c) Any institution approved for investments, as detailed later in this report;

(d) UK public / private sector pension funds;

(e) European Investment Bank; and

(f) Local authority special purpose vehicles created to enable local authority bond issues (for example the Municipal Bonds Agency).

21 A major source of the Council's borrowing is the Public Works Loan Board (PWLB), which is a lending facility operated by the UK Debt Management Office on behalf of HM Treasury. To have access to PWLB loans, the current

arrangements require the Council to confirm that they are not buying investment assets primarily for yield and that they are not borrowing in advance of need, with the aim of making a profit from the sums borrowed.

22 The Council meets this borrowing criteria, so taking out PWLB loans is an option available to the Council. Loan rates are fluid, with PWLB rates changing twice daily, and the Council will continue to work with its external treasury management advisers to monitor rates and cash flow requirements, to determine the timing for taking out further loans.

Policy on Borrowing in Advance of Need

23 The Council will not borrow more than, or in advance of, its needs, purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be made based on its estimate of borrowing need, also called the Capital Financing Requirement (CFR) and following careful consideration, to demonstrate value for money and ensure the security of funds received.

24 Any risks associated with activity to borrow in advance will be subject to prior appraisal and will be subsequently accounted for in the Treasury Management report that follows.

Debt Rescheduling

25 Advantages of debt rescheduling include:

(a) generating cash savings and / or discounted cash flow savings;

(b) helping to fulfil the treasury strategy;

(c) enhancing the balance of the portfolio (amending the maturity profile and / or the balance of volatility).

26 Rescheduling of current borrowing in the Council’s debt portfolio may be considered whilst premature redemption rates remain elevated, but only if there is surplus cash available to facilitate any repayment, or rebalancing of the portfolio to provide more certainty is considered appropriate.

Other Debt and Long-Term Liability Plans

27 Although not classed as borrowing, the Council has some long-standing school PFI contractual arrangements, and enters into financial arrangements to hire in replacement fleet vehicles and equipment via finance leases. These financial arrangements must be classified as a form of borrowing, as the Council has entered a contractual commitment to make payments over the

useful economic life of these assets through a recurring payment. Accounting regulations require the Council to classify such arrangements as a form of borrowing.

28 Members were advised of the impact of the application of a new accounting standard - International Financial Reporting Standard (IFRS) 16 – Leases, in a report to the Audit Committee on 29 September 2023 and regular updates on progress have been provided as part of the Treasury Management Mid-Year and Annual reports to Council, the most recent being on 11 December 2024. The implementation of this standard is effective from 1 April 2024 and the impacts will be included in the 2024/25 Statement of Accounts.

29 The main impact of IFRS16 is to remove (for lessees) the traditional distinction between finance leases and operating leases. Finance leases have historically been accounted for as acquisitions, with the asset on the balance sheet, together with a liability to pay for the asset acquired shown in long term liabilities. In contrast, operating leases have been treated as "pay as you go" arrangements, similar to renting an item, with rentals charged to revenue in the year they are paid and no requirement to reflect this in the balance sheet.

30 IFRS16 requires all substantial leases to be accounted for using the acquisition approach, recognising the rights acquired to use an asset.

31 The application of IFRS16 impacts on statutory reporting requirements and lead to an increase in liabilities (debt) on the council's balance sheet. This increase in liabilities will be treated as capital expenditure, which will in turn increase the council's capital financing requirement (CFR).

32 As the council is already making lease payments for these "right of use" assets, budget adjustments are made between services using these assets and the Council's capital financing budgets to account for these costs. The adjustments are equal to the principal element of the existing lease repayments (which will be included in the annual minimum revenue provision (MRP) charge), and therefore there is a net nil effect on the Council's revenue budget.

33 Good progress has been made in preparing for the implementation of IFRS16 and the Council remains on track to fully comply with the changes in accounting practice in advance of preparing the 2024/25 Statement of Accounts. The Treasury Management Outturn report will reflect the impact of these changes in accounting practice.

Annual Investment Strategy

34 The Ministry of Housing, Communities and Local Government (MHCLG) and CIPFA have extended the meaning of "investments" to include both financial and non-financial investments. This report deals solely with treasury (financial) investments, as managed by the treasury management function.

35 The Council's investment policy has regard to the following:

(a) MHCLG's Guidance on Local Government Investments.

(b) CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021.

(c) CIPFA Treasury Management Guidance Notes 2021.

36 The Council's investment priorities will be security first, portfolio liquidity second, and then yield (return). The Council will aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity and with regard to the Council's risk appetite.

37 The above guidance from the MHCLG and CIPFA places a high priority on the management of risk. The Council has adopted a prudent approach to managing risk and defines its risk appetite by the followings means:

(a) Minimum acceptable credit criteria are applied in order to generate a list of creditworthy counterparties, with investment limits set so that investments are diversified. The key ratings used to monitor counterparties are the short-term and long-term ratings.

(b) Credit rating agencies will be used, but will not be the sole determinant of investment quality and the assessments will also take account of other information that reflects the opinion of the markets. To this end the Council will engage with its advisers to maintain a monitor on market pricing (such as credit default swaps) and overlay that information on top of the credit ratings.

(c) Information in the financial press, share price and other banking sector information will also be used as appropriate.

38 There are a wide range of investment instruments which are available for the Council to consider. These can be classified as either Specified or Non-Specified Investments:

(a) **Specified Investments.** These investments are sterling investments of not more than one year maturity, or those which could be for a longer period but where the Council has the right to be repaid within 12 months if it wishes. These are considered to be low risk assets where the possibility of loss of principal or investment income is small and are not defined as capital expenditure. These would include the following sterling investments:

i. Deposit with the UK Government – for example, the Debt Management Office deposit facility, UK treasury bills or gilts with less than one year to maturity.

ii. Term deposits with a body that is considered of a high credit quality, for example UK banks and building societies.

iii. Global bonds of less than one year's duration.

iv. Deposits with a local authority, parish council or community council.

v. Certificates of Deposit.

vi. Pooled investment vehicles (such as money market funds) that have been awarded a high credit rating by a credit rating agency.

(b) **Non-Specified Investments.** These are investments which do not meet the specified criteria as outlined above. The Council is therefore required to examine non-specified investments in more detail. As well as any of the above sterling investments that are of more than one year maturity, non-specified investments include the following sterling investments:

i. Gilt-edged securities with a maturity of greater than one year. These are Government bonds and so provide the highest security of interest and the repayment of principal on maturity.

ii. Deposits with the Council's own banker if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as is possible.

iii. Equity shareholding in businesses, which shall be not more than £30 million in total, and £15 million in any one company. This will only be after undertaking significant due diligence checks. These investments will facilitate a more balanced approach to investing by diversifying the investment portfolio and reducing concentration risk.

iv. Loans and shares in local businesses, to encourage regeneration and economic development in the area. Any new investments will only be agreed after significant due diligence checks have been carried out;

v. Property funds, with not more than £25 million in an individual fund and not more than £50 million in total.

Creditworthiness Policy

39 The primary principle governing the Council's investment criteria is the security of its investments; although the yield or return on the investment is also a key consideration. After this main principle, the Council will ensure that:

(a) it maintains a policy covering the categories of investment types it will invest in, the criteria for choosing investment counterparties with adequate security and arrangements for monitoring their security; and

(b) it has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.

40 The Corporate Director of Resources will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit these to Full Council for approval as necessary. These criteria provide an overall pool of counterparties considered to be high quality which the Council may use, rather than defining what types of investment instruments are to be used.

41 The Council's external treasury management advisers, MUFG Corporate Markets, provide a creditworthiness service which uses a wider array of information than just primary ratings and by using a risk weighted scoring system, does not give undue weight to only one agency's ratings.

42 Typically, the minimum credit ratings criteria used by the Council will be a short term rating (Fitch or equivalents) of F1 and a long term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances, consideration will be given to the whole range of ratings available or other topical market information to support their use.

43 All credit ratings will be monitored regularly. The Council is alerted to changes to ratings of all three agencies (Fitch, Moody's and Standard and Poor's) through its use of creditworthiness service.

44 If a downgrade results in the counterparty or investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.

45 In addition to the use of credit ratings, the Council will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in the downgrade of an institution or removal from the Council's lending list.

46 Sole reliance will not be placed on the use of the service provided by the Council's external treasury management advisers. The Council will also use market data and market information, information on sovereign support for banks and the credit ratings of that supporting government. This additional market information, for example credit default swaps and negative rating watches/outlooks, will be applied to compare the relative security of differing investment counterparties. The relative value of investments will be reviewed in relation to the counterparty size to ensure an appropriate ratio.

Investment Criteria

47 The criteria for providing a pool of high quality investment counterparties (both specified and non-specified investments) are:

(a) Banks 1 – Good credit quality. The Council will only use banks which are:

i. UK banks; and/or

ii. Non-UK banks domiciled in a country which has a minimum sovereign long-term rating of AA- and have, as a minimum, the following credit ratings (where rated):

	Fitch	**Moody's**	**Standard & Poor's**
Short-term credit rating	F1	P1	A-1
Long-term credit rating	A-	A3	A-

(n.b. viability, financial strength and support ratings have been removed and will not be considered in choosing counterparties).

(b) Banks 2 – The Council's own banker for transactional purposes if the bank falls below the criteria, although in this case, balances will be minimised in both monetary size and time invested.

(c) Bank subsidiary and treasury operation. The Council will use these where the parent bank has provided an appropriate guarantee or has the necessary ratings outlined above.

(d) UK Government (including gilts and the Debt Management Account Deposit Facility (DMADF)).

(e) Local authorities, parish councils, etc.

(f) Housing Associations which meet the ratings for banks outlined above.

(g) Building societies. The Council will use societies which:

i. meet the ratings for banks outlined above; or

ii. have assets in excess of £1 billion.

(h) Money Market Funds.

(i) Ultra-Short Dated Bond Funds.

(j) Property Funds.

Time and Monetary Limits applying to Investments

48 The time and monetary limits for institutions on the council's counterparty list, covering specified and non-specified investments, is reviewed annually in consultation with the council's treasury management advisers.

49 In 2024/25, the counterparty limits were reviewed in line with advice from the Council's external treasury management advisers. Counterparty monetary limits for banks were prudently reduced, with no change to the monetary limits for money market funds and no change to time limits for any of the counterparties. These changes were included in the Mid-Year Treasury Management Report and approved by the Full Council on 11 December 2024.

50 For 2025/26, the part-nationalised category has been removed following advice from the Council's external treasury management advisers.

51 The counterparty limits for 2025/26 are therefore as follows:

Investment Type	Long-Term Rating	Money Limit	Time Limit
Banks / Building Societies	AA-	£60m	2 years
Banks / Building Societies	A	£40m	1 year
Banks / Building Societies	A-	£25m	6 months
Banks – Council's Banker	A-	£35m	3 months
DMADF / Treasury Bills	AAA	unlimited	6 months
Local Authorities	N/A	£20m each	5 years
Housing Associations	A-	£15m	6 months
Building Societies	+£1 billion	£20m	6 months

Investment Type	Long-Term Rating	Money Limit	Time Limit
Money Market Funds	AAA	£200m total	liquid
Money Market Funds CNAV	AAA	£40m each	liquid
Money Market Funds LVNAV	AAA	£40m each	liquid
Money Market Funds VNAV	AAA	£40m each	liquid
Ultra-Short Dated Bond Funds	AAA	£10m each	liquid
Property Funds	N/A	£50m total (£25m each)	Unlimited

Non-Treasury Investments

52 Separately from treasury investments, the Council may make loans and investments in support of service priorities, and this may mean they generate a financial return.

53 Service delivery investments are held primarily and directly for the delivery of public services including housing, regeneration and local infrastructure. Returns on this category of investment which are funded by borrowing are permitted only in cases where the income is either related to the financial viability of the project or otherwise incidental to the primary purpose.

54 Investments held for a commercial return are ones with no treasury management or direct service provision purpose. Risks on such investments should be proportionate to the Council's financial capacity – that is, plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services. The Council must not borrow to invest primarily for financial return.

55 The Council recognises that investments such as these, taken for non-treasury management purposes, require careful consideration and it is important that there are agreed processes to ensure there is effective due diligence and that the investments fit with the Council's agreed risk profile. This is consistent with the Prudential Code guidance, that the investments should be proportionate to the authority's level of resources and the same robust procedures for the consideration of risk and return should be followed as for other investments.

56 The Council would also follow the above processes when considering the purchase of investment assets primarily for yield. However, following the change to PWLB borrowing rules, councils with plans to buy investment assets primarily for yield cannot take advantage of the 1% reduction in borrowing costs. This applies to all their borrowing requirements, not just the borrowing for investment assets. This creates a financial disadvantage that means it is unlikely that the Council will make investments of this nature, though each potential opportunity would be considered on a case by case

basis. More details are included in the council's Property Investment Strategy.

Treasury Management Indicators

57 There are three debt-related treasury activity limits which are designed to manage risk and reduce the impact of an adverse movement in interest rates:

(a) **Interest Rate Exposures**. This indicator is set to control the Council's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the proportion of net principal invested, are:

	Limit
Upper limit on fixed interest rate exposure	100%
Upper limit on variable interest rate exposure	70%

(b) **Maturity Structure of Borrowing.** This indicator is set to control the Council's exposure to refinancing risk and measures the amount of projected borrowing maturing in each period, expressed as a percentage of total projected borrowing at the start of the period. The upper limits on the maturity structure of fixed rate borrowing have been increased from the limits stated for 2024/25 to give the Council more flexibility to borrow on a shorter-term basis if required. The lower and upper limits for 2025/26 are:

Period	**Lower Limit**	**Upper Limit**
Under 12 months	0%	40%
12 months to 2 years	0%	50%
2 years to 5 years	0%	70%
5 years to 10 years	0%	80%
10 years and above	0%	100%

In addition, the Council will not agree to borrowing which will result in more than 20% of total borrowing maturing in any one financial year.

(c) **Principal Sums Invested for Periods Longer than 365 days.** The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments:

	2025/26	2026/27	2027/28
Principal sums invested >365 days	£75m	£75m	£75m

Prudential Indicators

58 The Local Government Act 2003 requires the Council to have regard to the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow.

59 The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Council has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

60 **Capital Expenditure and Financing**. The table below summarises capital expenditure incurred and planned, including amounts included in the revised capital programme in this budget report, and how the expenditure was and will be financed:

	2023/24 Actual £ Million	2024/25 Estimate £ Million	2025/26 Estimate £ Million	2026/27 Estimate £ Million	2027/28 Estimate £ Million
Capital Expenditure	**223.010**	**288.096**	**328.108**	**210.720**	**7.645**
Financed by:					
Capital grants	103.164	140.087	99.130	50.036	-
Revenue and Reserve contributions	14.296	8.584	2.387	0.458	0.454
Capital Receipts	34.608	3.351	3.967	2.967	-
Net financing need for the year	**70.942**	**136.074**	**222.624**	**157.259**	**7.191**

The above financing need excludes other long-term liabilities, such as PFI and leasing arrangements that already include borrowing instruments.

61 **Capital Financing Requirement (CFR).** The CFR is the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness and so its underlying borrowing need. Any capital expenditure

which has not immediately been paid for through a revenue or capital resource will increase the CFR.

62 The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset's life, and so charges the economic consumption of capital assets as they are used.

63 The CFR includes other long-term liabilities (such as PFI schemes and finance leases), though these arrangements include an integral borrowing facility, so the Council does not need to borrow separately for them.

64 The table below shows the Council's expenditure incurred and planned, including amounts in the revised capital programme in this budget report and an estimated net capital financing requirement at MTFP(16).

	2023/24 Actual £ Million	**2024/25 Estimate £ Million**	**2025/26 Estimate £ Million**	**2026/27 Estimate £ Million**	**2027/28 Estimate £ Million**
Opening CFR	**525.618**	**586.318**	**720.414**	**932.221**	**1,082.277**
Net financing need for year (table above)	70.942	136.074	222.624	157.259	7.191
Estimated financing need for MTFP(16)	-	-	-	-	40.000
Leasing and PFI financing need for the year	6.619	17.866	5.832	13.347	10.596
Less: MRP/VRP and other financing movements	(16.861)	(19.843)	(16.649)	(20.549)	(23.895)
Closing CFR	**586.318**	**720.414**	**932.221**	**1,082.277**	**1,116.170**
Movement in CFR	60.700	134.096	211.807	150.056	33.892

65 **Gross Debt and CFR.** To ensure that debt held will only be for capital purposes, the Council should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence. The table below shows how the Council plans to comply with this requirement, which shows gross borrowing continues to be less than the CFR.

	2023/24 Actual £ Million	**2024/25 Estimate £ Million**	**2025/26 Estimate £ Million**	**2026/27 Estimate £ Million**	**2027/28 Estimate £ Million**
Debt at 1 April	439.652	411.632	424.770	640.320	880.813
Expected change in debt	(28.020)	13.138	215.550	240.493	21.903
Other long-term liabilities at 1 April	83.548	82.647	90.307	86.285	88.392
Expected change in other long-term liabilities	(0.901)	7.660	(4.022)	2.107	(1.150)

	2023/24 Actual £ Million	2024/25 Estimate £ Million	2025/26 Estimate £ Million	2026/27 Estimate £ Million	2027/28 Estimate £ Million
Gross Debt at 31 March	**494.279**	**515.077**	**726.605**	**969.205**	**989.959**
Capital Financing Requirement	586.318	720.414	932.221	1,082.277	1,116.170
Under/(Over) borrowed	**92.039**	**205.337**	**205.616**	**113.072**	**126.211**

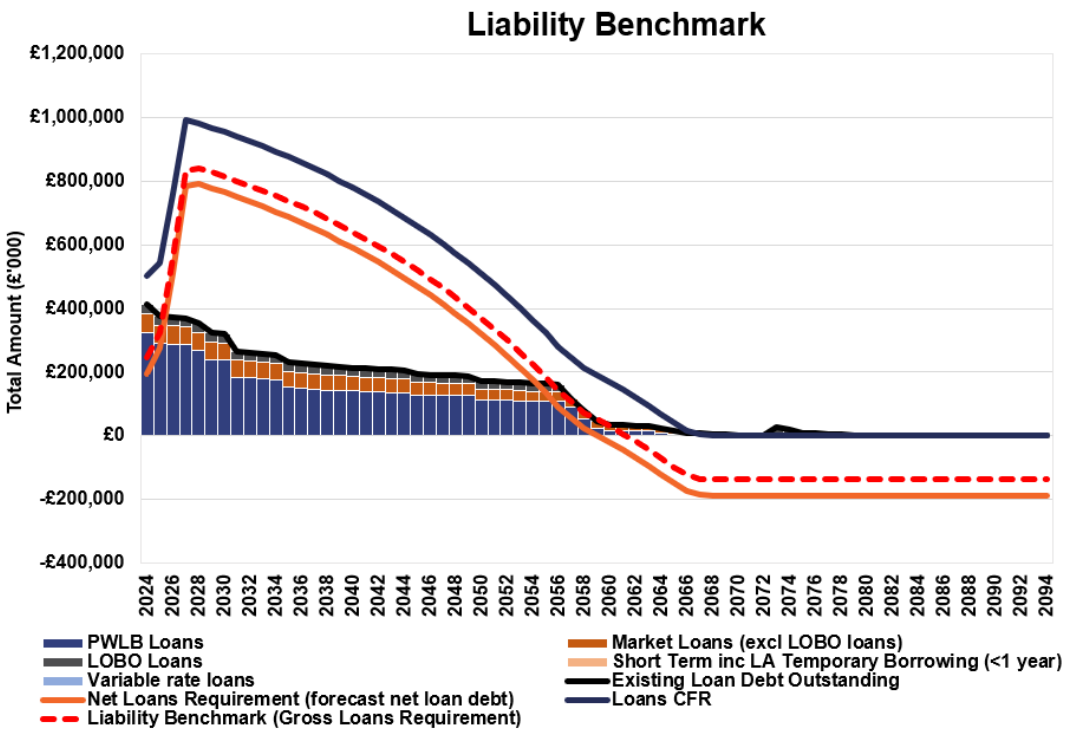
66 **Liability Benchmark (LB).** This benchmark has been introduced to show the link between the Capital Financing Requirement and the profile of the borrowing that the Council has taken out to finance this requirement. There are four components to the LB:

(a) **Existing loan debt outstanding**: the Council's existing loans that are still outstanding in future years.

(b) **Loans CFR**: this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future, based on approved prudential borrowing and planned MRP.

(c) **Net loans requirement**: shows the need to borrow after taking account of reserve balances that can be used for internal borrowing.

(d) **Liability Benchmark (Gross loans requirement)**: shows the net borrowing requirement plus a margin to ensure there is an adequate balance to manage cash flows effectively.



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

	2023/24 Actual £ Million	2024/25 Estimate £ Million	2025/26 Estimate £ Million	2026/27 Estimate £ Million	2027/28 Estimate £ Million
Borrowing	504.000	631.000	846.000	994.000	989.000
Other long term liabilities	83.000	91.000	87.000	89.000	88.000
Total	**587.000**	**722.000**	**933.000**	**1,083.000**	**1,077.000**

68 **Authorised Limit for external borrowing**. This represents a control on the maximum level of borrowing and is a statutory limit determined under section 3 (1) of the Local Government Act 2003. It reflects the level of external borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

	2023/24 Actual £ Million	2024/25 Estimate £ Million	2025/26 Estimate £ Million	2026/27 Estimate £ Million	2027/28 Estimate £ Million
Borrowing	554.000	680.000	896.000	1,044.000	1,039.000
Other long term liabilities	88.000	95.000	91.000	93.000	92.000
Total	**642.000**	**775.000**	**987.000**	**1,137.000**	**1,131.000**

69 **Estimates of the ratio of financing costs to net revenue stream.** This indicator identifies the trend in the cost of capital (borrowing and other long-term obligations) against the net revenue stream. The estimates of financing costs include current commitments and the proposals in this budget report.

	2024/25 Estimate %	2025/26 Estimate %	2026/27 Estimate %	2027/28 Estimate %
Estimate of financing costs to net revenue stream	6.8%	6.8%	8.5%	9.1%

70 **Estimates of the ratio of commercial and service income to net revenue stream.** This indicator identifies the trend in the reliance of the council on income from commercial and service investments against the net revenue stream.

	2024/25 Estimate %	2025/26 Estimate %	2026/27 Estimate %	2027/28 Estimate %
Commercial and service income	1.1%	1.5%	1.5%	1.4%

MRP Policy Statement

71 The CIPFA Prudential Code for Capital Finance in Local Authorities requires the full Council to agree an annual policy for the Minimum Revenue Provision (MRP). These regulations were originally introduced in 2003 but have been updated subsequently on periodic occasions.

72 The MRP is the amount that is set aside each year to provide for the repayment of debt (principal repayments). The regulations require the authority to determine an amount of MRP which it considers to be prudent. The broad aim of a prudent provision is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Revenue Support Grant (RSG), reasonably commensurate with the support provided through the RSG.

73 The guidance provides recommended options for the calculation of a prudent provision, but since 2008 councils have had some discretion in determining the level of MRP which they consider to be prudent. In very broad terms, local authorities are statutorily required to ensure that they set aside MRP over a similar period to which the assets associated with that capital expenditure provide benefits to the local authority – this has the effect of reducing the capital financing requirement.

74 In 2018, the National Audit Office (NAO) published some updated guidance on MRP, which sought to prohibit some overtly aggressive changes in some local authorities MRP policies (some local authorities were changing their policies to significantly reduce their MRP costs as a one-off exercise or to reduce their MRP charges to unsustainably low levels). The MRP guidance was amended so that local authorities would be prevented from:

(a) Retrospectively changing MRP set aside in previous financial years to create a material credit in their current year’s financial accounts.

(b) Making changes to the methodology used to calculate MRP which resulted in a nil charge in a current financial year in order to recover overpayments in previous years.

(c) Extending the assumed economic life of assets to justify the stretching of the period over which MRP is charged to a period in excess of 50 years (thus reducing the annual in-year charge to an unacceptably low level).

(d) Choosing not to provide MRP for expenditure on the basis that the eventual sale of an asset financed by borrowing would generate a capital receipt to repay that borrowing and therefore negate the need to set aside MRP in lieu of the asset eventually being sold.

75 The Council's annual MRP policy was approved on 28 February 2024, as part of the 2024/25 budget setting report. A further review of the Council's MRP Policy was undertaken in year in consultation with the Council's external treasury management advisers. These changes were included in the Mid-Year Treasury Management Report and approved by the Full Council on 11 December 2024. None of the proposed changes contravene the updated guidance on MRP issued by National Audit Office in 2018.

76 The government has recently introduced measures to monitor and review levels of indebtedness and assess if local authorities are setting aside sufficient MRP in their revenue budgets. This is determined to be at least 2% of the Council's CFR. If the Council does not provide a minimum level of MRP, this could trigger a regulator review and could impact on the Value for Money Assessment undertaken by the Council's external auditors. The MRP changes approved by the Council in December 2024 are all within the guidance set out by the Government and the Council will continue to set aside enough MRP to exceed the notional 2% threshold.

77 The Council's MRP policy for 2025/26 has been set in line with the following principles:

(a) In respect of the Council's pre-2008 supported borrowing, MRP will be provided for on a 32-year annuity repayment basis, with annuity rate of 4.5%.

(b) In respect of the Council's post-2008 unsupported borrowing, MRP will be provided for on a 34-year annuity repayment basis, with annuity rate of 4.5%.

(c) MRP charges for the current year's net financing need will be provided for on a 40-year annuity repayment basis, with annuity rate equal to the PWLB rate (including certainty) at 31 March of the financial yaer for which the MRP charge is calculated.

(d) MRP charges for finance leases (non-PFI) will be equal to the principal element of the rental or charge that goes down to write down the balance sheet liability created from such arrangements.

(e) MRP charges for PFI assets will be provided for on a 38-year annuity repayment basis, with annuity rate of 4.5%.

78 When borrowing to provide an asset, the Council commences MRP in the financial year following the one in which the capital expenditure was incurred. For the purposes of borrowing to provide an asset that is currently under construction, MRP is postponed until the financial year following the one in which the asset becomes operational.

79 The regulations allow the Authority to review its policy every year and set a policy that it considers prudent at that time. The impact of a revised MRP policy would be kept under regular review to ensure that the annual provision is prudent.

80 Under MRP Guidance, local authorities are permitted to make additional charges, over and above their standard MRP charges. These are referred to as “Voluntary Revenue Provision (VRP) payments”. VRP can be reclaimed as reductions in later years’ MRP contributions, providing those later years’ MRP contributions remain prudent. For these amounts to be reclaimed in later years, the policy must disclose the cumulative overpayment made each year. Cumulative VRP payments made to date total £2.934 million.

81 The Council retains the right to make additional voluntary payments to reduce debt if deemed prudent.

Other Matters

82 **Policy on use of external advisers.** MUFG Corporate Markets are the Council’s treasury management advisers and whilst they provide professional support to the internal treasury management team, under current market rules and the CIPFA Code of Practice, the final decision on treasury matters remains with the Council. This service is subject to regular review.

83 The range of services provided by the advisers currently includes:

(a) technical support on treasury matters and capital finance issues;

(b) economic and interest rate analysis;

(c) debt services which includes advice on the timing of borrowing;

(d) debt rescheduling advice surrounding the existing portfolio;

(e) generic investment advice on interest rates, timing and investment instruments;

(f) credit ratings and market information service, comprising the three main credit rating agencies.

84 The scope of investments within the Council’s operations includes both conventional treasury investments (the placing of residual cash from the Council’s functions) and more commercial type investments, such as investment properties.

Annex 1: Treasury Management Policy Statement and Practices

Treasury Management Policy Statement

The Council defines its treasury management activities as the management of the organisation's borrowing, investments and cash flows, including its banking, money market and capital market transactions, the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Council, and any financial instruments entered into to manage these risks.

The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable, comprehensive performance measurement techniques within the context of effective risk management.

Treasury Management Practices

The Council has developed a range of Treasury Management Practices (TMPs) to enable it to implement its Treasury Management Policies.

TMP1 Risk Management

General Statement

The Council regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that robust due diligence procedures cover all external investment.

The responsible officer will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the organisation's objectives in this respect, all in accordance with the procedures set out in TMP6 *Reporting Requirements and Management Information Arrangements*.

In respect of each of the following risks, the arrangements that seek to ensure compliance with these objectives are set out in the detailed schedules within this document.

Credit and Counterparty Risk Management

The Council regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited or investments made, and will limit its treasury management investment activities to the instruments, methods and techniques referred to in TMP4 *Approved Instruments, Methods and Techniques.*

It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing or derivative arrangements.

Liquidity Risk Management

The Council will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives.

The Council will only borrow in advance of need where there is a clear business case for doing so and will only do so to: fund the current capital programme; finance future debt maturities; or ensure an adequate level of short-term investments to provide liquidity for the organisation.

Interest Rate Risk Management

The Council will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with TMP6 *Reporting Requirements and Management Information Arrangements.*

It will achieve this by the prudent use of its approved instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. Before taking action, any policy or budgetary implications would be considered and approval would be sought if required. It will ensure that any hedging tools such as derivatives are only used for the management of risk and the prudent management of financial affairs and that the policy for the use of derivatives is clearly detailed in the annual strategy.

Exchange Rate Risk Management

The Council will manage its exposure to fluctuations in exchange rates to minimise any detrimental impact on its budgeted income/expenditure levels.

Inflation Risk Management

The Council will keep under review the sensitivity of its treasury assets and liabilities to inflation and will seek to manage the risk accordingly in the context of the whole organisation's inflation exposures.

Refinancing Risk Management

The Council will ensure that its borrowing and other long-term liabilities are negotiated, structured and documented, and the maturity profile of the monies so raised is managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the organisation as can reasonably be achieved in light of market conditions prevailing at the time.

It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective, and will avoid overreliance on any one source of funding if this might jeopardise achievement of the above.

Legal and Regulatory Risk Management

The Council will ensure that all its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMP1 *Risk Management - Credit and Counterparty Risk Management,* it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may affect with the organisation, particularly with regard to duty of care and fees charged.

The Council recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the organisation.

Operational Risk including Fraud, Error and Corruption

The Council will ensure that it has identified the circumstances that may expose it to the risk of loss through inadequate or failed internal processes, people and systems or from external events. Accordingly, it will employ suitable systems and procedures and will maintain effective contingency management arrangements to these ends.

The Council will therefore:

(a) Seek to ensure an adequate division of responsibilities and maintenance at all times of an adequate level of internal check which minimises such risks.

(b) Fully document all its treasury management activities so that there can be no possible confusion as to what proper procedures are.

(c) Staff will not be allowed to take up treasury management activities until they have had proper training in procedures and are then subject to an adequate and appropriate level of supervision.

(d) Records will be maintained of all treasury management transactions so that there is a full audit trail and evidence of the appropriate checks being carried out.

Price Risk Management

The Council will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

TMP2 Performance Measurement

The Council is committed to the pursuit of value for money in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its treasury management policy statement.

Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the organisation’s stated business or service objectives. It will be the subject of regular examination of alternative methods of service delivery, of the availability of fiscal or other grant or subsidy incentives, and of the scope for other potential improvements.

TMP3 Decision Making and Analysis

The Council will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past and for accountability, demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time.

TMP4 Approved Instruments, Methods and Techniques

The Council will undertake its treasury management activities within the limits and parameters defined in TMP1 *Risk Management*.

Where the Council intends to use derivative instruments for the management of risks, these will be limited to those set out in its annual treasury strategy. The organisation will seek proper advice and will consider that advice when entering into arrangements to use such products to ensure that it fully understands those products.

TMP5 Organisation, Clarity and Segregation of Responsibilities, and Dealing Arrangements

The Council considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times a clarity of treasury management responsibilities.

The principle on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.

If and when the Council intends, as a result of lack of resources or other circumstances, to depart from these principles, the responsible officer will ensure that the reasons are properly reported in accordance with TMP6 *Reporting Requirements and Management Information Arrangements* and the implications properly considered and evaluated.

The responsible officer will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management and the arrangements for absence cover. The responsible officer will also ensure that at all times those engaged in treasury management will follow the policies and procedures set out.

The responsible officer will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds.

The delegations to the responsible officer in respect of treasury management are set out in the Council's constitution. The responsible officer will fulfil all such responsibilities in accordance with the organisation's policy statement and TMPs and, if a CIPFA member, the *Standard of Professional Practice on Treasury Management.*

TMP6 Reporting Requirements and Management Information Arrangements

The Council will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; the effects of decisions taken and transactions executed in pursuit of those policies; the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and the performance of the treasury management function.

Annual reporting requirements:

Annual reporting requirements consist of the following:

(a) Before the start of the year:

   i. review of the Council's approved clauses, treasury management policy statement and practices.

   ii. Treasury Management Strategy report on proposed treasury management activities for the year, comprising of the Treasury Management Strategy Statement, Annual Investment Strategy and Minimum Revenue Provision Policy Statement

(b) Mid-year review.

(c) Quarterly monitoring and review.

(d) Annual review report after the end of the year.

TMP7 Budgeting, Accounting and Audit Arrangements

The responsible officer will prepare, and the Council will approve and, if necessary from time to time, amend an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management function, together with associated income. The matters to be included in the budget will at minimum be those required by statute or regulation, together with such information as will demonstrate compliance with TMP1 *Risk* M*anagement*, TMP2 *Performance Measurement*, and TMP4 *Approved Instruments, Methods and Techniques*. The responsible officer will exercise effective controls over this budget, and will report upon and recommend any changes required in accordance with TMP6 *Reporting Requirements and Management Information Arrangements*.

The Council will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being.

TMP8 Cash and Cash Flow Management

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the Council will be under the control of the responsible officer, and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the responsible officer will ensure that these are adequate for the purposes of monitoring compliance with TMP1 *Risk Management - Liquidity Risk Management*.

TMP9 Money Laundering

The Council is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions, and will ensure that staff involved in this are properly trained.

TMP10 Training and Qualifications

The Council recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The responsible officer will recommend and implement the necessary arrangements.

The responsible officer will ensure that board/council members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities.

Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively.

TMP11 Use of External Service Providers

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times. It recognises that there may be potential value in employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons which have been submitted to a full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review. It will ensure, where feasible and necessary, that a spread of service providers is used, to avoid overreliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed. The monitoring of such arrangements rests with the responsible officer.

TMP12 Corporate Governance

The Council is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.

The Council has adopted and has implemented the key principles of the Code and this is considered vital to the achievement of proper corporate governance in treasury management, and the responsible officer will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

TREASURY MANAGEMENT PRACTICES – DETAILED SCHEDULES

The following schedules have been prepared to support the implementation of the TMPs.

TMP1	**Risk Management**
TMP2	**Performance Measurement**
TMP3	**Decision Making and Analysis**
TMP4	**Approved Instruments, Methods and Techniques**
TMP5	**Organisation, Clarity and Segregation of Responsibilities, and Dealing Arrangements**
TMP6	**Reporting Requirements and Management Information Arrangements**
TMP7	**Budgeting, Accounting and Audit Arrangements**
TMP8	**Cash and Cash Flow Management**
TMP9	**Money Laundering**
TMP10	**Training and Qualifications**
TMP11	**Use of External Service Providers**
TMP12	**Corporate Governance**

TMP1 Risk Management

1.1 Credit and Counterparty Risk Management

Credit and counterparty risk

The risk of failure by a counterparty to meet its contractual obligations to the Council under an investment, borrowing, capital, project or partnership financing, particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the Council's capital or current (revenue) resources.

1.1.1 Criteria to be used for creating/managing approved counterparty lists/limits:

(a) Suitable criteria for assessing and monitoring the credit risk of investment counterparties will be formulated and a lending list comprising time, type, sector and specific counterparty limits will be constructed. These criteria will follow Statutory Guidance on Local Government Investments issued in February 2018 to cover financial years from 1 April 2018.

(b) The primary criteria used in the selection of counterparties is their creditworthiness. However, the Council will also monitor latest market information and reduce the limits imposed on counterparties where appropriate.

(c) The Council's treasury management advisers provide a regular update of all the ratings relevant to the Council, as well as any changes to the counterparty credit ratings. This information is also available via their website.

(d) Credit ratings will be used as supplied from one or more of the following credit rating agencies:

(i) Fitch Ratings;

(ii) Moody's Investors Services;

(iii) Standard and Poor's.

(e) Counterparty limits will be as set within the Annual Treasury Management Strategy Statement reported to Council.

1.1.2 Credit ratings for individual counterparties can change at any time. The Corporate Director of Resources is responsible for applying the stated credit rating criteria in 1.1.1 for selecting approved counterparties, and will add or delete counterparties as appropriate to / from the approved counterparty list when there is a change in the credit ratings of individual counterparties or in banking structures, for example on mergers or takeovers. This is delegated on a daily basis to the treasury management team.

1.1.3 When there is a change in the credit ratings of individual counterparties or in banking structures (for example on mergers or takeovers in accordance with the criteria in 1.1.1) the Corporate Director of Resources will also adjust lending limits and periods. This is delegated on a daily basis to the treasury management function.

1.1.4 The Council is supportive of the Principles for Responsible Investment (www.unpri.org) and will seek to bring environmental, social and governance (ESG) factors into the decision-making process for investments. Within this, the Council is also appreciative of the Statement on ESG in Credit Risk and Ratings which commits signatories to incorporating ESG into credit ratings and analysis in a systemic and transparent way.

1.1.5 The Council uses ratings from Fitch, Moody's and Standard & Poor's to support its assessment of suitable counterparties for investments. Each of the rating agencies is a signatory to the ESG in credit risk and ratings statement and as such include an analysis of ESG factors when assigning ratings. Typical ESG factors given consideration by the credit rating agencies include:

- Environmental: Emissions and air quality, energy and waste management, waste and hazardous material, exposure to environmental impact.
- Social: Human rights, community relations, customer welfare, labour relations, employee wellbeing, exposure to social impacts.
- Governance: Management structure, governance structure, group structure, financial transparency.

1.1.6 The Council will continue to evaluate additional ESG-related metrics and assessment processes that it could incorporate into its investment process.

1.2 Liquidity Risk Management

Liquidity Risk

The risk that cash will not be available when it is needed, that ineffective management of liquidity creates additional unbudgeted costs, and that the Council's business/service objectives will be thereby compromised.

1.2.1 Cash Flow

The treasury management function will maintain, on a daily basis, a cash flow projection showing:

(a) all known income and expenditure;

(b) all anticipated income and expenditure.

This record will be maintained for a minimum period of 12 months ahead of the current date.

1.2.2 Amounts of approved minimum cash balances and short-term investments

The treasury management function shall seek to ensure that the balance in the Council's main bank accounts at the close of each working day is held at a level in order to maximize the amount of credit interest receivable. Borrowing or lending shall be arranged in order to achieve this aim.

The target is to achieve a net overall pooled bank balance of nil within the Council's current bank accounts on a daily basis. The performance will be monitored on a daily basis by the treasury management function.

1.2.3 Short-term borrowing facilities

The Council can access temporary loans through approved brokers on the London money market. They can be obtained within the Council's borrowing limits to provide short term finance or to match any cashflow shortfall pending receipt of other revenues or longer term loans.

1.2.4 Closure of Council Offices

When the Council offices are closed on a banking day, then provision will be made for expected clearances and receipts. The actual strategy to be adopted will depend on overall liquidity and market conditions at the time and available staff resources. At such times the staff within the treasury management function will undertake transfers, anticipating cash flow within the Council's accounts.

1.3 <u>Interest Rate Risk Management</u>

Interest rate risk

The risk that fluctuations in the levels of interest rates creates an unexpected or unbudgeted burden on the Council's finances against which the Council has failed to protect itself adequately.

1.3.1 Details of approved interest rate exposure limits

This risk is considered as part of the Treasury Management Strategy Statement approved by Council in February/March each year. The Strategy sets interest rate exposure limits in accordance with the requirements of the CIPFA Prudential Code. A variety of Prudential Indicators are required to be approved and monitored by Council. The Council will have regard to potential fluctuations in interest rates when borrowing or lending surplus cash. Advice will be sought from the Council's treasury management advisers before any non-routine transaction is made.

1.3.2 Maximum proportion of variable rate debt/interest

The requirement to set out a series of Prudential Indicators includes a requirement to set upper limits for exposure to fixed interest rates and variable interest rates.

1.4 <u>Exchange Rate Risk Management</u>

Exchange rate risk

The risk that fluctuations in foreign exchange rates create an unexpected or unbudgeted burden on the Council's finances, against which the Council has failed to protect itself adequately.

1.4.1 Approved criteria for managing changes in exchange rate levels

The Council rarely deals with foreign currency, so an exposure to exchange rate risk will be minimal. However, as a result of the nature of the Council's business, the Council may have an exposure to exchange rate risk from time to time. This will mainly arise from the receipt of income or the incurring of expenditure in a currency other than sterling. Where appropriate the Council will adopt a hedging strategy to control and add certainty to the sterling value of these transactions. This will mean that the Council will minimise all foreign exchange exposures as soon as they are identified.

Where there is a contractual obligation to receive income or make a payment in a currency other than sterling at a date in the future, forward foreign exchange transactions will be considered, with professional advice, to comply with this full cover hedging policy. Unexpected receipt of foreign currency income will be converted to sterling at the earliest opportunity unless the Council has a contractual obligation to make a payment in the same currency at a date in the future. In this instance, the currency may be held on deposit to meet this expenditure commitment, depending on the expected timing of transactions.

1.5 <u>Inflation Risk Management</u>

Inflation risk

The risk that prevailing levels of inflation cause an unexpected or unbudgeted burden on the Council's finances, against which the Council has failed to protect itself adequately.

1.5.1 Managing changes in inflation levels

Inflation risk, also called purchasing power risk, is the chance that the cash flows from treasury instruments (such as investments) won't be worth as much in the future because of changes in purchasing power due to inflation.

Inflation, both current and projected, will form part of the debt and investment decision-making criteria within the strategy and operational considerations. The Council will keep under review the sensitivity of its treasury assets and liabilities to inflation and will seek to manage the risk accordingly in the context of the whole organisation's inflation exposures.

1.6 Refinancing Risk Management

Refinancing risk

The risk that maturing borrowings, capital, project or partnership financings cannot be refinanced on terms that reflect the provisions made by the Council for those refinancings, both capital and current (revenue), and/or that the terms are inconsistent with prevailing market conditions at the time.

1.6.1 Debt/other capital financing, maturity profiling, policies and practices

The maturity profile of debt will be monitored and used to minimise any refinancing risk in consultation with the Council's treasury advisers. Any debt rescheduling is likely to take place when the difference between the refinancing rate and the redemption rate is most advantageous and the situation will be continually monitored. The reasons for any rescheduling to take place will include:

(a) the generation of cash savings at minimum risk;

(b) to reduce the average interest rate;

(c) to enhance the balance of the long-term portfolio (amend the maturity profile and/or the balance of volatility)

1.6.2 Projected capital investment requirements

The Council will prepare forecasts of capital investment needs and resources covering at least a three-year period within the Medium Term Financial Plan (MTFP). This will identify capital financing requirements and therefore the need to borrow to finance the capital programme. The MTFP provides details of the Council's financial plans covering a four-year period and is updated on an annual basis.

1.6.3 Policy concerning limits on affordability and revenue consequences of capital financings

In considering the affordability of its capital plans, the Council will consider all the resources currently available/estimated for the future together with the totality of its capital plans, revenue income and revenue expenditure forecasts for the forth coming year and the following two years and the impact these will have on council tax levels. It will also consider affordability in the longer term beyond this three year period and assess the risks and rewards of significant investments to ensure the long term financial sustainability of the Council.

1.7 Legal and Regulatory Risk Management

Legal and regulatory risk

The risk that the Council itself, or a third party with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements and that the Council suffers losses accordingly.

1.7.1 References to relevant statutes and regulations

The treasury management activities of the Council shall comply with legal statute and the regulations of the Council.

1.7.2 Procedures for evidencing the Council's powers/authorities to counterparties

The Council's powers to borrow and invest are contained in legislation. Investing: Local Government Act 2003, section 12, and Borrowing: Local Government Act 2003, section 1. In addition, the Council will prepare, adopt and maintain, as the cornerstones for effective treasury management:

(a) a Treasury Management Policy Statement, stating the overriding principles and objectives of its treasury management activities;

(b) Treasury Management Practices, setting out the manner in which the Council will achieve those principles and objectives, and prescribing how it will manage and control those activities.

1.7.3 Required information from counterparties concerning their powers/authorities

Lending shall only be made to counterparties on the authorised list which is compiled using advice from the Council's treasury management advisers based on credit ratings supplied by Fitch, Moody's and Standard & Poor's. Borrowings will only be undertaken from recognised and reputable counterparties to comply with TMP 9 *Money Laundering*.

The Council holds letters verifying that the approved brokers are regulated by the Financial Services Authority under the provisions of the Financial Services and Markets Act 2000, under which Local Authorities are classified as market counterparties.

Building Societies are members of Building Society Association and are governed by Building Society Act 1986.

Banks are regulated by the Financial Services Authority under the provisions of the Financial Services and Markets Act 2000.

1.7.4 Statement on the Council's political risks and their management

The Council recognises that future political, legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the Council.

1.8 <u>Operational Risk, including Fraud, Error and Corruption</u>

The risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. This includes the risk of fraud, error, corruption or other eventualities in its treasury management dealings.

1.8.1 Details of systems and procedures to be followed, including internet services

The treasury management function is subject to a regular review by the Council's Internal Audit Service. The systems and procedures followed are described below:

Authority:

- The Scheme of Delegation to Officers sets out the appropriate delegated levels. All loans and investments are negotiated by the Corporate Director of Resources or authorised persons.

Occurrence:

- A detailed register of all loans and investments is maintained within our treasury management system, PSLive.
- Adequate and effective cash flow forecasting records are maintained to support the decision to lend or borrow.
- Written confirmation is received from the lending or borrowing institution.
- All transactions placed through the brokers are confirmed by a broker note, showing details of the transaction arranged.

Completeness:

- The loans register is updated to record all lending and borrowing. This includes the date of the transaction, applicable interest rate and term, and covers both treasury management loans and other loans to third parties that are not part of the routine treasury management activity.

Measurement:

- The treasury management function checks the calculation of repayment of principal and interest notified by the lender or borrower for accuracy.
- The treasury management function calculates periodic interest payments of PWLB and other long-term loans. This is used to check the amount paid to these lenders.

Timeliness:

- The treasury management system, PSLive, notifies when money borrowed and lent is due to be repaid.

Regularity:

- Lending is only made to institutions on the approved list or as specifically approved by Cabinet for loans that are outside the usual treasury management activity.
- All loans raised and repayments made go directly to and from the institutions' bank accounts.
- Authorisation limits are set for every institution (see 1.1.1).
- A list of named officials authorised to perform loan transactions is maintained.
- There is adequate Fidelity Guarantee Insurance cover for employees involved in loans management and accounting.

1.8.2 Contingency planning and business continuity management arrangements

If the electronic banking system fails, there is a contingency arrangement in place with the Bank whereby cash balances can be obtained from Lloyds Bank, and the Council can make CHAP payment instructions (which are normally input directly into the electronic payment system) to Lloyds, via telephone and/or e-mail.

In the event of a business continuity event, which prevents access to the electronic payment system, the present contingency management arrangements will be invoked.

1.8.3 Insurance cover details

The officers concerned in the treasury management function are covered by appropriate fidelity guarantee insurance.

1.9 <u>Price Risk Management</u>

Price risk

The risk that, through adverse market fluctuations in the value of the principal sums invested, the Council's stated treasury management policies and objectives are compromised, so it has not protected itself adequately against the effects of the fluctuations.

1.9.1 Details of approved procedures and limits for controlling exposure to investments whose capital value may fluctuate (gilts, CDs, etc.)

The Council does not normally make investments where the capital value may fluctuate. Investment instruments used by external fund managers are subject to fluctuations in capital and exposure to interest rate risk. The Council does not currently use external fund managers but will keep the situation under review. In order to minimise the risk of fluctuations in capital value of investments, capital preservation is set as the primary objective.

TMP2 Performance Measurement

2.1 <u>Evaluation and Review Of Treasury Management Decisions</u>

The Council has a number of approaches to evaluating treasury management decisions:

(a) regular reviews carried out by the treasury management function and senior management;
(b) regular meetings with external treasury management advisers to review the performance of the investment and debt portfolios;
(c) an annual review after the end of year as reported to Council;
(d) quarterly and half yearly monitoring reports to Committee/Council;
(e) comparative reviews.

2.2 <u>Policy Concerning Methods For Testing Value For Money In Treasury Management</u>

2.2.1 Frequency and processes for tendering

Tenders are awarded for a minimum of two years, with an option to extend for up to a further two years. The process for advertising and awarding contracts will be in line with the Council's Contract Standing Orders.

2.2.2 Banking services

Banking services will be reviewed every 5 years to ensure that the level of prices reflect efficiency savings achieved by the supplier and current pricing trends.

2.2.3 Money-broking services

The Council will use money broking services in order to make deposits or to borrow, and will establish charges for all services prior to using them. An approved list of brokers will be established which takes account of both prices and quality of services. The Corporate Director of Resources may add brokers to the list during the year, providing they meet the Council's standards and requirements.

2.2.4 Adviser's services

The Council's policy is to separately appoint professional treasury management advisers and leasing advisers.

2.2.5 Policy on External Managers (Other than relating to Superannuation Funds)

The Council's current policy is not to use an external investment fund manager to manage a proportion of surplus cash. This will be kept under review.

2.3 Methods To Be Employed For Measuring The Performance Of The Council's Treasury Management Activities

Performance of the treasury management function will be measured against the Annual Treasury Management Strategy Statement targets and in compliance with the CIPFA Code of Treasury Practice. Performance will be monitored against approved budgets and internally agreed targets.

TMP3 Decision-Making And Analysis

3.1 Funding, Borrowing, Lending, And New Instruments/Techniques:

3.1.1 Records to be kept

(a) daily cash projections;

(b) telephone/e-mail rates;

(c) dealing ticket for all money market transactions;

(d) PWLB loan schedules;

(e) local bond certificates (if used);

(f) market bond certificates (if used);

(g) temporary loan receipts (if used);

(h) brokers confirmations for deposits/investments;

(i) contract notes received from fund managers (if used);

(j) fund managers valuation statements (if used);

(k) confirmation notes from borrowers.

3.1.2 Processes to be pursued

(a) cash flow analysis;

(b) debt and investment maturity analysis;

(c) ledger reconciliations;

(d) review of borrowing requirement;

(e) monitoring of projected loan charges and interest and expenses costs;

(f) review of opportunities for debt rescheduling;

(g) collation of performance information.

3.1.3 Issues to be addressed

3.1.3.1 In respect of every decision made the Council will:

(a) Above all, be clear about the nature and extent of the risks to which the Council may become exposed.

(b) Be certain about the legality of the decision reached and the nature of the transaction, and that all authorities to proceed have been obtained.

(c) Be content that the documentation is adequate both to deliver the Council's objectives and protect the Council's interests, and to deliver good housekeeping.

(d) Ensure that counterparties are judged satisfactory in the context of the Council's creditworthiness policies, and that limits have not been exceeded.

(e) Be content that the terms of any transactions have been fully checked against the market, and have been found to be competitive.

3.1.3.2 In respect of borrowing and other funding decisions, the Council will:

(a) Consider the ongoing revenue liabilities created and the implications for the Council's future plans and budgets to ensure that its capital plans and investment plans are affordable, proportionate to the Council's overall financial capacity, and are within prudent and sustainable levels. This evaluation will be carried out in detail for three budget years ahead.

(b) Evaluate the economic and market factors that might influence the manner and timing of any decision to fund.

(c) Consider the merits and demerits of alternative forms of funding, including (but not exclusively) funding from revenue, leasing and private partnerships.

(d) Consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use.

3.1.3.3 In respect of investment decisions, the Council will:

(a) Consider the risks to capital and returns and the implications for the Council's future plans and budgets.

(b) Consider the need for borrowing (both the amount and period): if the investment amount or period is not necessary for treasury management liquidity purposes, the objectives and justification for the investment need to be set out clearly.

(c) Consider the optimum period, in the light of cash flow availability and prevailing market conditions.

(d) Consider the alternative investment products and techniques available, especially the implications of using any which may expose the Council to changes in the value of its capital.

TMP4 Approved Instruments, Methods And Techniques

4.1 Approved Activities Of The Treasury Management Function

(a) borrowing;

(b) lending;

(c) debt repayment and rescheduling;

(d) consideration, approval and use of new financial instruments and treasury management techniques;

(e) managing the underlying risk associated with the Council's capital financing and surplus funds activities;

(f) managing cash flow;

(g) banking activities;

(h) leasing.

4.2 Approved Instruments For Investments

All investments will comply with the Council's Annual Investment Strategy (which takes into account guidance issued by the Secretary of State concerning Local Authority investments). The instruments used will be:

(a) term deposits with banks and building societies;

(b) term deposits with non-rated subsidiaries of an institution meeting the basic credit criteria;

(c) Debt Management Office;

(d) Treasury Bills;

(e) term deposits with other Local Authorities and Parish Councils;

(f) Money Market Funds that meet the criteria set in the investment policy;

(g) Ultra-Short dated Bond Funds;

(h) Property Funds.

4.3 Approved Methods And Sources Of Raising Capital Finance

Finance will only be raised in accordance with the Local Government Act 2003, and within this limit the Council has a number of approved methods and sources of raising capital finance.

Borrowing will only be undertaken in keeping with the contents of the Prudential Code and within the limits determined through the approved Prudential Indicators and Treasury Management Strategy and, in respect of any long term borrowings, following consultation with the Corporate Director of Resources.

All forms of funding will be considered dependent on the prevailing economic climate, regulations and local considerations. The Corporate Director of Resources has delegated powers through this policy and the strategy to take the most appropriate form of borrowing from the approved sources.

TMP5 Organisation, Clarity and Segregation Of Responsibilities, and Dealing Arrangements

5.1 Limits To Responsibilities/Discretion At Council/Director Levels

(a) The Council will receive and review reports on its treasury management policies, practices and activities, including as a minimum, an annual Treasury Management Strategy and plan in advance of the year, a mid-year review and an annual report after year's close.

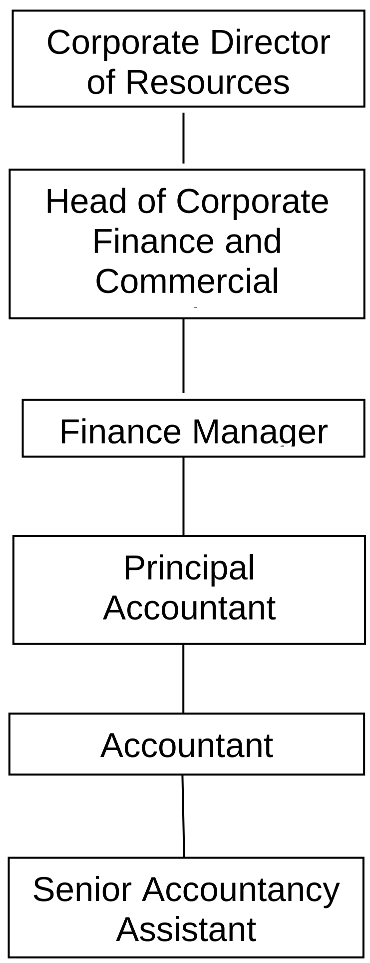
(b) The Council will approve the annual Treasury Management Strategy.

(c) The Corporate Director of Resources will be responsible for amendments to the Council's adopted clauses, treasury management policy statement and treasury management practices.

5.2 Principles And Practices Concerning Segregation Of Duties

The Corporate Director of Resources will ensure there is always adequate segregation of duties in all transactions.

5.3 Treasury Management Organisation Chart



5.4 Statement Of Duties/Responsibilities Of Each Treasury Post And Other Officers Involved With Treasury Management

5.4.1 Corporate Director of Resources

(a) The responsible officer is the person charged with professional responsibility for the treasury management function and in this Council is the Corporate Director of Resources. They will:

(i) recommend clauses, treasury management policy/practices for approval, review the same regularly and monitor compliance;

(ii) submit treasury management reports to Council;

(iii) authorise and maintain TMPs and Schedules;

(iv) set, submit and monitor budgets;

(v) review the performance of the treasury management function;

(vi) ensure the adequacy of treasury management resources and skills and the effective division of responsibilities within the treasury management function;

(vii) ensure the adequacy of internal audit and liaise with external audit;

(viii) recommend the appointment of external service providers and brokers where appropriate;

(ix) approve and authorise investment deals (within dealing limits – see 5.6).

(b) The Corporate Director of Resources has delegated powers to take the most appropriate form of borrowing from the approved sources and to take the most appropriate form of investments in approved instruments.

(c) Prior to entering into any capital financing, lending or investment transaction, it is the responsibility of the Corporate Director of Resources to be satisfied, by reference to legal and external advisers as appropriate, that the proposed transaction does not breach any statute, external regulation or the Council's Financial Regulations.

(d) The Corporate Director of Resources may delegate power to borrow and invest to members of staff to conduct all dealing transactions. All transactions must be processed by at least two specified named officers. Alternatively staff can be authorised to act as temporary cover for leave/sickness.

5.4.2 Head of Corporate Finance and Commercial Services

The treasury responsibilities of this post will be to assist the Corporate Director of Resources to:

(a) formulate the Treasury Management Strategy;

(b) identify and recommend opportunities for improved practices;

(c) supervise treasury management staff;

(d) monitor performance;

(e) review the performance of treasury management functions.

5.4.3 Finance Manager

The treasury responsibilities of this post will be to assist the Corporate Director of Resources and the Head of Corporate Finance and Commercial Services to:

(a) formulate the Treasury Management Strategy;

(b) produce the treasury management reports to Council;

(c) identify and recommend opportunities for improved practices;

(d) supervise treasury management staff;

(e) monitor and review the performance of treasury management functions;

(f) implement the Treasury Management Strategy;

(g) approve and authorise investment deals (within dealing limits – see 5.6);

(h) approve CHAPS payments/Faster Payments according to the limits in the Table of Payment Approval Responsibilities below;

(i) arrange rescheduling or premature repayment of existing borrowings.

5.4.4 Principal Accountant

This post's responsibilities are to assist the Finance Manager to:

(a) formulate the Treasury Management Strategy;

(b) identify and recommend opportunities for improved practices;

(c) supervise treasury management staff;

(d) monitor and review the performance of treasury management functions;

(e) implement the Treasury Management Strategy;

(f) approve and authorise investment deals (within dealing limits – see 5.6);

(g) approve CHAPS payments/Faster Payments according to the limits in the Table of Payment Approval Responsibilities below.

5.4.5 Accountant

This post has responsibilities to:

(a) calculate daily cash balances;

(b) monitor performance and market conditions on a day to day basis and recommend investments;

(c) adhere to agreed policies and procedures on a day to day basis;

(d) enter transmission of monies via Lloyds Banking system;

(e) approve CHAPS payments/Faster Payments according to the limits in the Table of Payment Approval Responsibilities below;

(f) select Brokers from approved list;

(g) submit management information reports;

(h) maintain cash flow projections;

(i) record investment deals and obtain third party loan confirmation;

(j) identify and maintain relationships with third parties and external partners;

(k) ensure counterparty limits are not exceeded.

5.4.6 Senior Accountancy Assistant

This post has responsibilities to:

(a) calculate daily cash balances;

(b) enter transmission of monies via Lloyds Banking system;

(c) select Brokers from approved list;

(d) adhere to agreed policies and practices on a day to day basis;

(e) submit management information reports;

(f) maintain cash flow projections;

(g) obtain third party loan confirmation;

(h) ensure counterparty limits are not exceeded.

Table of Payment Approval Responsibilities

Monetary Limit per Investment	Number of Approvers	Level of Approver Required
Up to £100,000	1	**Any one of:** Accountant Principal Accountant Finance Manager
£100,000 to £20,000,000	2	**Any one of:** Accountant Principal Accountant Finance Manager **And** **Any one of:** Principal Accountant Finance Manager
£20,000,000 to £30,000,000	2	**Any two of:** Principal Accountant Finance Manager

5.5 Absence Cover Arrangements

The Corporate Director of Resources has ensured that adequate arrangements are in place to cover staff absences.

5.6 Investment Dealing Limits

Investments must be with approved counterparties and be within money and time limits determined by the Treasury Management Strategy. Dealing approval limits are detailed in the table below:

Officers	Dealing Approval Limits	
	Call Deposits	**Notice & Fixed Term Deposits**
Corporate Director of Resources and Head of Corporate Finance and Commercial Services	As per counterparty list, and within money and time limits set out in the Treasury Management Strategy.	As per counterparty list, and within money and time limits set out in the Treasury Management Strategy.
Finance Manager	As per counterparty list, and within money and	As per counterparty list, within money limits set

Officers	Dealing Approval Limits	
	Call Deposits	**Notice & Fixed Term Deposits**
	time limits set out in the Treasury Management Strategy.	out within the Treasury Management Strategy and up to a time limit of 12 months
Principal Accountant	As per counterparty list, and within money and time limits set out in the Treasury Management Strategy.	As per counterparty list set out within the Treasury Management Strategy, up to a money limit of £5m and up to a time limit of 6 months

5.7 List Of Approved Brokers

A list of approved brokers can be found at paragraph 11.1.2.

5.8 Policy On Brokers' Services

It is the Council's policy to divide business between brokers.

5.9 Policy On Recording Of Conversations

It is not Council policy to record broker's conversations.

5.10 Direct Dealing Practices

It is an acceptable practice for the Council to make direct dealings with suitable counterparties if the use of brokers does not provide a satisfactory financial arrangement at any time.

5.11 Settlement Transmission Procedures

All payments and repayments resulting from the treasury management function will be made via the authority's bank account using the electronic payment facility (with Lloyds Banking system). Only authorised officers can transmit, approve or release payments, protected by appropriate passwords and a card operated security arrangement. A manual back up facility, agreed with Lloyds Bank, is in place to cover system failure.

5.12 Documentation Requirements

For each deal undertaken a record is prepared giving details of the amount, period, counterparty, interest rate, dealing date, payment date(s), broker.

5.13 Arrangements Concerning The Management Of Third-Party Funds

The Council manages funds under delegated powers for the Office of the Durham Police, Crime and Victims' Commissioner, the Durham County Council Pension Fund, the North East Combined Authority and Advance Learning Partnership.

TMP6 Reporting Requirements And Management Information Arrangements

6.1 Annual Treasury Management Strategy Statement

The Treasury Management Strategy Statement sets out the specific expected treasury activities for the forthcoming financial year. This strategy will be submitted to Council for approval before the commencement of that financial year.

The formulation of the annual Treasury Management Strategy Statement involves determining the appropriate borrowing and investment decisions in light of the anticipated movement in both fixed and shorter-term variable interest rates.

The Treasury Management Strategy Statement is concerned with the following elements:

(a) Summary Treasury Position;

(b) Borrowing Strategy;

(c) Other Debt and Long Term Liability Plans

(d) Annual Investment Strategy;

(e) Non-Treasury Investments;

(f) Treasury Management Indicators;

(g) Prudential Indicators;

(h) MRP Policy Statement;

(i) Other Matters.

6.2 Mid-Year Review Of Treasury Management Activity

The Council reviews it treasury management activities and strategy on a quarterly and half yearly basis. A report will be presented to Council detailing performance for the six months to 30 September against the items reported in the annual strategy. The report will be presented to Council at the earliest practicable meeting after the mid-year point.

6.3 Annual Performance Report

An annual report will be presented to the Council at the earliest practicable meeting after the end of the financial year, but in any case, by the end of September. This report will include the following:

(a) Summary Treasury Position;

(b) Borrowing Activity;

(c) Other Debt and Long-Term Liability Activity;

(d) Investment Activity;

(e) Treasury Management Indicators;

(f) Prudential Indicators.

6.4 Quarterly Performance Reports

The reporting of treasury management performance against forward looking indicators is reported quarterly as part of the Council's integrated revenue and capital monitoring. A report is not required to be taken to full Council.

TMP7 Budgeting, Accounting And Audit Arrangements

7.1 Statutory/Regulatory Requirements

The Council's accounts are drawn up in accordance with the Code of Practice on Local Authority Accounting in Great Britain. This is recognised by statute as representing proper accounting practices.

7.2 Accounting Practices And Standards

The Council adopts in full the principles set out in:

(a) the CIPFA Code of Practice on Treasury Management in the Public Services;

(b) the CIPFA Prudential Code for Capital Finance in Local Authorities;

(c) the Code of Practice on Local Authority Accounting in the United Kingdom (Statement of Recommended Practice);

(d) Statutory Guidance on Local Authority Investments;

(e) Statutory Guidance on Minimum Revenue Provision; and

(f) any other mandatory guidance covering this service area.

7.3 Budgeting And Accounting Arrangements

The Finance Manager will prepare an annual budget for treasury management, which will bring together all the expenditure incurred with regard to this activity, as well as the associated income. The Finance Manager will exercise effective controls over this budget, and will report upon and recommend any changes required in accordance with section TMP6 *Reporting Requirements and Management Information Arrangements.*

All transactions for loans, repayments and interest paid and received are recorded to general ledger codes reserved for these purposes.

7.4 List Of Information Requirements Of Internal And/Or External Auditors

The Council will ensure that all those charged with regulatory review, including internal and external auditors, have access to all information and papers supporting the activities of the treasury management function.

TMP8 Cash And Cash Flow Management

8.1 Arrangements For Preparing/Submitting Cash Flow Statements

Cash flow projections are prepared annually, monthly and daily. The annual and monthly cash flow projections are prepared from the previous years' cash flow records, adjusted for known changes in levels of income and expenditure and also changes in payment and receipts dates. These details are supplemented on an ongoing basis by information received of new or revised amounts to be paid or received as and when they are known.

TMP9 Money Laundering

9.1 Procedures For Establishing Identity/Authenticity Of Lenders

The Council will only accept loans from individuals where the funds are transferred through a United Kingdom domiciled bank account. All other loans are obtained from the PWLB or from authorised institutions under the Financial Services and Markets Act 2000. The Financial Conduct Authority (FCA) is responsible for maintaining a register of authorised institutions. This register can be accessed through their website at https://register.fca.org.uk/

9.2 Reconciliation of Deposits

All deposits are identified and reconciled on a daily basis. The source of each deposit is verified so they can be allocated to the appropriate fund within the main accounting system. Staff will be kept aware of developments in money laundering regulations and will be encouraged to keep abreast of money laundering issues through specific training, publications and the internet. The Council's nominated Money Laundering Reporting Officer (MLRO), the Chief Internal Auditor & Corporate Fraud Manager is responsible for reporting on the Council's Anti-Money Laundering Policy. The latest policy was approved by Audit Committee on 28 November 2022.

TMP10 Staff Training And Qualifications

10.1 Details Of Training Arrangements

The Corporate Director of Resources will ensure that staff engaged in treasury management activities are appropriately trained, so they can carry out their duties to the required standards.

Staff employed in the treasury management function will be qualified to the level that is appropriate to their post. All staff will be given appropriate basic training before fulfilling their treasury management duties for the first time and will be expected to undertake continuous training as appropriate to enable them to keep up to date with all aspects of treasury management within their responsibility.

Training courses run by CIPFA and other training providers, such as the Council's treasury management advisers, will form the major basis of ongoing staff and member training. Records will be kept of all courses and seminars attended by staff and Members.

CIPFA members are required to abide by CIPFA's Ethics Standard on Professional Practice (SOPP).

TMP11 Use Of External Service Providers

11.1 Details Of Contracts With Service Providers, Including Bankers, Brokers, Consultants, Advisers

11.1.1 Banking services

(a) The supplier of banking services is Lloyds Bank plc. The branch address is
19 Market Place
Durham
DH1 3NL

(b) The current contract commenced on 5 January 2015 for an initial 5 year period (the ‘minimum period), and subject to the terms of the contract will continue after the expiry of the minimum period until terminated by either party giving not less than one years written notice.

(c) Cost of service is variable depending on schedule of tariffs and volumes agreed at the beginning of the contract.

11.1.2 Money-broking services

Name of suppliers of service:

(a) Martin Brokers (UK) plc;

(b) Tradition (UK) Ltd;

(c) King and Shaxson;

(d) BGC Brokers;

(e) Tullett Prebon (Europe) Limited;

(f) Imperial Treasury Services Limited.

The Corporate Director of Resources may add brokers to the list during the year, providing they meet the council’s standards and requirements. No commission is paid by the Council to any money broker.

11.1.3 Consultants/advisers services

(a) Treasury Consultancy Services are provided by:

MUFG Corporate Markets
19th Floor
51 Lime Street
London
EC3M 7DQ

(b) Leasing Consultancy Services are provided by:

MUFG Corporate Markets
19th Floor
51 Lime Street
London
EC3M 7DQ

(c) External Fund Managers

There are none at present.

External Fund Managers and other consultancy services may be employed on short term contracts as and when required.

TMP12 Corporate Governance

12.1 List Of Documents To Be Made Available For Public Inspection

To support the implementation of a robust corporate governance policy, the following documents are available for public inspection:

(a) Treasury Management Policy Statement;

(b) Treasury Management Strategy Statement;

(c) Annual Investment Strategy;

(d) Minimum Revenue Provision Policy Statement;

(e) Mid-year Treasury Management Review;

(f) Annual Treasury Management Review Report;

(g) Annual Statement of Accounts; and

(h) Annual Budget.

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Appendix 13: Property Investment Strategy

Purpose

1 The purpose of the Property Investment Strategy is to identify the benefits, risks and approach to acquiring property in order to support the Council's priorities.

Definition of an Investment Property

2 This strategy defines an investment property as "an asset acquired by the Council for the purposes of income generation and profit creation", in line with the definition in the Statutory Guidance issued under Section 15(1)(a) of the Local Government Act 2003. Through the acquisition there may be secondary benefits achieved, such as new jobs created or existing jobs safeguarded. However, the primary purpose of the acquisition of property as an investment will be to provide a source of income to the Council.

Introduction

3 Local authority investment within the commercial property market has grown over the last 10 years, due to the return on investment opportunities presented by this market segment, and this was a strategy that the Government previously encouraged. As a result of the changing nature of budgets in local government, the Council, like many others, needs to assess opportunities within the market to support its overall priorities. More recently, there has been increased focus on these decisions and investments, where in some authorities the commercial risks take on has proved unsustainable.

4 To ensure that investment decisions in County Durham fit with the Council's requirements and are underpinned by robust risk assessment and a cautious approach, this strategy sets out the investment framework and policy to apply to the acquisition of any commercial property investments. This will ensure that any opportunities considered are evaluated against agreed criteria and the risks and returns associated with these investments are fully appraised as part of the decision making.

5 The overall aim of the strategy is to create a framework that ensures that all relevant issues are considered when the Council analyses a property investment opportunity. The Council will need to balance commercial risks against the opportunity to deliver sustainable revenue streams for the Council, together with potential for capital growth from investments. Investments could also help to generate economic growth and secure or protect jobs. The objectives of this strategy will ensure acquisition, management and returns relating to investments continue to deliver against the Council's priorities throughout their lifespan.

6 Set against key objectives the strategy will not only cover the income opportunities for the Council, but also the wider regeneration benefits that will be delivered, particularly in relation to acquisitions within the County boundary.

Objectives

7 The key objectives of the Property Investment Strategy are to consider investment opportunities which achieve the following aims:

(a) deliver a sustainable revenue stream;

(b) contribute towards a balanced investment portfolio;

(c) protect existing capital value or deliver capital growth opportunities, as the market dictates;

(d) maximise income within the agreed acceptable risk levels;

(e) contribute to delivery of the Council's vision, approach and ambitions.

Investment Proposal

8 The Council has already taken opportunities to invest in property located within the County, where this decision has met the wider Council objectives. This consists of surplus freehold Council properties, that have been converted to successful commercial lets and leasehold properties sublet for income generation and to support regeneration.

9 Examples include the Council taking the head lease at Freemans Reach to support the retention of civil service jobs in Durham. Investment properties are defined separately for accounting purposes and will be identified as such within the asset register. Annex 1 provides a list of current properties held by the Council for investment purposes, which provide a net rental income of approximately £2.441 million per annum. This level of income is comparably small when compared with Council's gross expenditure of £1.4 billion.

10 This strategy forms the basis for the Council investing in property on a balanced and risk-assessed basis. The Council will consider acquiring investment interests in property, including the acquisition of head leases benefitting from the security of tenure the Council covenant can provide to investment institutions and developers. In addition, freehold opportunities are not to be discounted, to provide the Council with flexibility should appropriate opportunities arise.

Investment Criteria

11 In order to assess whether an investment meets the objectives set out in the strategy, clear criteria have been established that forms the basis of an initial appraisal. These are set out in Table 1 below.

Table 1 - Investment Criteria

A. Strategic Alignment	Any given investment must clearly align with the Council's corporate objectives as detailed in the Council Plan.
B. Location	The priority of the strategy is to invest in the geographical and administrative boundary of County Durham, as this meets the key objectives and minimises risk to the Council, in addition to providing wider benefits to the County's economy. This could also include investment opportunities that sit on the periphery of the County boundary, where it is proven that they meet the key objectives.
C. Economic Development	Opportunities in relation to economic development require consideration for any investment, in order to understand the wider benefits to the County. This should take into account relevant factors, including but not limited to inward investment potential, job creation and the quality of jobs created.
D. Sector	The consideration of sectors will be specific to each investment opportunity and will need to be appraised as such. Market performance, growth, alignment with key partners and supply and demand within sectors will need to be considered in terms of location within County Durham. To ensure an appropriate risk profile is achieved investments should be cross sector to enable diversification of risk and a spread across sectors. This will prevent over-exposure in specific sectors.
E. Tenure	The acquisition of head leases will be considered and fully appraised, although freehold opportunities will also be considered, should appropriate opportunities arise. The strategy will prioritise the opportunities for return on investment balancing commercial risk and regeneration benefits against commercial risk.
F. Tenant Performance	

	Head lease and freehold options would result in the Council subletting in order to raise income. The initial appraisal will need to review the quality of tenants and the ability to observe rental commitments. This tenant risk profiling exercise is essential as it directly affects the risk profile of the investment. Full legal and financial due diligence will be required as part of the appraisal process. In addition, the activities undertaken by the tenant will need to be reviewed by the Council to ensure they are considered appropriate for public investment.
G. Occupier's Lease Length	The length of lease agreements is a key consideration for any investment decision and the Council will need to consider the risks associated with potential void levels and the ability to attract good quality tenants at appropriate rental levels. Shorter lease lengths and break clauses further compound this, although this should be reflected in the rental level received. In terms of risk profile the principle of "the longer the lease, the more secure the investment" applies. However, this should consider break options that may exist in the agreement, alongside the financial status of the tenant.
H. Rental Income	Rental income will be considered alongside lease length and covenant strength as part of the appraisal. This will need to take into account cost of voids, rental levels, rent reviews and break clauses.
I. Building Quality	Consideration of the building age and specification is a deciding factor in any investment as it can determine the lifespan, condition and capital expenditure levels required to ensure it remains available for let. An initial appraisal of this will be completed to consider the quality of the building against the proposed length of the Council's tenure. In addition, any acquisition of new build will need to consider the track record of the developer and main contractor, together with the security of warranties and contractual arrangements.
J. Repairing Obligations	Leases in the market can vary in terms of the repairing responsibilities that the landlord retains. In terms of initial appraisal, lease terms that transfer the repairing

	obligation to the tenant are more favourable, than those that require the landlord take more responsibility.
K. Yield / Return	Yield will be considered as part of the initial appraisal and will be directly impacted by a number of the other appraisal criteria. This will inform the return anticipated on the investment, which would need to be considered acceptable in order to progress further.

Governance Arrangements

12 All investment opportunities will need to be subject to an initial appraisal. The initial appraisal will be carried out at officer level and if considered appropriate will be then progress to a full business case. The business case will set out the detailed due diligence work, risk assessment and confirm that the investment meets the key objectives in order to establish the suitability of the investment. In some cases, the appointment of an external investment advisers may be required, where additional advice is necessary.

13 The completed full business case will need to be submitted to the Head of Corporate Finance and Commercial Services who will be required to work with service, property, legal and technical experts to assess the opportunity. The current constitution requires that any decision on investment will then need to go to Cabinet for approval. However, due to the fast-paced nature of the investment process, delegated powers may need to be utilised on occasion with full consultation with Portfolio Holders. All acquisitions will be subject to a building survey, valuation and completed business case.

Management Arrangements

14 All investment properties held by the Council will be subject to appropriate management, monitoring and review throughout the financial year. Any variation from budgeted performance will be reported as part of the quarterly forecast of outturn reports to Cabinet and Scrutiny. If performance is lower than originally forecast considerations will be given to opportunities to improve performance. Active management of the portfolio on a day to day basis will be undertaken by the Council’s Corporate Property and Land and Finance Teams, in line with the proposed Corporate Landlord model.

15. If an investment is considered to be underperforming, or no longer meets the key objectives, then an exit strategy will be prepared.

Annex1 – Existing Investment Properties

UPRN	Asset Name	Acquired by DCC	DCC Tenure
50621S01	Durham Wearside House (National Savings)	28/01/15	Leasehold
50621S01	Durham Freemans Reach (Passport Office)	18/03/16	Leasehold
50621S01	Durham Freemans Reach Kiosk	18/03/16	Leasehold
50621S01	Durham Freemans Reach Hydro-Turbine	28/01/15	Leasehold
3372S01	Northumbria House, Aykley Heads, Durham	Transferred to investment 01/11/14	Freehold
3230S01	Priory House, Pity Me, Durham	Transferred to investment 04/07/16	Freehold
70787S01	Newton Aycliffe Merchant Park	Transferred to investment 30/03/24	Leasehold

Appendix 14 - Pay Policy Statement 2025/26

Introduction

1 This policy outlines the key principles of Durham County Council's (DCC) pay policy for 2025/26 aimed at supporting the recruitment and remuneration of the workforce in a fair and transparent way. The policy complies with government guidance issued under the Localism Act 2011 and includes commentary on:

(a) the approach towards the remuneration of Chief Officers;

(b) the remuneration of the lowest paid employee;

(c) the relationship between the remuneration of its Chief Officers and the remuneration of its employees who are not Chief Officers.

2 The Local Government Transparency Code published in February 2015 sets out key principles for local authorities in creating greater transparency through the publication of public data. As part of the code, the government recommended that local authorities should publish details of senior employee salaries. This pay policy forms part of the council's response to transparency of senior pay through the publication of a list of job titles and remuneration.

3 Durham County Council is mindful of its obligations under the Equality Act 2010 and is an equal opportunity employer. The overall aim of our Single Equality Scheme is to ensure that people are treated fairly and with respect. The scheme also contains a specific objective to be a diverse organisation, which includes recruiting and retaining a diverse workforce and promoting equality and diversity through working practices. This pay policy forms part of our policies to promote equality in pay practices. By ensuring transparency of senior pay and the relationship with pay of other employees, it will help ensure a fair approach which meets our equality objectives.

4 In setting the pay policy arrangements for the workforce, the council seeks to pay competitive salaries within the constraints of a public sector organisation.

5 As a result of Local Government Reorganisation in the County in 2009, the significant opportunity existed to bring together the pay and conditions arrangements of the eight previous authorities into one cohesive pay policy for the new organisation. In response, Durham

County Council’s approach towards the workforce pay and conditions of employment were fundamentally reviewed and a new pay structure and revised conditions of employment for the majority of the workforce were agreed during 2012, in order to ensure that the council is able to operate as a modern, fit for purpose and streamlined organisation.

6 A further review of higher principal officer posts across the council was undertaken during 2018 as these posts did not form part of the job evaluation/single status exercise in 2012. The review affected Strategic Manager (Tier 4 roles) and some roles below Tier 4 and involved formal job evaluation of each post. This resulted in a new pay structure for strategic managers being implemented, effective from 1 December 2018.

Posts defined within the Act as Chief Officers

7 The policy in relation to Chief Officers relates to the posts of Chief Executive, five Corporate Directors, Director of Integrated Community Services, Director of Public Health and the Director of Legal and Democratic Services (who undertakes the Monitoring Officer role for the Authority).

Governance Arrangements

8 The Chief Officer Appointments Committee is defined within the council’s constitution as performing the functions under section 112 of the Local Government Act 1972 in relation to these officers. This includes the setting of the pay arrangements for these posts and in doing so the Committee takes into account:

(a) the prevailing market in which the organisation operates;

(b) the short and long-term objectives of the council;

(c) the council’s senior structure, financial situation, and foreseeable future changes to these;

(d) the expectations of the community and stakeholders;

(e) the total remuneration package;

(f) the links with how the wider workforce is remunerated and national negotiating frameworks;

(g) the cost of the policy over the short, medium, and long term.

9 The Committee also has access to appropriate external independent expert advice on the subject where required.

Key Principles

10 The Chief Officer pay policy is designed to be easily understood and to be transparent to the post holders and key stakeholders. The structure and level of the pay arrangements will enable the council to attract, motivate and retain key senior talent for the authority.

11 The policy is based upon spot salaries with clear differentials between levels of work/job size, within a range that is affordable now, will remain so for the medium term, and will be subject to review to ensure it continues to remain fit for purpose. In the first instance it is intended that the Authority will market test the rates of pay when vacancies arise, as part of consideration on whether roles continue to be required within the context of the council's priorities and commitments at that time.

12 A values and behaviours framework is established within the organisation which links to individual job descriptions, person specifications and performance and development reviews. Leaders' expectations are clearly defined, and this ensures that the individual standards of achievement and performance are met and clearly linked to the achievement of the council's objectives and priorities, and the authority's expectations are delivered by post holders within these roles.

13 These posts do not attract performance related pay, bonuses, or any other additions to basic salary. This approach enables the council to assess and budget accurately in advance for the total senior pay bill over a number of years.

14 The council is currently the fifth largest single tier authority in the country and in setting the pay policy a market position has been established that aims to attract and retain the best talent available at a senior level within a national recruitment context, to lead and motivate the council's workforce that is rewarded under a nationally agreed negotiating framework.

15 Roles at this level have all been subject to an externally ratified job evaluation scheme that is transparent and auditable to ensure equality proofing of pay levels.

16 Other terms and conditions of employment for this group are as defined within the Joint Negotiating Committee for Chief Officers of Local Authorities Conditions of Service handbook, with discretion to set actual pay levels at a local level, but within a national negotiating framework.

These posts are part of the nationally defined Local Government final salary pension scheme.

17 Individual elements of the remuneration package are established as follows at the point of recruitment into the posts:

Pay Levels

Role	Salary @ 1.4.2024
Chief Executive	£219,275
Corporate Directors	£166,434
Director of Integrated Community Services	£153,182
Director of Legal and Democratic Services	£131,207
Director of Public Health	£123,984

18 In addition to Chief Officers, there are a range of senior roles identified as Heads of Service that are evaluated using the same principles and scheme as the Chief Officers and these roles are remunerated at three levels based on job size.

Role	Salary @ 1.4.2024
HOS 3	£91,872
HOS 2	£115,826
HOS 1	£131,207
HOS 1*	£133,937

*Joint Negotiating Committee (JNC) Pay Award for Chief Officers does not apply to one Head of Service post (which is joint funded by DCC/NHS).

19 Increases are made in accordance with the appropriate Joint Negotiating Committee (JNC) Pay Agreements. The JNCs for the Chief Executives and Chief Officers both agreed a salary increase of 2.5% with effect from 1 April 2024.

21 This council has agreed a salary structure for its senior posts and agrees that appointment to any vacancies on this structure at the salaries referred to in this statement are permitted. Council has delegated responsibility for approving the creation of new posts paying over £100,000 or special severance payments over £100,000 to the Chief Officer Appointments Committee. Such authorisations must then be reported to Council for information at the next suitable / available

opportunity. The Council also has regard to relevant statutory guidance in relation to local authority pay.

22 For the majority of the rest of the council's workforce, the NJC pay agreement for 2018/19 included the introduction of a new pay spine on 1 April 2019. The 2019 pay spine is mandatory. Agreements reached by the NJC are collective agreements and if they are incorporated into employee contracts of employment then the changes will take effect. The new pay spine replaced entirely the previous spine and accordingly employees assimilated across from the previous SCP to the new corresponding SCP in April 2019. The NJC produced a circular on 14 June 2018, which provided technical advice on issues relating to assimilating employees onto the new pay spine. The council has complied with the NJC guidance (i.e., one approach to be applied consistently and a maximum of five spinal column points for each grade).

23 The designated Returning Officer for the council also carries out the role of 'Returning Officer' or 'Counting Officer' in Parliamentary and other national referenda or electoral processes. These additional roles carry an entitlement to payment from central government at levels set by order in relation to each national poll and according to scale of fees agreed by the council in relation to Local Elections.

24 Set out in Annex 1 is a scale of fees for the conduct of any County Council and Parish by-elections that arise. The fees are based on the principle that the Returning Officer and nominated deputies will be remunerated in line with personal responsibilities, but at a rate below that of national elections. National rates are given for other posts such as Presiding Officers, Poll Clerks, Count Staff, and postal vote sessions to ensure sufficient interest is maintained in undertaking these roles.

The Authority's Policy on the Remuneration of its Lowest Paid Workers

Definition of Lowest Paid Workers

25 In order to promote equity, former manual worker grades in the authority have been incorporated into the national framework, as outlined in the National Joint Council for Local Government Services "Agreements on Pay and Conditions of Service".

26 This ensures that the lowest paid workers and the wider workforce share equitable terms and conditions and access to pay and condition arrangements that are set within a national negotiating framework.

27 This approach ensures fairness, provides market rates in the region for jobs, graded by job size, but with a reference also to the national local government family.

28 Following the implementation on 1 January 2015 of the 'Durham Living Wage' the lowest paid workers now receive the minimum of Spinal Column Point 10 for all Durham County Council employees.

29 The hourly rate from 1 April 2024 is £12.4538 (and new SCP 3 replaced the old SCP 10 on the new National Pay Spine) which equates to workers (outside of apprenticeship schemes) remunerated in Durham on a minimum full time equivalent annual rate of pay of £24,027 (excluding any allowances). This is the council's definition of 'lowest paid workers.

The Policy Relationship between Chief Officers Pay, the Lowest Paid Workers, and the Wider Workforce

Current Position

29 At the inception of the new unitary council in 2009 the authority had defined:

(a) the strategy for senior pay within the authority and had recruited into these posts;

(b) the plan for the approach towards harmonising the pay and conditions of the workforce longer term;

(c) taking this approach, also now enables the authority to publish and support recommendations within Will Hutton's review 2011 'Review of Fair Pay in the Public Sector' around publishing the ratio of pay of the organisation's top earner to that of a median earner and tracking this over time, taking corrective action where necessary.

30 In setting the relevant pay levels, a range of background factors outlined at paragraph 2.2 were taken into consideration for senior pay alongside the significant scope and scale of the authority in the national context.

31 For example, the scope and scale of the Chief Executive's post encompasses responsibilities commensurate with the largest authorities in the country including responsibility for:

(a) the provision of wide-ranging services to over 500,000 residents of County Durham;

(b) a gross budget of £1.8 billion for service delivery;

(c) undertaking the role of the Head of Paid Service to over circa 15,000 employees; and

(d) Lead Policy Advisor to the council's 126 Elected Members (to be reduced to 98 members in May 2025 following the implementation of the Boundary Commission review).

32 At 31 March 2024, the ratio between the pay of the Chief Executive in Durham County Council and the lowest paid workers is 7.44:1, against figures published by government of an expectation to always be below 20:1 in local government.

33 During 2024/25 the employer contributed 18.10% of pensionable pay to the Durham County Council Pension Fund for all employees in the Local Government Pension Scheme. From 1 April 2023 the rate has been set at 18.10% of pensionable pay following the completion of the triennial revaluation review of the Pension Fund.

Long Term Planning

34 In line with the original long-term plan, Durham County Council successfully completed the implementation of a new pay and conditions framework for the wider workforce. This pay scheme is based upon a nationally agreed job evaluation system and the national spinal column points of pay and will see the authority remain within the existing national pay negotiating machinery.

Pay Policy Objectives

35 This planned approach towards pay for the wider workforce, and the use of established and equality impact assessed job evaluation schemes in the exercise will ensure:

(a) a planned approach towards pay policy for the organisation that enables the council to establish a relationship between pay for senior officers, the low paid and the wider workforce to align to the national guidance;

(b) the provision of accountability, transparency and fairness in setting pay for Durham County Council.

36 A report detailing the council's Gender Pay Gap figures for the position as at 31 March 2023 was published on the council's website (http://www.durham.gov.uk/genderpaygap), this includes the council's long term plans for improving the pay gap. The updated figures, based on the position as at 31 March 2024 will be published on the council's website before 31 March 2025.

Pay Policy Decisions for the Wider Workforce

37 The decision-making power for the implementation of the new pay arrangements is one for the full council for the Authority, ensuring that decisions in relation to workforce pay are taken by those who are directly accountable to local people.

The Approach towards Payment for those Officers Ceasing to Hold Office Under or be Employed by the Authority

38 The council has an agreed policy in relation to officers whose employment is terminated via either voluntary or compulsory redundancy. This policy provides a clear, fair, and consistent approach towards handling early retirements and redundancy for the wider workforce, including Chief Officers**.**

39 In setting policy, the Authority does currently retain its discretion to utilise the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales Regulations) 2006.

Policy towards the Reward of Chief Officers Previously Employed by the Authority.

40 The council's arrangements for payments on severance are outlined in the Early Retirement/Voluntary Redundancy policy approved by Council on 29 October 2014.

41 Chief Officers leaving the authority under regulations allowing for early access to pension are leaving in circumstances where there is no longer a suitable role for them, and in such circumstances, they leave the employment of the council. Immediate re-engagement in another role would negate redundancy by operation of the Redundancy Payments (Continuity of Employment in Local Government, etc.) (Modification) Order 1999.

42 The council would not expect such officers to be offered further remunerated employment with the council or any controlled company without such post being subject to external competition.

43 The administering authority for the Local Government Pension Scheme does not currently have a policy of abating pensions for former employees who are in receipt of a pension, although this is an area that is kept under review.

44 The council is mindful of its obligations under equality legislation and as such is limited in its ability to adopt a policy that it will not employ people of an age that has entitled them to pension access on leaving former employment in the public sector or to propose that such applicants be employed on less favourable terms than other applicants. It expects all applicants for any posts to compete and be appointed on merit.

Annex 1: Proposed Scale of Fees for the conduct of all-out County and Parish Councils, and individual By-Elections

Set out in Annex 1 is a scale of fees for the conduct of the 2025 all out County and Parish Council elections. These fees are based on national election scale of fee pay bands introduced, February 2024, as per the Expenses Guidance for Returning Officers issued by DLUHC.

On 20 November 2024 the former DLUHC, now the MHCLG applied pay award of 2.5% to the national scale of fees for 2025/2026, which has been updated within the pay bands.

The Election Core Team will receive fees as set out in the table below.

Returning Officer and Deputy Returning Officer Fees

Role	Calculation of Fee	Total Electorate	Maximum FEE based on 100% contested areas	Narrative
Returning Officer – For overall personal responsibility	£475 per 10,000 or part there of **Maximum number of contests** 51 County Areas x 197 Parish Areas = 248 **County Fee + Parish Fee = Total RO Fee**	**County 394,539*** **Parish 314,234*** ***Electorate figures to be recalculated on the 1 March 2025	£19,000 £15,200 **Total £34,200**	The RO fee is to be capped at £24,800 for the local and parish elections in May 2025. The fee will be calculated on the electorate of county and parish areas contested after the close of Nominations

Deputy Returning Officers with full or specified powers	60% of the RO Fee		£20,520	The DRO Fee will be capped at £14,800 and divided between allocated DROs dependent on the role undertaken. Level of fee paid will be determined by the RO

Election Core Team

Role	Calculation of Fee	Total Electorate	Maximum FEE based on 100% contested areas	Narrative
Electoral Services Manager	60% of the RO fee	**County 394,539*** **Parish 314,234*** ***Electorate figures to be recalculated on the 1 March 2025	£20,520.00	The ESM fee will be capped at £14,800.
Principal Electoral Officers x 2	65% of ESM fee		£13,338.00	The PEO fee will be capped at £9,620
Senior Electoral Officers x 3	65% of PEO fee		£8,669.70	The SEO fee will be capped at £6,253

Electoral Officers x 4	65% of SEO fee		£5,635.30	The EO fees will be capped at £4,064
Electoral Assistant x 2	65% of EO fee		£3,662.94	The EA fees will be capped at £2,641

Other staff supporting the election are eligible to claim fees for duties undertaken outside normal working hours such as poll card issues, postal vote issue, postal vote opening and providing training sessions.

The Core Elections Team are also eligible to claim such fees where they take place outside their normal working hours. Where duties are undertaken at a weekend or evening the uprated difference would be payable at 1.5x or 2.0x for Sunday. The difference would be calculated based on the role daytime pay band rate. These will be paid in accordance with the Pay Bands set out below.

Pay Band Roles[i]

Pay Band A	
Roles	**Pay band Range £12.21- £15.50**
Casual admin support	£15.50
Polling station - ballot box/equipment issuing assistants	£14.86
Postal vote - prep and issue assistant	£14.35
Postal vote - opening and checking assistant	£14.35
Ballot box receipt assistant	£14.35
Poll card - prep and issue assistant	£14.35
Poll clerks*	£14.35
Count setup/take down assistant	£14.35
Count and verification assistants	£14.35
Count security	£13.33
Postal vote security	£13.33
Reception staff	£13.33
Poll card – printing	£12.21
Printing coordinator (e.g. printing of letters)	£12.21

*Poll Clerks will be paid for 16 hours.

Pay Band B	
Roles	**Pay Band Range £13.78 - £18.37**
Polling station - ballot box/equipment issuing supervisors	£18.37
Postal vote - prep and issue supervisor	£17.94
Postal vote - opening and checking supervisor	£17.94
Ballot box receipt supervisor	£17.94
Poll card - prep and issue supervisor	£17.94
Count staff - IT support	£17.94
Postal vote - IT support (signature verification)	£17.94
Count setup/take down supervisor	£17.43
Count and verification team leader	£17.43
Unused ballot papers checking and verification	£17.43
Collection and prep of equipment	£13.78

Pay Band C	
Roles	**Pay Band Range £16.07 - £20.09**
Presiding officer*	£20.09
Count and verification supervisor	£20.09
Staff payments/payroll	£18.45
Poll card, postal votes and ballot papers - running data, checking and proofing	£17.94
Postal vote - signature adjudicators	£17.94
Top table assistant/data officer	£17.43
Media handling/comms	£17.43

* Up to a maximum of 20 hours work, including preparation – DCC will pay 18 hours.

Pay Band D	
Roles	**Pay Band Range £17.22 - £29.85**
Count manager	£29.85
Polling station inspector	£26.65
Postal vote – opening session manager	£25.63

Other Rates		
Type	**Range of Fees**	**County and Parish 2025**
Poll card (hand) delivery (per poll card)	£0.20 - £0.39	£39
Travel up to 10 miles	£4.50	£4.50
Travel between 10-20miles	£9	£9
Travel of 20 miles or more	£9 - £18	£18
Mileage rate	£0.45	£0.45
Training per member of staff (up to a maximum) **	£43.56	£28.19 Polling Station staff £43.56 Count Supervisor and Team Leader £20.50 Count Supervisor Trainer £10.25 Count Assistant
Training Prep & Delivery (per session)	£102.50 - £153.75	£153.75
Bookkeeping capped at a maximum (prior approval required)	£410	£410

** Note that ROs can choose to pay at any fixed rate up to this maximum amount. The rate, however, will need to reflect the duration and complexity of the training.

Night and Weekend Rate Calculations

Verification and Count night rate	**1.5x hourly day time rate from 9:00pm**
Saturday	**1.5x hourly day time rate**
Sunday	**2.0x hourly day time rate**

Holiday Pay

Holiday pay will be payable at 12.07% for

- Staff issuing and opening postal votes
- Presiding Officers
- Poll Clerks
- Polling Station Inspectors
- Count assistants
- County Supervisors / Team Leaders
- Overtime spent on electoral work

Holiday pay is not entitled to be paid on fixed amount fees, such as RO fees and staff training fees.

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[i] Pay bands will be uplifted each year in accordance with the national scales of fees issued by MHCLG.

Also set out in Annex 1 is a scale of fees for the conduct of individual By-Elections. The fees have been updated to hourly rates to bring them in line with the national scale of fees introduced by the former DLUHC.

Returning Officer fees are set by the Council and no change is proposed.

Election Fees – By-Elections

Returning Officer	£67.00 per 1000 electors or part thereof (per division/ward)
Polling Station:	
Presiding Officer – for up to 20 hours work	£20.09 per hour (plus 20% fee for combined election)
Poll Clerk – for 16 hours work	£14.35 per hour (plus 20% fee for combined election)
Polling Station Inspector	£26.65 per hour (plus 20% fee for combined election)
Mileage	0.45p
Poll Card Prep and Issue	
Poll Card Prep and Issue	£17.94 per hour
Poll Card prep and Issue	£14.35 per hour

Postal Votes Issue:	
Postal Votes Issuing Manager	£22.55 per hour
Postal Votes Issuing Supervisor	£17.94 per hour
Postal Votes Issuing Assistant	£14.35 per hour
Postal Votes Opening:	
Postal Votes Opening Manager	£25.63 per hour
Postal Votes Opening	£17.94 per hour
Postal Votes Opening Assistant	£14.35 per hour
Per Count: - Guaranteed minimum of 4 hours, overnight count paid at x1.5 from 9.00pm	
Count Manager	£29.85 per hour
Count Supervisor	£19.98 per hour
Count Assistant	£14.35 per hour
Miscellaneous:	
Elector Assistance	£17.43 per visit
Attending Training	Maximum of £43.56
Providing Training	£153.75 per session
Clerical	£89.00 per 1000 electors or part thereof
IT Support	£17.94 per hour
Delivery of Poll Cards	0.28p per card
Ballot Box Preparation	£5.15 per box
Checking of Ballot Papers	£17.43 per hour

Appendix 15: Council Tax Empty Property and Second Home Premium Policy: Section 13A (1) (c) Reduction Policy - Proposed Policy from 1 April 2025

Council Tax Empty Property and Second Home Premium Charge

Section 13A(1)(c) Reduction Policy

Reviewed January 2025

Contents

1 Introduction and Purpose of the Policy

1.1 The Local Government Finance Act 2012 amended the Local Government Finance Act 1992, abolishing Council Tax exemptions for certain empty properties and increasing local authorities' discretion in setting the level of council tax charged in respect of empty and unoccupied properties.

1.2 The purpose of this policy is to set out the charges to be levied in respect of empty and unoccupied properties and furnished and unoccupied properties from 01 April 2025.

1.3 This policy also sets out the criteria to be applied when deciding whether to award a discretionary Section 13A(1)(c) reduction under certain circumstances for properties subject to the council's Empty Property Premium Charge and the council's Second Homes Premium Charge.

1.4 The policy also sets out the criteria to be applied when applying the Government regulations to not apply the premium for certain categorisation of properties classed as empty properties or second homes.

1.5 The revised Council Tax (Prescribed Classes of Dwellings and Consequential Amendments) Regulations 2024 were laid before Parliament on 8 October and came into force on 1st November 2024. Councils are able to apply these new regulations effective from 1 April 2025.

1.6 These regulations are made under Section 11B and 11D of the 1992 Act which enables the Secretary of State to prescribe classes of dwellings to which the premiums would not apply. They prescribe seven new classes of dwellings in relation to which a premium may not be charged on certain criteria of long-term empty homes and/or second homes, with some exceptions being time limited to 12 months.

2 Charges to be Levied

2.1 The Council has resolved to charge empty and unoccupied properties as follows with effect from 01 April 2024:

Properties empty and unoccupied for up to 12 months	100% Council Tax charge will apply
Properties empty and unoccupied for 1 – 5 years	200% Council Tax charge will apply (includes 100% empty property premium)
Properties empty and unoccupied for 5 – 10 years	300% Council Tax charge will apply (includes 200% empty property charge)
Properties empty and unoccupied for more than 10 years	400% Council Tax charge will apply (includes 300% empty property charge)

2.2 The Council has resolved to charge furnished and unoccupied properties, known as second homes, as follows with effect from 01 April 2025:

Properties furnished and unoccupied properties, known as second homes	200% Council Tax charge will apply (includes 100% empty property premium)

3 Government exceptions for both Empty Homes and Second Homes Effective from 1 April 2025

3.1 The revised Council Tax (Prescribed Classes of Dwellings and Consequential Amendments) Regulations 2024 were laid before Parliament on 8 October 2024 and came into force on 1 November 2024. Councils are able to apply these new regulations effective from 1 April 2025.

3.2 These regulations are made under Section 11B and 11D of the 1992 Act which enables the Secretary of State to prescribe classes of dwellings to which the premiums would not apply. They prescribe seven classes of dwellings in relation to which a premium may not be charged on certain criteria of long-term empty homes and/or second homes, with some exceptions being time limited to 12 months.

3.3 The Government has defined certain circumstances whereby properties subject to the Empty Property Premium charge or the Second Homes Property Premium charge may have the impact of this charge offset by a premium exception. In all such circumstances the liable person will remain subject to a 100% council tax charge

3.4 Some of these exceptions are time limited to 12 months whilst others may run as long as the dwelling meets the qualifying criteria.

3.5 Applications for an exception will only be considered in individual cases where the qualifying criteria can be demonstrated / evidenced for a property remaining unoccupied and unfurnished for more than 12 months or for a property which is furnished but unoccupied.

3.6 Where an application is successful, the discount will be applied directly to the council tax account and, where appropriate, is subject to a review on an annual basis.

3.7 Qualifying criteria for an exception from a Council Tax premium for those properties classed as empty and unfurnished or empty but furnished are:

Government Exception for both Empty Homes and Second Homes Effective from 1 April 2025

3.8 Billing authorities will not be able to charge either an empty or second home council tax premium in relation to the following properties:

a. Properties that are being marketed for sale for a period of up to 12 months.

b. Properties that are being marketed for let for a period of up to 12 months.

3.9 Inherited properties, where probate or letters of administration have been granted for a period of up to 12 months.

Government Exception for Empty Homes Only Effective from 1 April 2025

3.10 Billing authorities will not be able to charge an empty home council tax premium in relation to the following properties:

a. Properties that are undergoing major work to make it habitable, or structural alteration.

Government Exception for Second Homes Only Effective from 1 April 2025

3.11 Billing authorities will not be able to charge a second home council tax premium in relation to the following properties:

a. Properties that are periodically occupied in certain job-related circumstances.

b. A pitch occupied by a caravan, or a mooring occupied by a boat.

c. Properties where a planning condition prevents permanent occupancy.

4 Council Tax Section 13A(1)(c) Discretionary Reduction Policy

4.1 The ability to reduce a council tax charge is included in Section13A of the Local Government Finance Act 1992 as amended by Local Government Act 2003, section 76. Section 76 gives councils the authority to make a discretionary reduction in council tax in circumstances that it deems appropriate. There is a cost to the council in respect of any reduction awarded and this is met by the council's collection fund.

4.2 Durham County Council has defined certain circumstances whereby. properties subject to the Empty Property Premium charge or the Second Home Premium charge may have the impact of this charge offset by a section 13A(1)(c) reduction. In all such circumstances the liable person will remain subject to a 100% council tax charge

4.3 Applications for an exception will only be considered in individual cases where the qualifying criteria can be demonstrated and evidenced for a property remaining unoccupied and unfurnished for more than 12 months or for a property which is furnished but unoccupied and after any appropriate Government exception has been applied and exhausted.

4.4 Where an application is successful, the discount will be applied directly to the council tax account and will be reviewed on an annual basis.

4.5 The Council will treat all applications on their individual merits and, through these guidelines will consider granting an exception from the Empty Property Premium charge in the following circumstances:

(a) **Properties for sale or rent** – only where the owner is genuinely seeking to sell or rent the property in local market conditions (at a realistic selling price or rent level) advertised on the open market through an estate agent. Applicants will need to provide evidence that they have engaged with the council's Housing Solutions team in terms of any help that may be available from the council concerning potential upgrades and grants to enable the property to be sold/let.

(b) **Properties in need of renovation** – only where the new owner is acting to return the property to occupation and can provide evidence that the action has been continuous and realistic and that major work is being undertaken. The Housing Solutions team may be able to help with grants to assist. If work is needed but not being undertaken this criteria is not met.

(c) **Owners who are experiencing legal or technical issues** which are preventing the sale or letting of the property – A solicitor's or legal conveyancer's letter should be produced as evidence detailing the reasons preventing sale or letting. This can include issues with probate or planning, and it is expected that when this covers multiple years an update from the conveyancer or solicitor will be required.

(d) **Properties being deliberately kept empty because of interventions to support regeneration of an area** and for those waiting to be demolished as part of this – details of the regeneration scheme and how it affects the properties involved will need to be supplied alongside internal checks undertaken with the Regeneration team.

4.6 The Council will treat all applications on their individual merits and, through these guidelines will consider granting an exception from the Second Home Premium charge in the following circumstances:

(e) **Properties for sale or rent** – only where the owner is genuinely seeking to sell or rent the property in local market conditions (at a realistic selling price or rent level) advertised on the open market through an estate agent. Applicants will need to provided evidence that they have engaged with the council's Housing Solutions team in terms of any help that may be available from the council concerning potential upgrades and grants to enable to property to be sold/let.

(f) Properties that are periodically occupied in certain job-related circumstances.

(g) A pitch occupied by a caravan, or a mooring occupied by a boat.

(h) Properties where a planning condition prevents permanent occupancy.

4.7 Any awards are intended as short-term assistance only and can be subject to reviews being carried out throughout the financial year in which they apply and will be subject to an annual review where a new application is required.

4.8 Online application forms can be made at [Apply for a reduction in your council tax premium]() and supporting evidence can be uploaded once the application has been made.

4.9 It is the responsibility of the council taxpayer applying for relief to provide enough information and documentary evidence to support their application. If this is not provided the application will still be considered, but only based on the information and evidence provided. No costs will be borne by the council in the provision of this evidence.

4.10 Further information may be requested to support an application and where such a request is made, the information must be provided within four weeks. Failure to provide information within four weeks may lead to the refusal of the application unless good cause can be shown.

4.11 Applications will be considered wherever possible within 28 days of receiving an application and all supporting evidence.

4.12 The council taxpayer will be advised in writing of the decision and revised council tax demand notices issued where applicable.

4.13 The council will accept a request from a council taxpayer for a re-determination of its decision and all such requests should be made in writing within 28 days of the date of the original decision notice detailing the reasons why they consider the decision should be reviewed.

4.14 Council Tax payments cannot be withheld pending a re-determination decision and if successful, the remaining instalments will be adjusted accordingly.

4.15 The council will notify the council taxpayer of its final decision wherever possible within 28 days of receiving a request for a re-determination.

4.16 Further consideration will be given to properties which fall into the following categories and who will be exempt from the premium charge:

- Supported accommodation where the property has been previously used for supported accommodation and the continued use of the property will be supported accommodation
- Properties to house the homeless where the property has been previously used for housing homeless and the continued use of the property will be to house homeless and the owner is working with the Council's Housing Solution team or is a register housing association.
- Crash pads (temporary accommodation) where the property has been previously used for temporary accommodation and the continued use of the property will be for temporary

accommodation and the owner is working with the Council's Housing Solution team or the owner is a register housing association.

5 Appeals

5.1 If the council taxpayer remains dissatisfied with the refusal of their application, they have the right of appeal to a Valuation Tribunal. Any appeal should be made direct to the Valuation Tribunal within two months from the date of the decision letter.

The service is provided free of charge and submissions should be made either by Email: Appeals@valuationtribunal.gov.uk or Web: www.valuationtribunal.gov.uk.

5.2 Council Tax payments cannot be withheld pending the outcome of an appeal and if the appeal is successful, the remaining instalments will be adjusted accordingly.

6 Help and Advice with an Empty Property

6.1 Details of how the Housing Solutions team can help you can be found at:

- the web page http://www.durham.gov.uk/emptyhomes
- by email at housingsolutions@durham.gov.uk or
- by telephone 03000 268000

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Telephone: 03000 260 000

Email: help@durham.gov.uk

www.durham.gov.uk

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APPENDIX 16 – Phase Two Budget / MTFP(15) Consultation

Background

1 Between 6 December 2024 and 17 January 2025, the council carried out a further consultation with its residents and partners regarding proposals to balance the council's budget for the next financial year (2025/26) and Medium Financial Term Plan 2026-2029.

2 During the period, presentations were made to the 14 Area Action Partnership Boards across 5 dedicated meetings and the council contacted its key partners including the County Durham Partnership (CDP) and County Durham Association of Local Councils (CDALC) for views.

3 The questions posed were as follows:

a) Considering saving proposals from the delivery of frontline services totalling £2.348 million for 2025/26 specifically, please tell us how these savings will impact you, your community or those you represent.

b) If you have any further comments to make, please provide your feedback. This could include:

   i. views on any of the savings' proposals and activities
   ii. views on our continued approach to budget savings covering back-office efficiencies, raising additional income and savings from how we deliver front line services
   iii. additional ideas as to where we can raise further income or make further savings.

Promotion

4 The consultation was promoted via press release; social media posts, the Council's consultations website page, posters displayed in libraries and CAPs, and targeted emails sent to a range of organisations and partners with a request to provide their feedback by the closing date.

Participation

5 The approach enabled the council to engage with 387 people. 56 survey responses were received. 57% of residents responding to the survey provided equality data. We have no disaggregated equality data for other engagement methods. Feedback on the online survey was received most

protected groups, although rates were not always directly comparable with population data for the County.

6 There was more male (62.5%) and female (37.5%) responding to the online survey. In terms of age, 76.5% of respondents were between the age of 18-64, with 23.5% over the age of 65. Census 21 data releases show County Durham's 16-64 years population is 61.8%, demonstrating a disproportionately higher engagement rate with the 'working age' population.

7 The disability online respondent rate is 29%, which is higher than Census 21 population data of 22.4% (for the overall county population) and 20.5% (working age population, aged 16-65). The Disability Partnership were notified of the consultation alongside a range of partners and invited to take part. 6.5% of respondents were non-British which is higher than Census 21 ethnicity data for the County at 5.3%.

8 Respondents from the remaining protected groups were broadly representative of the population with 32% having no religion or belief. There was a slightly higher response rate from Christians (58.1%) compared to the County wide rate of 54.6%. However, there was no representation from the lesbian, gay and bisexual population.

Method	**Number**
Survey (online and paper returns)	56
AAP meeting attendance	83
Other meetings attendance	17
Partner letters/emails	2
Total	**158**
Additional: Social media engagement	Engagement including link clicks: 229 Reach: 7,535

The outcomes from across the consultation have been recorded and analysed and key messages are identified below.

Summary of survey responses

9 56 people completed a survey either online or via a paper version.

The focus of the consultation

10 The consultation was focused on additional savings proposals across the themes of:

(a) **Savings from back office and efficiencies**: This includes a reduction in back office areas such as finance, legal and democratic services, human resources and employee services, transactional and customer services, digital services and the environment and design team. In addition, reductions in capital finance costs.

(b) **Raising additional income and reducing our third party contributions**: Increasing value for money through joint procurement with other local councils, introducing charges for learning disability transport for some users who do not currently pay a charge, income from the Story through our Register Office, changes to our road permit schemes, court summon fees, charging for staff costs, reviewing council tax relief on empty homes, dividends from our companies.

(c) **Changes in the way we deliver front line services**: this includes:

(i) the absorption of services in the adult social care team such as, substance misuse support, some learning disability and mental health support, the way adult with learning disabilities access support.

(ii) Early Help services for families

(iii) Environmental services such as the find and fix, weed spraying operations, pest control, civic pride, allotments, and community protection.

(iv) Reducing the operation of theatres on quieter days of the week

(v) Non staff budgets in Area Action Partnerships

(vi) Budget for temporary housing and homelessness.

Overall responses

11 We asked for feedback on the likely impact of these proposals and if they had any additional comments.

12 In relation to **Back Office and Efficiencies**, some comments suggested that all services should be reviewed for efficiency.

13 In relation to **Raising additional income,** there were no negative comments regarding this approach.

14 In relation to **Changes in the way we deliver front line services,** more comments were received particularly about potential impact on vulnerable

people using the Care Connect service (8), a deterioration in community services (11) and some indicated a minimal or neutral impact (9).

15 In the additional comments question, we received the highest level of responses in relation to urging for overarching saving and efficiencies (23). There were a number of comments relating to transformation of delivery of services and enhancing partnership working (5), reduction in senior officer salaries (9), and concern about the management of the council (6). 5 comments to protect bin collections, the highway network, weed spraying and face to face contacts were also made.

16 The top five themes for each of the questions are detailed below.

Views on front line savings proposals - impact

17 We received 52 responses to this question for which an AI generated summary using the council's Co-Pilot tool has been produced, using the prompt: Identify common themes in order of prevalence and summarise. Do not deviate from the content of the (responses) document.

18 The AI report details the top five themes as follows:

(a) **Lack of services and negative perception of the council:** Many respondents expressed that they could not identify services which are provided by the Council in their local community, therefore, the proposed saving would not impact communities, because, in their view, services are non-existent. Some responses suggested that the council is inefficient.

(b) **Impact on vulnerable people**: several comments highlighted concerns about the reduction in services like Care Connect, which are vital for vulnerable groups.

(c) **Financial burden of increased council tax:** There was significant concern about the impact of potential increase in council tax, particularly in less affluent areas.

(d) **Environmental and public realm concerns:** Respondents noted the decline in maintenance of public areas, such as grass cutting, weed control, and general upkeep of green spaces. There is a fear that further cuts will exacerbate this decline, making areas less attractive and potentially impacting the local economy.

(e) **Efficiency and restructuring:** Some comments suggested that all services should be reviewed for efficiency.

Additional comments

19 89 comments were received for which an AI generated summary using the council's Co-Pilot tool has been produced, using the prompt: Identify common themes in order of prevalence and summarise. Do not deviate from the content of the (responses) document.

20 The report details the top five themes as follows:

(a) **Criticism of Council Efficiency and Spending:** Many responses highlight perceived inefficiencies within the council and call for a reduction in senior officers' pensions and wages.

(b) **Council Tax and Public Spending:** Several comments suggest stopping all council tax discounts. The allocation of funds to events like Lumiere, were criticised suggesting these are no longer popular. There are calls to re-evaluate capital expenditures on projects deemed unnecessary, such as arts, the DLI centre and new council offices.

(c) **Public Services and Facilities:** concerns were expressed about reducing essential services like highway maintenance and bin collection. Some suggestions to outsource or transfer services to local parish councils or volunteer groups to improve efficiency and community involvement.

(d) **Social Care and Children's Services:** A significant number of comments would like to see additional savings in social care and children’s services by eliminating the use of private companies. There are suggestions to replace private taxi firms with council-run minibuses for school transport and to reassess the support system for children with special needs.

(e) **Property and Resources Management:** Several responses propose reducing or eliminating funding for environmental projects, questioning their effectiveness. There are mixed views on the switch to electric vehicles and the installation of solar panels on council buildings to reduce energy costs.

21 No additional analysis was undertaken via the AI tool as the response figures did not warrant further investigation.

22 The summary has been crossed referenced for due diligence through a process of manual coding of the open text comments and has found the AI summary to be accurate. This process also found that the main responses could be grouped into the following most prevalent categories:

Variation in survey responses

Are you responding as:	Number of people
County Durham resident	49
Durham County Council Employee	5
Elected Member	5
A business	2
An organisation	1
Other	0
Total	**62**

23 Respondents were able to select multiple responses to this identifier question. Residents provided the majority of the responses to the survey (90.7%).

24 Known organisational survey responses were received from County Durham and Darlington Fire and Rescue Service and Believe Housing. Specific comments from these respondents are noted within the feedback from partners section of this report.

25 Durham County Council employee responses highlighted areas where additional savings and efficiencies could be made to improve front line services including children and young people services. Other efficiency areas include spend on large scale projects, the use of council buildings, equipment and staff working arrangements, as well as areas for potential income generation.

26 Elected Members responses were limited however highlighted areas of additional savings and efficiencies including staffing.

Summary of additional feedback – AAP Board Meetings

27 A presentation was delivered to each AAP Board across five bespoke meetings where they could ask questions and provide feedback. The key areas of feedback which as detailed below.

Views on front line saving proposals - impacts

28 Feedback highlighted the need for full impact assessments as many proposals impact vulnerable people. Direct queries regarding front line impacts related to a number of services including the Substance Misuse Team, AAP, libraries, theatres and sport centres, neighbourhood related services. There was a sentiment that discretionary services mean a great deal to residents and could also affect access to wider support. There was

also a comment that the rising costs around looked after children should involve a review of the root causes of this.

Additional comments

29 Additional feedback brought a variety of responses covering:

Understanding of financial pressures and key concerns

30 Comments included recognition that the task of making savings is extremely difficult in the light of significant savings having already been made and concern that this will impact performance and long-term sustainability of services.

Back office and other efficiencies, value for money

31 Comments included potential for efficiencies across the Northeast councils by combining services, the use of AI and technology as a route to further savings, procurement practice and external contracting related efficiencies value for money imperatives regarding adult social care, the use of agency staff and ideal staffing levels across the council.

32 Comments were also made regarding the details of capital projects as a large area of spend and queries regarding the new Local Networks role in creating efficiencies linked to the AAP boundary review. It was also noted that Town and Parish Councils could potentially support some council duties if their grants were sufficient.

Income generation and additional, longer-term funding

33 Comments highlighted optimism for an increased and/or longer-term government settlement to support longer term forecasting of budgets, queries regarding the role of the Regional Mayor and North East Combined Authority in positively impacting budgets. There were also comments regarding income raising potential via housing of multiple occupancy and student accommodation regarding council tax payments.

Importance of consultation and communication

34 Comments queried how far the consultation would be considered within the decision-making process. Within this the importance of this consultation, encouraging responses as well as communicating outcomes and decision-making regarding service changes was noted.

Summary of additional feedback

35 Overall feedback from partners showed appreciation for the challenging financial situation the council faces, agreement regarding the council's continued approach to savings proposals and council tax increase and

empathy and awareness of the impact of savings on communities. Partners also highlighted areas to explore to make efficiencies including a transformational approach to service delivery, collaborative and integrated approaches to service provision through a continued partnership approach.

Town and Parish Councils

36 A meeting with the County Durham Association of Local Councils highlighted the following areas of feedback:

(a) Ability to raise further income through areas such as council tax, business rates, devolution, redevelopment of Aykley Heads

(b) Clarity and understanding regarding the council's responsibilities for the provision of Home to School Transport.

(c) Concern for local residents regarding pressure on household finances, inequity in council tax banding system, reduction in service including neighbourhood and community services.

(d) Opportunities for the council to work more closely with Town and Parish Councils regarding the provision of services in terms of increased communication regarding service change, exploration of transfer of certain service provision to avoid complete withdrawal.

(e) Appreciation of the reality of the financial forecasts and understanding the need for fundamental and transformational change in how the council delivers services.

Trade Unions

37 At a meeting with Trade Unions, representatives focused on the impact on council employees regarding budget savings where staff directly impacted. They also sought reassurance regarding the council's ongoing robust financial management, the council's continued approach to Net Zero and school funding and budget management.

Believe Housing

38 Feedback highlighted the detrimental impact of frontline related savings proposals on their customers confirming it is crucial that necessary information is communicated to their teams, services and customers to ensure they understand any new processes and structures and full impact assessments considered.

39 In line with this they encourage continued communication and partnership working with the council regarding a broad range of service delivery aspects to understand impact on their organisation and their customers. Furthermore, Believe Housing note the financial impact in respect of

council tax increase for their customers and members of staff and welcome analysis the council has already carried out on how this would affect people broadly across the county.

County Durham Care Partnership

40 Although no collective response was received from the CDCP, a forum member highlighted their continued support for raising council tax to protect services and an appreciation for the pressures facing the council from the likes of national insurance contribution increases and rises to national living wage.

North East Chamber of Commerce

41 Feedback from the North East Chamber of Commerce recognised the challenging set of financial circumstances the council face. They stressed the importance of strong public services as a central component of a healthy North East economy including the work of the council and Business Durham in supporting business growth. In respect of this their members prioritise the visitor economy and the need to retrofit existing housing.

42 They support the council's savings approach whilst maintaining a commitment to deliver a high level of basic services. Proposals such as using joint procurement arrangements with other local councils through the North East Procurement Organisation, they believe will help increase value for money and support a balanced budget. They will continue to work in partnership with the council to secure the best possible conditions for business and employers in Durham and the wider North East.

County Durham and Darlington Fire and Rescue Service

43 Feedback from the Service regarding the impact of front-line related savings proposals noted the significant increase in the number fire deaths which has been linked to individuals with health issues, highlighting the proposed further savings in adult social care and care connect in particular require careful consideration to minimise the impact on the most vulnerable.

44 Furthermore, the Service noted the financial position the council faces and is broadly supportive of the savings approach. The Service is however mindful of the impact that further budget pressures could have on the incidence of fire and the number fire fatalities in the County. The Service firmly believe that by working in partnership to provide more joined up services we can deliver improved outcomes with integrated working is a key priority.

ANNEX 1

Equalities Breakdown

Approximately 57% of residents responding supplied protected equality monitoring information as set out in the tables below:

Are you:

	Frequency	Percent
Male	20	62.5%
Female	12	37.5%
Total	**32**	**100.0%**

What is your age?

	Frequency	Percent
25-34	4	11.8%
35-44	5	14.7%
45-54	7	20.6%
55-64	10	29.4%
65-74	7	20.6%
75+	1	2.9%
Total	**34**	**100.0%**

Do you consider yourself to be a disabled person?

	Frequency	Percent
Yes	9	29.0%
No	22	71.0%
Total	**31**	**100.0%**

What is your religion or belief?

	Frequency	Percent
Christian	18	58.1%
Buddhist	1	3.2%
None	10	32.3%
Atheist	1	3.2%
Generic (higher power)	1	3.2%
Total	**31**	**100.0%**

What is your ethnicity?

	Frequency	Percent
White British	29	93.5%
White non-British	2	6.5%
Total	**31**	**100.0%**

How would you describe your sexual orientation?

	Frequency	**Percent**
Heterosexual/straight	28	100.0%
Total	**28**	**100.0%**

ANNEX 2

AI generated reports

Summary of common themes in response to question 1 in order of prevalence

Question 1: Considering saving proposals from the delivery of frontline services totaling £2.348 million for 2025/26 specifically, please tell us how these savings will impact you, your community or those you represent.

1. Lack of Services and Negative Perception of the Council

Many respondents expressed that they could not identify services which are provided by the Council in their local community, therefore, the proposed saving would not impact communities, because, in their view, services are non-existent. Some responses suggested that the council is inefficient.

2. Impact on Vulnerable Populations

Several comments highlighted concerns about the reduction in services like Care Connect, which are vital for vulnerable groups, such as the elderly and those with health issues. Reducing these services is seen as detrimental to the community's most vulnerable members.

3. Financial Burden

There is a significant concern about the potential increase in council tax, which many feel would be unaffordable and burdensome, especially in less affluent areas. Many believe that paying more for fewer services is unfair.

4. Environmental and Public Realm Concerns

Respondents noted the decline in maintenance of public areas, such as grass cutting, weed control, and general upkeep of green spaces. There is a fear that further cuts will exacerbate this decline, making areas less attractive and potentially impacting the local economy.

5. Efficiency and Restructuring

Some comments suggested that all services should be reviewed for efficiency. There were specific calls for restructuring within early help services and better management practices that could lead to potential savings.

6. Digital Access and Automation

Concerns were raised about the push toward digitization of services, which could create barriers for individuals who rely on face-to-face interactions with the council. There's worry that digital automation might exclude some residents and require more support from other teams.

7. Specific Service Concerns
A few respondents mentioned specific services such as library access and staffing in critical areas. There were calls for detailed plans and transparency regarding how savings will be achieved and what specific impacts would be.

8. Criticism of Government Policies
Some responses attributed the financial issues to broader governmental mismanagement and policies, both at the national and local levels, affecting local government funding.

Overall, the themes reflect a mix of dissatisfaction with the council's current service delivery, concern for vulnerable community members, and the financial strain of increasing taxes with decreasing services.

Summary of common themes in response to question 2 in order of prevalence

Question 2: Please provide any additional comments you have on our savings proposals for 2025/26.

1. Criticism of Council Efficiency and Spending
Many responses highlight perceived inefficiencies within the council and call for a reduction in senior officers' pensions and wages.

2. Council Tax and Public Spending
Several comments suggest stopping all council tax discounts and criticize the allocation of funds to events like Lumiere, suggesting these are no longer popular. There are calls to re-evaluate capital expenditures on projects deemed unnecessary, such as arts, DLI centre and new council offices.

3. Public Services and Facilities
Respondents' expressed concerns about reducing essential services like highway maintenance and bin collection. There are also suggestions to outsource or transfer services to local parish councils or volunteer groups to improve efficiency and community involvement.

4. Social Care and Children's Services
A significant number of comments argue for savings in social care and children's services by eliminating the use of private companies. There are suggestions to replace private taxi firms with council-run minibuses for school transport and to reassess the support system for children with special needs.

5. Property and Resources Management
Suggestions include selling off unused council land and buildings, better utilization of existing properties, and criticism of the construction of new buildings

perceived as unnecessary. There are also calls for better management of council-owned equipment and resources.

6. Environmental and Green Projects
Several responses propose reducing or eliminating funding for environmental projects, questioning their effectiveness. There are mixed views on the switch to electric vehicles and the installation of solar panels on council buildings to reduce energy costs.

7. Employment Practices
Comments include calls to reduce the number of staff, particularly in management and HR roles, and to re-evaluate employee benefits such as subsidised canteens and parking services. Some suggest stricter criteria and means testing for services, especially for those on benefits.

8. Public Engagement and Transparency
There is a call for greater transparency and public engagement in council decisions, including face-to-face interactions and consultations. Some respondents feel the current consultation process is merely a formality and not genuinely considered by the council.

9. Miscellaneous Suggestions
Various other suggestions include improving local transportation and enhancing support for local charities to mitigate council expenditure.

These themes reflect a broad range of concerns and suggestions from the public, emphasizing the need for the council to address inefficiencies, re-evaluate spending priorities, and improve transparency and public engagement.

ANNEX 3

Budget consultation: Phase 2 Survey responses

Format of response

	Frequency	Percent
PC	31	55.4%
Mobile	23	41.1%
Tablet	2	3.6%
Total	**56**	**100.0%**

Considering saving proposals from the delivery of frontline services totalling £2.348 million for 2025/26 specifically, please tell us how these savings will impact you, your community or those you represent.

Impact	Frequency
Impact minimal/neutral	9
Negative impact: Reduction/deterioration in services/communities/environment	11
Negative impact: Council tax/financial burdens	6
Negative impact: On vulnerable and elderly (Care Connect)	8
Negative impact: Back-office savings impacting front line	2
Positive impact: On environment (diversifying clean and green areas, reduction in grass cutting, pesticides)	2
Further internal restructure ideas (CYPS)	1
Additional income generation ideas	2
Council mismanagement	8
National government policies impact on DCC/residents	2
Needed integrated/partnership working/collaboration and communication with DCC	1
Total	**52**

Please provide any additional comments you have on our savings proposals for 2025/26.

Comment	Frequency
Further savings/efficiencies: Senior officer salaries/pensions/Cllrs payments/sickness	9
General agreement with savings proposals	2
Concern over impact of proposals: Financial burden, service reduction, impact on other organisations	3
Further savings/efficiencies: Culture/events (Lumiere, cycling events, Gala)	3
Further savings/efficiencies: Via broader transformation/transfer of services/enhanced partnerships	5
Service protection: Bin collections, highway network, weed spraying, face to face contacts	5
Additional income generation ideas: Various	7
Further savings/efficiencies: Capital/large scale expenditures/projects savings (DLI, council offices/CH/Rivergreen)	2
Further savings/efficiencies: Children services/home to school transport/education service concerns (re modelling)	5
Consultation process	3
Council mismanagement/improvement management	6
Further savings/efficiencies: Use of council buildings and equipment/staff working arrangements	3
Further savings and efficiencies: Overarching	23
Further savins/efficiencies: Adult social care/services	3
Further savings/efficiencies: Neighbourhood/environmental services (reduce weed killing, bin collections)	3
National government policies change	4
Further savings/efficiencies: Reduce spend on climate change emergency activities/initiatives	1
Further savings/efficiencies: Automated services	1
Further savings/efficiencies: Use of empty buildings to reduce cost of temp accommodation	1
Total	**89**

Are you responding as:

Comment	Frequency	Percentage of respondents
A County Durham resident	49	90.7%

Comment	Frequency	Percentage of respondents
A Durham County Council employee	5	9.3%
An elected member	5	9.3%
A business	2	3.7%
An organisation	1	1.9%
Total	**62**	**114.8%**

If other, a business or an organisation, please specify.

	Frequency
Believe housing	1
County Durham and Darlington Fire and Rescue Service	1
Total	**2**

Are you:

	Frequency	Percent
Male	20	62.5%
Female	12	37.5%
Total	**32**	**100.0%**

What is your age?

	Frequency	Percent
25-34	4	11.8%
35-44	5	14.7%
45-54	7	20.6%
55-64	10	29.4%
65-74	7	20.6%
75+	1	2.9%
Total	**34**	**100.0%**

Do you consider yourself to be a disabled person?

	Frequency	Percent
Yes	9	29.0%
No	22	71.0%
Total	**31**	**100.0%**

What is your religion or belief?

	Frequency	Percent
Christian	18	58.1%
Buddhist	1	3.2%
None	10	32.3%
Atheist	1	3.2%
Generic (higher power)	1	3.2%
Total	**31**	**100.0%**

What is your ethnicity?

	Frequency	Percent
White British	29	93.5%
White non-British	2	6.5%
Total	**31**	**100.0%**

How would you describe your sexual orientation?

	Frequency	Percent
Heterosexual/straight	28	100.0%
Total	**28**	**100.0%**

ANNEX 4

AAP Feedback

10 December 2024 Meeting: Durham, Stanley, Mid Durham, Derwent Valley and Chester-le-Street AAPS.
6 attendees

Summary of questions/feedback/observation:

- The task of making savings is extremely difficult in the light of several millions of pounds of savings having already been made - the council must be severely stretched.
- The use of AI and technology is encouraged as a route to potential savings.
- Could there be an attempt to make savings across the North East councils by combining services to be regional or for one council to run a service for multiple other North East councils at the same time recognising there is also costs attached to this?
- What are the potential savings other than from the services highlighted in the presentation?
- There has been mention of longer-term government settlement for local authorities over 3 years or so, are you optimistic this will happen and will it make it easier to forecast council budgets?
- How does the Regional Mayor and combined authority help or impact on our local council budgets?

11 December 2024 Meeting: East Durham AAP
19 attendees

Summary of questions/feedback/observation:

- Will procurement processes be looked at to make council purchasing practices more value for money?
- What will happen with the Substance Misuse Team and AAP Team changes?
- Town and Parish Councils could potentially absorb some of the duties if their grants are not cut.
- The savings mean cuts. These will affect people. Some of the services being streamlined are statutory services. Some of the discretionary services mean the most to people. This could also affect people’s access to support.

- The performance of the council will be affected, so how will this be managed? Any degradation of services could drive more front-line contact – how will this be managed?
- It is encouraging that is being recognised that councils need longer term government settlement grants which would make a difference to planning.
- Work is being done in the back office to try and make the delivery of services more efficient.

12 December 2024 Meeting: 3 Towns Partnership, 4 Together Partnership, Bishop Auckland and Shildon AAP, Great Aycliffe and Middridge Partnership, Spennymoor AAP, Weardale AAP
28 attendees

Summary of questions/feedback/observation:

- How much money does DCC have in reserves and why don't we use these rather than borrowing?
- How much would it cost to purely deliver statutory services?
- Full impact assessments (not just high level) are important, and many issues impact vulnerable people therefore it's difficult to comment without this information – where is the more detailed evidence and the mitigation around the savings to inform the consultation?
- What are the details regarding the financing of external contractors. what savings have you against this expenditure?
- What efforts are being made to recruit permanent staff and not use agency staff that require a premium such as in areas such as social work?
- Housing of multiple occupancy and student accommodation not paying council tax – should we be pushing landlords and change regulation to ensure they pay council tax as a lobbying issue?
- What does this mean for the charity grants in the communities?
- Capital projects – what is included in this as it covers a large amount of money?
- How far is the consultation considered against the decision-making process as to whether the savings happen?
- Street/road lighting – need to ensure essential neighbourhood services are available especially near major routes. (e.g. A167 lighting)
- Importance of responding to the consultation – circulation of information important after the meeting and encouraging people to take part.
- Can you advise what impact there will be on Libraries, Theatres and Sport Centres. If so, can the effects be limited as these are precious services?

- Will AAP boundary changes to Local Networks make a saving? In terms of the Boundary Changes, I believe we are losing two County Councillors – does this save DCC in terms of what they give to us?

15 Jan Meeting: Teesdale AAP
16 attendees

Summary of questions/feedback/observation:

- End users be notified about any short-term changes to services, such as the Care Connect service, which is crucial for many older people in Teesdale.
- How much the settlement has been increased by and what is the net improvement?
- Relying on council reserves is not sustainable, as they will eventually run out, and asked what measures will be taken to address the budget shortfall?
- The presentation primarily focuses on central budgets and core finances and inquired whether there was specific information available for Teesdale.

15 Jan Meeting: East Durham Rural Corridor
14 attendees

Summary of questions/feedback/observation:

- There are no figures on inflation; is this being taken into account?
- What is DCC’s approach on staffing; is that employees who want to go or will there be redundancies?
- In relation to Adult Social Care, is there an option to see if we are getting value for money and delivering a service we want?
- A comment was made in relation to the rising costs around looked after children. We should be looking into why the root causes are happening.

Themes

Understanding and key concerns re: the financial pressures and its impact

Feedback covering this theme highlighted recognition that the task of making savings is extremely difficult in the light of significant savings having already been made, concern that this will impact on performance and the reality of long-term sustainability with queries as to how this will be managed given degradation of services could drive more front-line contacts.

Back office and efficiencies, value for money

Feedback covering this theme suggested efficiencies across the Northeast councils by combining services to be regionally, the use of AI and technology as a route to potential savings, procurement practice and external contracting related efficiencies value for money imperatives regarding adult social care, the use of agency staff in areas such as social work and questions regarding ideal staffing levels across the council. Comments were also made regarding the details of capital projects as a large area of spend, queries regarding the new local networks regarding their role in creating efficiencies linked to their boundary review. It was also noted that Town and Parish Councils could potentially absorb some council duties if their grants were sufficient to provide support.

Income / increased income and funding

Feedback covering this theme highlighted optimism for an increased and/or longer-term government settlement for local authorities over 3 years or so, querying whether this will it make it easier to forecast budgets, queries regarding the role of the Regional Mayor and North East Combined Authority in positively impacting budgets. There were also comments regarding income raising via housing of multiple occupancy and student accommodation regarding council tax with a need to change regulation in this area as a lobbying issue.

Front line impacts

Feedback covering this theme highlighted the need for full impact assessments many issues impact vulnerable people therefore it's difficult to comment without this information. Direct queries regarding front line impacts related to a number of services including the Substance Misuse Team, AAP, libraries, theatres and sport centres, neighbourhood related services such as street and road lighting. There was a sentiment that the discretionary services mean the most to people and could also affect people's access to support and there as concern for charity grants within communities. There was also a comment that the rising costs around looked after children should involve a review of the root causes of this.

Importance of consultation and communication

Feedback covering this theme highlighted queries regarding how far the consultation would be considered within the decision-making process. Within this the importance of the circulation this consultation and encouraging responses was noted as well as communicating outcomes and decision-making regarding service changes.

ANNEX 5

Partner feedback

County Durham Association of Local Councils
Meeting, 4 December 2024
Presentation delivered by Head of Corporate Finance and Commercial Services.

Q Have we considered going to referendum to raise CT to a higher amount permitted?
It is likely government will announce we can increase CT to 5% - some LA's may be able to increase to a higher amount but it is not likely that DCC will meet the threshold to enable us to do that. CT is only one element of the solution, simply raising CT will not solve the budget deficit.

Q Is there any funding relief likely from the regional mayor's office?
Funding from this avenue is more for capital programme (e.g. transport projects) than revenue.

Q Why is it the LA's responsibility re: HTST when it could be looked as more an NHS issue/remit?
It is DCC's responsibility as an extension of our educational requirements / responsibilities. A student's educational health care plan will also dictate the requirements for transport which may be sole transportation to suit their needs, or they may need to travel accompanied which will add to the costs. HTST is also not means tested. A policy change is likely needed to bring any real relief to spending in this area especially in consideration of the academisation of schools and the impact this has had.

Q Does DCC compare themselves to a relevant LA? Are CD resident's paying more for example to comparative areas for CT?
There is CT inequity. Band D paying CD residents likely pay more than others in richer counties. Most residents in CD live in Band A-C which means the majority pay below national average CT which then impacts/lowers our income. A correction in government policy is needed.

Q County Hall, why are staff still working there?
DCC are liaising with bidders re: the redevelopment of the CH site into an innovation district. CH will be demolished as part of this development and staff dispersed to other offices such as Corten House and Rivergreen.

Q Given the squeeze on householders e.g. food and bills, salaries and benefits not keeping up with inflation how can the council be looking to withdraw services that people need and promote more deprivation as a result e.g. Neighbourhood Services?

DCC provide council tax support to those who most need it and provide this at 100%. Equality impact assessments are carried out on all service changes / withdraws to ensure we have considered and mitigated against this.

Q Will DCC please let T&PC know ahead of time when a service is to be withdrawn so that we can manage this in the communities, share appropriate info and even look at ways that we can support the continuation of these services in some form – we a have repeatedly made this plea to DCC that we can do more to support services and would like to be heard. Often asset transfers are very complex and difficult when things should be easier to achieve.
We will take that onboard as we do want to empower communities to do more for themselves. It’s important that this is done is a consistent way and there is security / longevity.

Additional comments from T&PC:
We appreciate this information and the realities of what has been shared with us in that fundamental change is required. DCC need to focus on the essential services before turning to the desirables. We would rather you speak to us before withdrawing a service as we may be able to support this, albeit in a reduced form but prevent things from being lost altogether.
If the budget deficit comes down to the figures presented, then the picture may not be so bleak as CT increase will cover up to £5/£6 million and some extra hoped for government spending may cover the rest and additional business rate could also contribute.

Trade Unions
Meeting 4 December 2024
Verbal overview provided delivered by Head of Corporate Finance and Commercial Services.

Key dates re: consultation and reporting to Cabinet and Full Council – Feb 2025
Key figures provided re: budget deficit and savings requirements for 2025/26 and next four years.
Overview of savings proposals covering back-office services, raising income and front-line delivery.
Impact on budgets outlined re: government’s autumn statement – National Insurance contributions, pay awards and cost pressures elsewhere (adult social care etc)

Overview of comments and questions from Trade Unions:

- DCC’s willingness to undertake a wholescale job evaluation as significant changes and impact of influx of restructures to services and individual JDs at this point have meant that overall evaluation is needed. It has been 12 years since there was an exercise of this nature carried out and a lot has changed since then.

- Any job evaluation at desktop level needs to involve TUs to ensure fit for purpose.
- DCC must realise that they are coming to the end of those who are able to take voluntary redundancy and supply of this will be exhausted in the near future leading to compulsory redundancy.
- Schools funding and school budgets impact e.g. impact on pay increases for non-teaching staff and budgeting for head teachers around school meal provision leading to home to school transport costs for DCC.
- How is DCC working towards Net Zero for the working environment and the workforce.
- How worrying in the position of DCC – are we comparative to the likes of Birmingham City Council.

Responses and comments:

Vacant posts will be looked at as priority re: efficiency and savings. DCC still feel we have other opportunities for savings and a number of voluntary redundancy opportunities before considering compulsory redundancy given staff demographics. In terms of workforce recruitment and retention, DCC are in a good position. DCC is not heavily reliant on agency staff and the high cost that brings, we have good retention of staff and staff that want to be here and work for the organisation. Our position is not comparable to Birmingham City Council. A wholescale job evaluation would cost a significant amount to undertaken and is not planned at this time.

School funding allocations are a separate element of the Budget Setting Process. DCC has led the way re: good practice for auto-enrolment for free school meals to ensure extra income but appreciate there are funding gaps for schools. Provision in one area can lead to negative impacts of others e.g. breakfast club example in providing free provision this takes away from other paid for providers of childcare etc.

Regarding Net Zero, DCC recently won a national award re: the reduction of our carbon footprint as greenest council in the North East. We are seeking funding from government to invest in heating systems for our schools, leisure centres etc and we are investing in LED lighting. Our new development at Rivergreen will consider Net Zero and this is built into our procurement processes. We are replacing our vehicles gradually with electric vehicles and park and ride buses are electric. Within communities we are moving to sustainable planting and there is a lot of biodiversity work happening re: wildflower meadows. There is still a cost to Net Zero that often is forgotten e.g. wild meadows still need maintenance, still need people doing jobs and alongside that we have to spend money when confronted with the challenges of climate change e.g. flood risk planning and provision.

Believe Housing
Survey response

As an organisation, we believe that proposed changes in service delivery for children and young people services would likely be detrimental to our customers. While increased automation in services may have a positive impact on simplifying systems, it is crucial that necessary promotion and information are communicated to customers to ensure they understand any new processes and full impact assessments are considered. We would welcome more information on how the local authority plans to guide and support our customers through digitisation of service delivery.

We anticipate that changes in front-line service deliver could impact our Urgent Support and Neighbourhood Teams by increasing the need for support. At present these teams are already managing a significant workload. It is essential that the Urgent Support Team is kept informed of any structural changes in support services to ensure we provide the appropriate provision to our customers, continuing to work closely in partnership with local authority teams. We would welcome information on how proposed changes would affect our most rural customers, as many live in locations with limited access to public services.

Regarding staffing reductions for locality teams, we would need to engage with our customers to understand the impact and identify any support we can provide. It would also be beneficial to understand if a review of customer access points may lead to increased demand for our calls and services, as customers would have fewer access points within the County Durham area. Similarly, the review of highlighted resources, despite mitigations, may lead to increased demand for our organisation.
We must consider the implications of Council Tax increases on our empty homes. If a review results in cost increases or discount cuts, we may need to reassess our internal processes for managing long-term empty properties. As an organisation, we believe that any changes impacting funding for community projects should involve dialogue with partners throughout the process. This would help us understand the impact on our customers and determine the necessary support measures.

If the Council Tax increase was to change from 2.99% to up to 5% there would be financial implications for our tenants and our members of staff, due to the ongoing cost of living crisis. We would welcome any analysis the council has already carried out on how this would affect people broadly across the county. Our annual rent increases will be communicated to our customers as usual, which have been impact assessed as part of the rent setting process.

We are in a position to review which services we provide based on our current and forecasted financial position. Any rent increase would not be in scope to provide additional services not already accounted for; therefore, we would not be able to fill any gaps that these savings proposals would create.

From an estates services perspective it would be beneficial to have discussions with our own teams to be able to see what, if any, reduction in services, including frequency of visits for grass cutting, looks like to manage customers' expectations; and if we could assist in any way. The proposed plans seem to imply that there will be cuts in grants thatch will directly affect our Community Investment Teams, and the impact of our grant programme. We will need to review our neighbourhood plans and identify how best we utilise existing funding to maximize the impact in our communities.

County Durham and Darlington Fire and Rescue Service
Survey response

Recently County Durham and Darlington Fire and Rescue Service has seen a significant increase in the number fire deaths which has been linked to individuals with health and dementia issues. The proposed further savings in adult social care and care connect in particular, require careful consideration to minimise the impact on the most vulnerable members of our community.

County Durham and Darlington Fire and Rescue Service recognises the particularly difficult financial position the County Council faces and is broadly supportive of the approach the Council is taking towards making future savings. The Service is however mindful of the impact that further reductions in the Council's budget and spending could have on the incidence of fire and the number fire fatalities in the County. County Durham and Darlington Fire and Rescue Service proactively targets vulnerable people through our approach to home fire safety visits and more integrated working with partner agencies.

We firmly believe that by working together to provide more joined up services we can reduce demand and deliver improved outcomes to those individuals most at risk of death or injury as a result of fire. More integrated working is a key priority for the Service therefore we would welcome the opportunity to work with the Council to minimise the impact which further budget reductions may have on vulnerable adults living in the County.

The North East Chamber of Commerce
Letter

The North East Chamber of Commerce represents more than 2,000 businesses employing 40% of the region's workforce. By supporting, connecting, and representing our members we ensure businesses and other employers are at the heart of building a thriving economy, continuing to make the Northeast the best place to live and work. Our Stronger, fairer Northeast strategy is our plan for driving more inclusive economic growth: our comments reflect the tenets of that plan and our conversations with our members across your county.

We recognise that there are a challenging set of financial circumstances for the Council. The increased demand for social care as well as the increases in the National Living Wage and the rates of Employer National Insurance will have a significant impact on the Council's budget. We also recognise the increased borrowing costs for the Council to fund its capital programme.

Members have frequently highlighted the importance of strong public services as a central component of a healthy Northeast economy including the work of the Council and Business Durham in supporting business growth.

At our previous area meetings with Durham-based businesses, our members have highlighted the importance of the visitor economy in Durham and the need to retrofit existing housing. Members across different sectors have also highlighted recruitment as a key challenge.

The Council's focus on creating a balanced budget balance is welcome. Proposals such as using joint procurement arrangements with other local councils through the Northeast Procurement Organisation will help to increase value for money and support a balanced budget.
Overall, we are broadly supportive of the approach being taken to deliver a balanced budget whilst maintaining a commitment to deliver a high level of basic services. These services are essential in making Durham a great place to live and do business. The Chamber will continue to work in partnership with the Council to secure the best possible conditions for businesses and employers in Durham and the wider Northeast.

Cabinet

12 February 2025

School Admission Arrangements Academic Year 2026/27

Key Decision No. CYPS/2025/02

Report of Corporate Management Team

Report of John Pearce, Corporate Director of Children and Young People's Services

Councillor Ted Henderson, Cabinet Portfolio Holder for Children and Young People's Services

Electoral division(s) affected:

Countywide.

Purpose of the Report

1 The purpose of this report is to ask Cabinet to consider and approve the proposed admission arrangements and oversubscription criteria for Community and Voluntary Controlled Schools for the 2026/27 academic year.

Executive Summary

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

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

Recommendations

4 Cabinet is asked to agree the following recommendations in respect of Community and Voluntary Controlled Schools when determining the admission arrangements for 2026/2027:

(a) that the proposed admission numbers as recommended in Appendix 2 for Community and Voluntary Controlled schools be approved.

(b) that the admission numbers advised by Governing Bodies of Voluntary Aided Schools and Academies be noted.

(c) that the admission arrangements in Appendix 3 be approved.

Background

5 It is a mandatory requirement of the National School Admissions Code that all schools must have admission arrangements that clearly set out how children will be admitted, including the criteria that will be applied if there are more applications than places at the school (oversubscription). Admission arrangements are determined by admission authorities. The Local Authority (LA) is the admission authority for Community and Voluntary Controlled Schools, while the Governing Body is the admission authority for Voluntary Aided and Foundation Schools and the relevant Trust for an Academy or Free School.

6 All admission authorities must agree admission arrangements annually. Where changes are proposed to admission arrangements the admission authority must first consult on these arrangements. If there are no changes proposed, they only need to be consulted on at least every seven years. Consultation must be for a minimum of six weeks and take place between 1 October and 31 January of the year before these arrangements are to apply. This consultation period allows parents, other schools, religious authorities, and the local community to raise any concerns about proposed admission arrangements.

7 Stakeholders are consulted on:

(a) the number of pupils to be admitted in each year group (the proposed admission number).

(b) the application and administrative procedures for admissions, including LA co-ordination with other admission authorities.

(c) the criteria to be used in the event of over-subscription.

Consideration

8 There were no changes proposed to the current admission arrangements for Community and Voluntary Controlled Schools that required public consultation.

9 All Governing Bodies/Trusts have considered the proposed admission number for their school. The proposed admission number for each Community and Voluntary Controlled School is detailed in Appendix 2 of the report which Cabinet will be asked to approve. The admission numbers for Voluntary Aided, Foundation Schools, Academies and the UTC, South Durham are included for information.

Statutory Requirements and Future Implications

10 It is a statutory requirement of all admission authorities that admission arrangements for 2026/27 are determined by 28 February 2025 and these must be published on their website not later than 15 March 2025 (Regulations 17 and 18 of the School Admissions Regulations 2012). The LA must receive a copy of the admissions arrangements of other authorities, including Academies, before 15 March 2025 and provide details on its website of where these can be viewed. Information on how to refer objections to the Schools' Adjudicator will also be available on the website.

11 The oversubscription criteria in respect of Community and Voluntary Controlled Schools, for which no changes are proposed, are included in Appendix 3.

12 The LA must publish online, with hard copies available for those who do not have access to the internet, a composite prospectus for parents by 12 September 2024, which contains the admission arrangements for each of the state-funded schools in the LA area to which parents can apply. The prospectus was published on 2 September 2024.

13 The LA would be in breach of a statutory duty if admission arrangements were not determined by 28 February 2025 and published on the Council's website by 15 March 2025.

Background papers

- School Admissions Code/Regulations - DfE

Other useful documents

- None

Author

Joanne Collins Tel: 03000 265900

Appendix 1: Implications

Legal Implications

There will be a breach of the statutory duty imposed on the Authority if admission arrangements are not determined by 28 February 2025 and published by 15 March 2025.

Finance

Admission arrangements can impact on the number of pupils that are offered places in schools which is used as a basis for allocating school budgets.

Consultation

Consultation has been undertaken in accordance with DfE Guidance.

Equality and Diversity/Public Sector Equality Duty

The School Admissions Code exists to ensure fairness and equity in school admission arrangements. An Impact Assessment of the admission arrangements on specific groups has been undertaken. There is no evidence of discrimination against any groups. A copy of the Impact Assessment is attached as Appendix 4.

Climate Change

Not applicable.

Human Rights

Not applicable.

Crime and Disorder

Not applicable.

Staffing

Implications are at school level.

Accommodation

Relates to best overall use of school buildings.

Risk

The risk to the LA is that there will be a breach of the statutory duty imposed if admission arrangements are not determined by 28 February 2025 and published by 15 March 2025.

Procurement

Not applicable.

Appendix 2: Proposed Admission Numbers 2026/27

Number	Community and Voluntary Controlled (inc. controlled Church of England - CE - and Endowed Parochial - EP) Infant, Junior and Primary Schools	Proposed Admission Number 2026/27	Recommendation to Cabinet
2540	Acre Rigg Infant	64	Agree
2205	Beamish Primary	15	Agree
2477	Bearpark Primary	15	Agree
3161	Belmont C of E Primary	45	Agree
2498	Belmont Cheveley Park Primary	30	Agree
2749	Benfieldside Primary	45	Agree
2737	Blackhall Primary	55	Agree
2146	Bournmoor Primary	25	Agree
2388	Bowburn Primary	75	Agree
2400	Broom Cottages Primary	45	Agree
2745	Bullion Lane Primary	45	Agree
2234	Burnopfield Primary	50	Agree
2232	Burnside Primary	30	Agree
2413	Butterknowle Primary	12	Agree
2706	Byerley Park Primary	30	Agree
2351	Byers Green Primary	15	Agree
2362	Cassop Primary	20	Agree
2133	Cestria Primary	60	Agree
3031	Chester Le Street C of E Primary	60	Agree
2440	Cockfield Primary	15	Agree
2434	Cockton Hill Infant	60	Agree
2433	Cockton Hill Junior	60	Agree
2278	Consett Infant	60	Agree
2277	Consett Junior	60	Agree
2185	Cotherstone Primary	12	Agree
2532	Cotsford Primary	30	Agree
2372	Coxhoe Primary	52	Agree
2308	Crook Primary	60	Agree
2385	Dean Bank Primary	30	Agree
2272	Delves Lane Primary	50	Agree
2747	Durham Gilesgate Primary	30	Agree
3168	Durham St Margaret's C of E Primary	60	Agree
2746	Easington Colliery Primary	81	Agree

Number	Community and Voluntary Controlled (inc. controlled Church of England - CE - and Endowed Parochial - EP) Infant, Junior and Primary Schools	Proposed Admission Number 2026/27	Recommendation to Cabinet
3063	Ebchester C of E Primary	15	Agree
2417	Escomb Primary	30	Agree
2401	Etherley Lane Primary	49	Agree
2368	Ferryhill Station Primary	15	Agree
2748	Finchale Primary	30	Agree
2751	Framwellgate Moor Primary	45	Agree
2319	Frosterley Community Primary	15	Agree
2301	Hamsterley Primary	7	Agree
2509	Hesleden Primary	19	Agree
2708	Horndale Infant	50	Agree
2734	Howletch Lane Primary	60	Agree
3183	Hutton Henry C of E Primary	15	Agree
2750	King Street Primary	30	Agree
2361	Kirk Merrington Primary	25	Agree
3213	Lanchester EP Primary	60	Agree
2455	Langley Moor Primary	30	Agree
2499	Laurel Avenue Primary	15	Agree
2259	Leadgate Primary	30	Agree
2472	Ludworth Primary	15	Agree
2108	Lumley Infant	60	Agree
2107	Lumley Junior	55	Agree
2442	Montalbo Primary	30	Agree
2116	Nettlesworth Primary	15	Agree
2481	Nevilles Cross Primary	42	Agree
2943	Newker Primary	60	Agree
2488	Newton Hall Infant	60	Agree
2003	North Park Primary	30	Agree
2330	Oakley Cross Primary	26	Agree
2470	Pittington Primary	30	Agree
2409	Ramshaw Primary	11	Agree
2125	Red Rose Primary	45	Agree
2000	Ropery Walk Primary	45	Agree
2744	Roseberry Primary	37	Agree
3524	Seaham Trinity Primary	60	Agree
2004	Seascape Primary	50	Agree
3520	Seaview Primary	49	Agree
2563	Sedgefield Primary	30	Agree
2473	Sherburn Primary	30	Agree

Number	Community and Voluntary Controlled (inc. controlled Church of England - CE - and Endowed Parochial - EP) Infant, Junior and Primary Schools	Proposed Admission Number 2026/27	Recommendation to Cabinet
3167	Shincliffe C of E Primary	30	Agree
2257	Shotley Bridge Primary	60	Agree
3527	Shotton Hall Primary	50	Agree
2536	Shotton Primary	60	Agree
3519	Silver Tree Primary	30	Agree
2394	Springmoor Grange School	90	Agree
3123	St Anne’s C of E Primary	30	Agree
2419	St Helen Auckland Primary	30	Agree
2322	St John's Chapel Primary	8	Agree
3085	St Stephen’s C of E Primary	30	Agree
3141	Staindrop C of E Primary	30	Agree
2313	Stanley (Crook) Primary	19	Agree
2743	Sugar Hill Primary	60	Agree
2316	Sunnybrow Primary	19	Agree
3522	Tanfield Lea Community Primary	50	Agree
2269	The Grove Primary	25	Agree
2423	Thornhill Primary	30	Agree
2438	Timothy Hackworth Primary	60	Agree
2426	Toft Hill Primary	30	Agree
2307	Tow Law Millennium Primary	20	Agree
2324	Wearhead Primary	6	Agree
2370	West Cornforth Primary	30	Agree
2114	West Pelton Primary	15	Agree
2475	West Rainton Primary	24	Agree
2043	Westlea Primary	38	Agree
2526	Wheatley Hill Community Primary	56	Agree
2326	Willington Primary	30	Agree
2531	Wingate Primary	60	Agree
2462	Witton Gilbert Primary	30	Agree
2329	Wolsingham Primary	30	Agree
2428	Woodland Primary	12	Agree
2733	Yohden Primary	30	Agree

Number	Community Secondary Schools	Proposed Admission Number 2026/27	Recommendation to Cabinet
4185	Belmont Community School	180	Agree
4200	Durham Johnston School	265	Agree
4200	Durham Johnston School Sixth Form	*50	Agree

* Relates to admission limit for external students to Year 12 only. NB this need not be set if the school only receives ad hoc applications.

Number	Roman Catholic (RC) Aided/Church of England (CE) Aided Primary Schools	Admission Number 2026/27 Advised by Governing Body
3413	All Saint's RCVA Primary, Lanchester	30
3491	Blue Coat C of E Junior	60
3303	Bowes Hutchinson C of E Primary	10
3507	Our Lady Star of Sea RC Primary, Horden	17
3346	St Benet’s RC Primary, Ouston	30
3472	St Francis C of E Junior	41
3513	St John’s C of E Primary, Shildon	30
3501	St Joseph’s RC Primary, Murton	30
3381	St Joseph’s RC Primary, Stanley	30
3301	St Mary Magdalen RC Primary, Seaham	45
3401	St Mary’s RC Primary, Blackhill	30
3461	St Mary's RC Primary, Barnard Castle	15
3470	St Mary's RC Primary, Newton Aycliffe	30
3165	St Oswald’s C of E Primary, Durham	20

Number	Primary Academies	Admission Number 2026/27 Advised by Governing Body
2008	Acre Rigg Academy	67
2213	Annfield Plain Infant	40
2212	Annfield Plain Junior	42
2205	Beamish Primary	15
2411	Aycliffe Village Primary	26
3411	Bishop Ian Ramsey C of E Primary School	30
3511	Blessed John Duckett RC Primary	12
2233	Bloemfontein Primary	24
2357	Bluebell Meadow Primary	45
3525	Brandon Primary	50
2015	Browney Academy	25
2261	Burnhope Primary	15
2266	Castleside Primary	20
2210	Catchgate Primary	38
2002	Chilton Academy	55
2397	Cleves Cross Primary and Nursery School	30
2208	Collierley Primary	28
2704	Copeland Road Primary	25

Number	Primary Academies	Admission Number 2026/27 Advised by Governing Body
2516	Deaf Hill Primary	26
2018	Dene House Primary	50
3182	Easington C of E Primary	30
2217	East Stanley Primary	34
2105	Edmondsley Primary	25
3406	Esh C of E Primary	15
2497	Esh Winning Primary	38
3130	Evenwood C of E Primary	15
2399	Fishburn Primary	30
3131	Gainford C of E Primary	15
3526	Greenland Community Primary	51
3121	Green Lane C of E Primary	30
2593	Hardwick Primary	30
2310	Hartside Primary	30
2318	Howden le Wear Primary	30
2302	Hunwick Primary	30
3134	Ingleton C of E Primary	15
2374	Kelloe Primary	21
2729	Langley Park Primary	30
2001	Middlestone Moor Primary	38
2025	Middleton in Teesdale Primary	25
2276	Moorside Primary	20
2024	New Seaham Primary	38
2453	New Brancepeth Primary	20
2311	Peases West Primary	15
2005	Pelton Community Primary	55
3516	Prince Bishops Community Primary	30
3409	Our Lady & St. Joseph's RC Primary, Brooms	17
3425	Our Lady & St. Thomas RC Primary, Willington	15
3504	Our Lady of Lourdes RC Primary, Shotton	24
3510	Our Lady of the Rosary RC Primary, Peterlee	45
3483 3488	Our Lady Queen of Martyr's RC Primary and St Joseph's, Ushaw Moor	30
2136	Ouston Primary	45
2016	Rosa Street Primary	30
2123	Sacriston Academy	30
2017	Shield Row Primary	30
2019	South Hetton Primary	30
2225	South Stanley Infant	60
2226	South Stanley Junior	52
2705	St Andrew's Primary	30
3344	St Bede's RC Primary, Sacriston	15
3465	St Chad's RC Primary	15
3444	St Charles' RC Primary, Tudhoe	30
3343	St Cuthbert's RC Primary, Chester le Street	30
3421	St Cuthbert's RCVA Primary, Crook	30
3300	St Cuthbert's RC Primary, New Seaham	30
3486	St Godric's RC Primary, Durham	30
3502	St Godric's RC Primary, Thornley	15

Number	Primary Academies	Admission Number 2026/27 Advised by Governing Body
3485	St Hild's C of E Primary, Durham	30
3506	St Joseph's RC Primary, Blackhall	13
3469	St Joseph's RC Primary, Coundon	25
3489	St Joseph's RC Primary, Gilesgate	22
3471	St Joseph's RC Primary, Newton Aycliffe	25
3461	St Mary's RCVA Primary, Barnard Castle	15
3470	St Mary's RCVA Primary, Newton Aycliffe	30
3384	St Mary's RC Primary, South Moor	21
3505	St Mary's RC Primary, Wingate	12
3441	St Michael's C of E Primary, Bishop Middleham	15
3407	St Michael's RC Primary, Esh	28
3404	St Patrick's RC Primary, Consett	60
3382	St Patrick's RC Primary, Dipton	25
3481	St Patrick's RCVA Primary, Langley Moor	15
3403	St Pius X RC Primary, Consett	15
3492	St Thomas More RC Primary, Belmont	17
3462	St Wilfrid's RC Primary	30
3442	St William's RC Primary, Trimdon	15
3087	Stanhope Barrington C of E Primary School	21
2010	Stephenson Way Academy and Nursery	55
3517	The Ribbon Academy, Murton	85
2523	Thornley Primary	30
2379	Tudhoe Colliery Primary	30
2009	Victoria Lane Academy	30
2742	Vane Road Primary	60
2328	Witton le Wear Primary	15
3518	Woodham Burn Community Primary	30
3523	Woodhouse Community Primary	30
2126	Woodlea Primary	30

Number	Secondary Academies	Admission Number 2026/27 Advised by Governing Body
4162	Bishop Barrington School	180
4693	Byron Sixth Form College	*Not Set
4001	Consett Academy	300
4001	Consett Academy – Sixth Form	*100
4214	Dene Academy	140
4192	Durham Academy	100
4191	Durham Sixth Form Centre	875
4280	Easington Academy	150
4150	Ferryhill School	165
4190	Framwellgate School Durham	270
4190	Framwellgate School Durham Sixth Form	*Not set
4010	Hermitage Academy	200
4010	Hermitage Academy Sixth Form	*Not set
4176	Greenfield Community College	150
4178	King James 1 Academy	161
4178	King James 1 Academy Sixth Form	*50

Number	Secondary Academies	Admission Number 2026/27 Advised by Governing Body
4000	North Durham Academy	250
4047	Park View School	240
4047	Park View School Sixth Form	*Not set
4128	Parkside Academy	180
4019	Seaham High School	240 (consultation to reduce to 220 ends on 31/1/25)
4231	Sedgefield Community College	195
4693	St Bede's Catholic Comprehensive, Peterlee	180
4694	St Bede's Catholic School and Sixth Form College, Lanchester	240
4694	St Bede's Catholic School and Sixth Form College, Lanchester (Sixth Form)	*80
4681	St John's School and Sixth Form College, a Catholic Academy	225
4681	St John's School and Sixth Form College, a Catholic Academy, (Sixth Form)	*Not set
4691	St Leonard's Catholic School	232
4691	St Leonard's Catholic School Sixth Form	*25
4008	Staindrop Academy	120
4011	Tanfield School, Specialist College of Science and Engineering	158
4007	Teesdale School and Sixth Form Centre	140
4007	Teesdale School and Sixth Form Centre (Sixth Form)	*Not set
4215	The Academy at Shotton Hall	230
4006	UTC, South Durham	Y10 150, Y12 150
4218	Wellfield School	196
4009	Whitworth Park Academy	220
4139	Wolsingham School	150
4175	Woodham Academy	220

* Relates to admission limit for external students to Year 12 only. NB this need not be set if the school only receives ad hoc applications.

Appendix 3

DURHAM COUNTY COUNCIL

ADMISSION ARRANGEMENTS

2026/27

OVERVIEW OF APPLICATION PROCEDURES FOR ADMISSION TO ALL SCHOOLS

For all schools, parents/carers must be invited to express at least 3 preferences on a common application form, in the rank order they wish their child to receive an offer of a place and invite parents to give their reasons for each preference. Application forms are obtainable from the County Council's website to download, if you do not have this facility you can contact School Places and Admissions to request an application form. Parents/carers can also apply through the on-line admissions application system accessed via the County Council website. Applications should be submitted to the LA by the published closing date. Places at any school are offered on the basis of equal preference rank order and where an offer is made it is for the highest ranked school at which the LA can offer a place.

The LA must inform other admission authorities of any application made for their schools and pass on any relevant supporting information. Each preference must be considered by the admission authority of the school concerned, where appropriate. The school should then provide the LA with a list of all children who have applied for a place, ranked in order of priority under the school's admission arrangements.

Parents/carers who are resident in one LA but who wish to apply for a place at a school maintained by another LA apply for a place through the maintaining LA's common application form. Neighbouring LAs must inform each other of applications received in respect of children from their LA area who wish to obtain a school place in another LA area.

The LA will then compare the lists for all schools in its area. When a child is eligible for a place at only one of the preferred schools, a place at that school will be offered to the child. Where the child is eligible for a place at two or more of the preferred schools, they will be offered a place at whichever school is the highest ranked. Where the LA cannot offer a place at any of the preferred schools, the offer of a place will be made at the nearest school to the parental address that has places available.

If an application is unsuccessful, upon request a child's name may be placed on a waiting list which is kept for the full academic year. The position on the waiting list is determined in accordance with the published oversubscription criteria with no reference to length of time on the waiting list. If a place subsequently becomes available, the place will be offered to the next child on the waiting list. Parents/carers are also offered the right of appeal if they are not satisfied with the offer of a place.

The LA will accept applications which are received late only when there is evidence of a very exceptional circumstance which prevented submission by the stated deadline and only if the application is received before offers of places are made. These will then be treated in the same way as all other applications. In the event of a late application not being accepted or receipt is after the offer of places has been made, then places will be offered at the nearest school with places available.

All applications for school places during the normal admission round must be co-ordinated by the maintaining LA.

2026/27 CO-ORDINATED ADMISSION SCHEME - PRIMARY

This Scheme is made by Durham County Council (Durham LA) under The School Admissions (Admission Arrangements and the Co-ordination of Admission Arrangements) (England) Regulations 2014.

A separate Scheme exists in relation to secondary schools.

Interpretation

1. In this Scheme -

   "The LA" means Durham County Council acting in its capacity as local education authority.

   "The LA area" means the area in respect of which the LA is the local education authority.

   "School" means a Community, Voluntary Controlled, Foundation, or Voluntary Aided school or an Academy.

   "Admission Authority" means the LA in respect of any of the schools which is a Community or Voluntary Controlled school, the Governing Body of the school in respect of a Voluntary Aided school or a Foundation school and the relevant Trust for an Academy.

   "Parent" means any person who holds parental responsibility for a child and with whom the child normally lives.

   "Suitable school" means the nearest available school which offers an efficient full-time programme of education appropriate to the individual child's age, ability, aptitude, and any special educational needs, in the view of the Authority.

2. The Scheme shall be determined and processed in accordance with the provisions set out in Schedule 1 and the timetable set out in Schedule 2.

3. The Scheme will apply for the admission arrangements for the school year commencing September 2026.

4. The Scheme shall apply to every primary school in the LA area (except special schools).

SCHEDULE 1

PART 1 - THE SCHEME

1. There will be a common application form supplied by the LA for the purpose of enabling parents living in County Durham to express up to three preferences for their child to be admitted to a primary, infant and, where appropriate junior school in County Durham or to a school or schools in another LA area for the academic year 2026/27.

2. The common application form must be used as a means of expressing one or more preferences for the purposes of Section 86 of the School Standards and Framework Act 1998 by parents who are resident in the LA area wishing to express a preference for their child:

   a. to be admitted to a maintained primary school and Academy within the LA area (including Voluntary Aided Schools).
   b. to be admitted to a maintained primary school and Academy located in another LA's area (including Voluntary Aided Schools).

3. The common application form will invite the parent to express up to three preferences including where relevant any schools outside the LA's area, in the rank order in which they wish their child to receive an offer of a place and invite parents to give their reasons for each preference.

4. The common application form will explain that the parent will receive no more than one offer of a school place. Furthermore, that places at any oversubscribed school will be offered on the basis of equal preference rank order and that where an offer is made it would be for the highest ranked school at which the LA as the admission authority or on behalf of the admission authority of a Voluntary Aided School or an Academy, was able to offer a place. Annex 1 lists those Governing Bodies/Trusts which are the Admission Authority for schools or Academies to which this Scheme applies.

5. The common application form will explain that where the LA could not offer a place at any of the preferred schools, the offer of a place will be made at the nearest school to the child's home address that has a place available.

6. The common application form will specify a closing date and where it must be returned. Governing Bodies of Aided Schools or the relevant Trust for Academies, as the Admission Authority, must notify the relevant LA of any application made direct to them in error whether or not the parent lives in County Durham.

7. The LA will make appropriate arrangements to ensure that a common application form is available on request from the LA and from its website. The facility to apply on-line will also be made available via the LA's website.

8. The common application form will include a supplementary section to be completed by parents who express a preference for a Voluntary Aided School to enable them to provide any relevant additional information.

Processing of Applications

9. Completed applications should be made to the LA by 15 January 2026.

10. Applications received by the closing date take priority over late applications, however, applications which are received for very good reason after the closing date because of very exceptional circumstances will be accepted and treated as on time applications as long as they are received on or before 5 March 2026, the date the allocation procedures begin. Examples of good reason include: when a single parent has been ill for some time or has been dealing with the death of a relative; a family has just moved into the area or is returning from abroad (proof of ownership or tenancy of a County Durham property as the main property will be required in these cases). Other circumstances will be considered, and each case decided on its own merits. Parents must, however, provide clear evidence for the LA to consider as to why they could not apply during the preference period. The determination of the LA will be final.

Determining offers in response to the applications

11. The LA will make the offer of a school place to the parent of every child living in County Durham commencing primary education in September 2026 who applies for a place at a maintained school/academy.

12. The LA will determine the offer of a potential place for Community and Voluntary Controlled schools in County Durham in its capacity as the Admission Authority **having no regard to order of preferences**. For Voluntary Aided Schools, Academies or schools in another Local Authority area, the relevant Admission Authority will inform the LA of the potential offer of a place. Durham LA will then be responsible for making the offer of a place in accordance with paragraphs 4 and 15 of this Scheme.

13. By 6 February 2026, the LA will share the applications with the Admission Authority for each of the schools indicated on the applications.

14. By 6 March 2026, the Admission Authority for each school will provide the LA with the ranking of applications, in accordance with their admission criteria, of all pupils who applied for a place at the school, indicating those who can be offered a place and those (if any) who cannot. The LA will then match this ranked list against the ranked list of the other schools nominated.

15. By 13 March 2026, the LA will match the provisional offers of places against each parent’s ranking and proceed as follows:

- Where the child is eligible for a place at only one of the preferred schools, a place at that school will be offered to the child.
- Where the child is eligible for a place at two or more of the preferred schools, they will be offered a place at whichever school is the highest ranked.
- Where none of the preferences can be met, the child will be offered a place at the nearest suitable school with a place available.

16. No later than 13 March 2026 the LA will inform other LAs of places in County Durham schools/Academies to be offered to their residents and on 16 April 2026 the LA will inform its schools/Academies of the pupils to be offered places at their schools/Academies.

17. On 16 April 2026, the LA will write to all parents in County Durham to whom the offer of a place can be made, notifying them of the offer of a place at:

    a. one of the preferences on the application; or
    b. the nearest suitable school with places available.

18. The LA's communication will advise parents that they need only to contact the LA if they are not satisfied with the offer of a place, whereupon they will be informed that they have the right of appeal if they so wish. The communication will include contact details for the LA and those nominated Voluntary Aided schools or Academies where they could not be offered a place, so that they can if they wish lodge an appeal with the Governing Body or Academy Trust. The communication will also explain that their child's name will be placed on the waiting list for a place at the preferred school(s). The communication will also state, where relevant, why a place could not be offered at a higher ranked school.

19. On 7 May 2026 the LA will reallocate any places that may have become available since 16 April 2026, strictly in accordance with the relevant published oversubscription criteria.

20. From 8 May 2026, children's names will be placed on a waiting for an oversubscribed school to be offered places if they become available. The waiting lists for all schools/Academies/ will be maintained by the relevant admission authority and any places which become available will be offered strictly in accordance with the published admission criteria of the appropriate admission authority. Waiting lists will be maintained for the school year. If parents want their children to remain on a waiting list for subsequent years, they must inform the LA in writing or via email.

PART 2 - LATE APPLICATIONS

21. Applications received after the closing date of 15 January 2026 and on or before 5 March 2026 will be considered and, as far as possible, offered a school place on 16 April 2026. Applications received by the closing date take priority over late applications, however, applications which are received for very good reason after the closing date because of very exceptional circumstances will be accepted and treated as on time applications provided they are received on or before 5 March 2026, the date the allocation procedures begin (see paragraph 10).

22. For applications received between 6 March 2026 and 4 May 2026 inclusive, the LA will, on 7 May 2026 the re-allocation day, offer a place in accordance with parental preference, where possible, and if not possible, at the nearest school with places available. These will be considered equally along with all other applicants that are on the waiting lists.

23. For applications received between 7 May 2026 and 31 August 2026 inclusive, offer/refusal communications will be sent out within 14 days of the LA receiving the application form. Any parent approaching a school direct must be referred to the LA. The LA will offer a place at the school highest in the parent's order of rank that has a place available, or if this is not possible, at the nearest suitable school that has a place available. For those who do not receive a higher preferred school the waiting lists will continue to operate.

PART 3 - IN-YEAR ADMISSIONS

24. Applications received on or after 1 September 2026 will be treated as in-year admissions.

25. The LA will, upon request, send a suitable form for parents to complete when applying for a place for their child at any school. All relevant admission authorities will consider any application that is made (making reference to any waiting lists that are in operation) whether via an application form or through a parent's direct approach to any school, and then notify the LA, if appropriate, of the outcome. Parents whose applications are refused will be offered a right of appeal.

26. The LA will monitor in-year applications and intervene as appropriate to ensure that applicants are placed in a school without undue delay.

27. Parents may ask for their child's name to be kept on a waiting list, to be offered places if they become available at any school to which they have expressed a preference. The waiting lists - unless Aided Schools or Academies chose to maintain the waiting lists themselves - will be maintained by the LA and any places which become available will be offered strictly in accordance with published admission criteria of the appropriate admissions authority. Waiting lists will be maintained for the school year. Any offer of a school place will always be made by the LA.

PART 4 – ADMISSION OF CHILDREN BELOW COMPULSORY SCHOOL AGE AND ADMISSION OF CHILDREN OUTSIDE THEIR NORMAL AGE GROUP

28. A child reaches compulsory school age on the prescribed day following their fifth birthday (or on their fifth birthday if it falls on a prescribed day). The prescribed days are 31 December, 31 March, and 31 August. A child is entitled to a full-time place in the September following their fourth birthday.

29. There is flexibility for parents who do not feel their child is ready to start school before compulsory school age. They may defer the date their child is admitted to school until later in the school year following their child's fourth birthday, providing they do not defer beyond the point at which they reach compulsory school age, or beyond the start of the final term of that school year. Alternatively, their child may attend school part-time until they reach compulsory school age.

30. Children born in the summer term, 1 April to 31 August, are not required to start school until a full school year after the point at which they could first have been admitted – the point at which other children in their age range are beginning year 1. While most parents are happy for their child to start school in the September following their fourth birthday, some parents will have concerns about whether their child will be ready for school at this point and will consider delaying their entry to Reception until compulsory school age.

31. Admission authorities will expect parents to provide them with information in support of their request – since without it they are unlikely to be able to make a decision on the basis of the circumstances of the case. This should demonstrate why it would be in the child's interests to be admitted to reception rather than year one. In some cases, parents may have professional evidence that it would be appropriate for them to submit, for example, when a child receives support from a speech and language therapist. However, there is no expectation that parents will obtain professional evidence that they do not already have. Admission authorities must still consider requests that are not accompanied by professional evidence. In such cases the supporting information might simply be the parent's statement as to why they have made their request.

32. Where a parent wants their child to be admitted out of their normal age group, the admission authority has two separate decisions to make:

- it must first decide on the age group the child should be admitted to
- only once that decision has been made can it apply its oversubscription criteria to decide whether a place can be offered in that age group.

33. Although it is not always easy for admission authorities to make a decision about a child more than a year before the point at which they may be admitted, particularly as it is difficult to know what progress they may make in the intervening period, parents should know the outcome of their request for admission out of the normal age group in time to make an informed decision about whether their child will start school before compulsory school age.

34. The process in place:

- requires the parent to make an application for their child’s normal age group at the usual time, but enables them to submit a request for admission out of the normal age group at the same time;

- ensures that the parent receives the response to their request before primary national offer day.

35. If the request is agreed, the application for the normal age group may be withdrawn before a place is offered. If the request is refused, the parent must decide whether to accept the offer of a place for the normal age group, or to refuse it and make an in-year application for admission to year one for the September following the child’s fifth birthday.

36. Where a parent’s request is agreed, they must make a new application as part of the main admissions round the following year.

37. One admission authority cannot be required to honour a decision made by another admission authority on admission out of the normal age group. Parents, therefore, should consider whether to request admission out of the usual year group at all their preference schools, rather than just their first preference schools.

38. Once a child has been admitted to a school it is for the headteacher to decide how best to educate them. In some cases, it may be appropriate for a child who has been admitted out of their normal age group to be moved to their normal age group, but in others it will not. Any decision to move a child to a different age group will be based on sound educational reasons and made by the headteacher in consultation with the parents.

39. Where a child has been educated out of their normal age group, the parent may again request admission out of the normal age group when they transfer to junior or secondary school. It will be for the admission authority of that school to decide whether to admit the child out of their normal age group. The admission authority will make a decision based on the circumstances of each case and in the child’s best interests and will bear in mind the age group the child has been educated in up to that point.

40. Where an application for September 2026 has been received by 15 January 2026 for a child’s admission to Reception instead of Year 1 (which is the child’s normal age group cohort) and this has been agreed, the application will be considered alongside all other applications that are received by this date. The application will not have lower priority on the basis that the child is being admitted outside their normal age group.

SCHEDULE 2

Timetable for Admissions to Primary Schools/ Academies/Free Schools – September 2026

1 September 2025	Parents' Guide to School Admissions, Common Application Form and on-line portal are made available to parents.
15 January 2026	Closing date for return of applications to the LA.
6 February 2026	LA shares applications with neighbouring LAs. Own admission authority schools can view their applications on-line.
6 March 2026	The relevant admission authority for neighbouring LA schools provides the LA with the ranking of applicants. Own admission authority schools rank their applicants on-line.
13 March 2026	LA allocates places in accordance with relevant admission/oversubscription criteria and informs other LAs of places in County Durham to be offered to their residents.
16 April 2026	LA makes offers to parents and schools can view on-line the pupils to be offered places at their schools. Those parents not receiving a higher or any preferred school will have their child's name placed on those waiting list/s.
7 May 2026	Any places that become available since 17 April are reallocated to parents.
8 May 2026	Waiting lists continue to operate.

ANNEX 1

The Governing Bodies of the Voluntary Aided Schools listed below are Admission Authorities to which this Scheme applies:

Blue Coat CE Junior Bowes Hutchinson's CE Primary Our Lady Star of the Sea RCVA Primary St Francis CE Aided Junior St Hild's College CE Aided Primary	St John's CE Aided Primary St Joseph's RCVA Primary, Murton St Oswald's C.E. (Aided) Primary

The Trusts of the Academies listed below are Admission Authorities to which this Scheme applies:

New Seaham The Ribbon, Murton Victoria Lane, Coundon Cleves Cross Primary Rosa Street Academy South Hetton Primary South Stanley Infant South Stanley Junior Bloemfontein Primary Chilton Primary St. Joseph's RCVA Primary, Newton Aycliffe Stanhope Barrington C of E Primary St. Mary's RCVA Primary, Wingate Bluebell Meadow Primary St Godric's RCVA Primary, Durham	Acre Rigg Academy (Junior) Tudhoe Colliery Primary Stephenson Way Academy Browney Academy Dene House Primary Shield Row Primary Greenland Community Primary Sacriston Academy Ouston Primary Hartside Primary Our Lady of the Rosary RCVA Primary St William's RCVA Primary, Trimdon Ingleton C of E Primary St. Godric's RCVA Primary, Thornley St. Bede's RCVA Primary, Sacriston
Our Lady Queen of Martyr's RCVA Primary, Newhouse St Cuthbert's RCVA Primary, Chester le Street Esh C of E Primary St Benet's RCVA Primary St Joseph's RCVA Primary, Stanley Annfield Plain Junior St Patrick's RCVA Primary, Dipton St Joseph's RCVA Primary, Coundon St Cuthbert's RCVA Primary, New Seaham St Joseph's RCVA Primary, Gilesgate St Joseph's RCVA Primary, Blackhall Our Lady & St Joseph's RCVA Primary Evenwood C of E Primary Howden le Wear Primary St Patrick's RCVA, Primary, Consett Blessed John Duckett RCVA Primary	St Joseph's RCVA Primary, Ushaw Moor St Chad's RCVA Primary St Michael's RCVA Primary, Esh St. Mary's RCVA Primary, Blackhill Annfield Plain Infant East Stanley Primary St Charles' RCVA Primary, Tudhoe Our Lady & St Thomas RCVA Primary St Thomas More RCVA Primary Our Lady of Lourdes RCVA Primary St Mary's RCVA Primary, South Moor St Pius X RCVA Primary St Michael's C of E Primary, Bishop Middleham Brandon Primary St Wilfrid's RCVA Primary

Moorside Primary Langley Park Primary St. Mary's RCVA Primary, Newton Aycliffe St. Cuthbert's RCVA Primary, Crook All Saints RCVA Primary Burnhope Primary St. Mary Magdalen RCVA Primary St. Joseph's RCVA Primary, Murton Our Lady Star of the Sea RCVA Primary Sedgefield Hardwick Primary Witton le Wear Primary Easington C of E Primary Vane Road Primary Woodham Burn Community Primary Peases West Primary Pelton Community Primary Castleside Primary Catchgate Primary Fishburn Primary Gainford C of E Primary Esh Winning Primary Thornley Primary St. Andrew's Primary Edmondsley Primary Copeland Road Primary Hunwick Primary Prince Bishops Primary Woodhouse Community Primary	New Brancepeth Primary St. Mary's RCVA Primary, Barnard Castle St. Patrick's RCVA Primary, Langley Moor Middleton in Teesdale Primary Middlestone Moor Primary Collierley Primary Green Lane C of E Primary Beamish Primary Deaf Hill Primary Kelloe Primary Middleton in Teesdale Primary Aycliffe Village Primary Woodlea Primary

2026/27 CO-ORDINATED ADMISSION SCHEME - SECONDARY

This Scheme is made by Durham County Council (Durham LA) under The School Admissions (Admission Arrangements and the Co-ordination of Admission Arrangements) (England) Regulations 2014.

A separate Scheme exists in relation to primary schools.

Interpretation

1. In this Scheme -

   "The LA" means Durham County Council acting in its capacity as local education authority.

   "The LA area" means the area in respect of which the LA is the local education authority.

   "School" means a Community, Voluntary Controlled, Foundation, or Voluntary Aided school, or an Academy.

   "Admission Authority" means the LA in respect of any of the schools which is a Community or Voluntary Controlled school, the Governing Body of the school in respect of a Voluntary Aided school or a Foundation school and the relevant Trust for an Academy.

   "Parent" means any person who holds parental responsibility for a child and with whom the child normally lives.

   "Suitable school" means the nearest available school which offers an efficient full-time programme of education appropriate to the individual child's age, ability, aptitude, and any special educational needs, in the view of the Authority.

2. The Scheme shall be determined and processed in accordance with the provisions set out in Schedule 1 and the timetable set out in Schedule 2.

3. The Scheme will apply for the admission arrangements for the school year commencing September 2026.

4. The Scheme will apply to every secondary school in the LA area (except special schools).

SCHEDULE 1

PART 1 - THE SCHEME

1. There will be a common application form supplied by the LA for the purpose of enabling parents living in County Durham to express up to three preferences for their child to be admitted to a secondary school in County Durham or to a school or schools in another LA area for the academic year 2026/2027.

2. The common application form must be used as a means of expressing one or more preferences for the purposes of Section 86 of the School Standards and Framework Act 1998 by parents resident in the LA area wishing to express a preference for their child:

   (a) to be admitted to a maintained secondary school or an academy within the LA area (including Voluntary Aided schools and Foundation schools);
   (b) to be admitted to a maintained secondary school or an academy located in another LA's area (including Voluntary Aided schools and Foundation schools).

3. The common application form will invite the parent to express up to three preferences including where relevant any schools outside the LA's area, in the rank order in which they wish their child to receive an offer of a place and invite parents to give their reasons for each preference.

4. The common application form will explain that the parent will receive no more than one offer of a school place. Furthermore, that places at any oversubscribed school will be offered on the basis of equal preference rank order and that where an offer is made it would be for the highest ranked school at which the LA as the admission authority, or on behalf of the admission authority of a Voluntary Aided school, Foundation School or Academy, was able to offer a place. Annex 2 lists those Governing Bodies/Trusts which are the Admission Authority for schools/Academies to which this Scheme applies.

5. The common application form will explain that where the LA could not offer a place at any of the preferred schools, the offer of a place will be made at the nearest school to the child's home that has a place available.

6. The common application form will specify a closing date and where it must be returned. Governing Bodies of Aided or Foundation Schools and the relevant Trust for Academies, as the Admission Authority, must notify the relevant LA of any application made direct to them in error whether or not the parent lives in County Durham.

7. The LA will make appropriate arrangements to ensure that a common application form is available on request from the LA and on its website. The facility to apply online will also be made available via the LA's website.

8. The common application form will include a supplementary section to be completed by parents who express a preference for a Voluntary Aided School to enable them to provide relevant additional information.

Processing of Applications

9. Completed applications should be made to the LA by 31 October 2025.

10. Applications received by the closing date take priority over late applications, however, applications which are received for very good reason after the closing date because of very exceptional circumstances will be accepted and treated as an on-time application as long as they are received before 23 January 2026, the date the allocation procedures begin. Examples of very good reason include: when a single parent has been ill for some time or has been dealing with the death of a relative; a family has just moved into the area or is returning from abroad (proof of ownership or tenancy of a County Durham property as the main property will be required in these cases). Other circumstances will be considered, and each case decided on its own merits. Parents must, however, provide clear evidence for the LA to consider as to why they could not apply during the preference period. The determination of the LA will be final.

Determining offers in response to the application form

11. The LA will make the offer of a school place to the parent of every child living in County Durham transferring to secondary education in September 2026 who applies for a place at a maintained school/Academy.

12. The LA will determine the potential offer of a place for Community and Voluntary Controlled secondary schools in County Durham in its capacity as the Admission Authority **having no regard to order of preferences**. For Voluntary Aided schools, Foundation schools or Academies, or schools in another Local Authority area, the relevant Admission Authority will inform Durham LA of the potential offer of a place. Durham LA will then be responsible for making the offer of a place in accordance with paragraphs 4 and 15 of this Scheme.

13. By 21 November 2025, the LA will share the applications with the Admission Authority for each of the schools indicated on the applications.

14. By 23 January 2026, the Admission Authority for each school will provide the LA with the ranking of applications, in accordance with their admission criteria of all pupils who applied for a place at the school, indicating those who can be offered a place and those (if any) who cannot. The LA will then match this ranked list against the ranked lists of the other schools nominated.

15. By 30 January 2026, the LA will match the provisional offers of places against each parent's ranking and proceed as follows:

- Where the child is eligible for a place at only one of the preferred schools, a place at that school will be offered to the child.
- Where the child is eligible for a place at two or more of the preferred schools, they will be offered a place at whichever school is the highest ranked.
- Where none of the preferences can be met, the child will be offered a place at the nearest suitable school with a place available.

16. No later than 30 January 2026 the LA will inform other LAs of places in County Durham schools/Academies to be offered to their residents and on 27 February 2026 the LA will inform its secondary/Academies schools of the pupils to be offered places at their schools/Academies.

17. On 2 March 2026, the LA will communicate to all parents in County Durham to whom the offer of a place can be made, notifying them of the offer of a place at:

    (a) one of the preferences on the application; or
    (b) the nearest suitable school with places available

18. The LA's communication will advise parents that they need only to contact the LA if they are not satisfied with the offer of a place, whereupon they will be informed that they have the right of appeal if they so wish. The communication will include contact details for the LA and those nominated Voluntary Aided and Foundation Schools and Academies where they could not be offered a place, so that they can if they wish lodge an appeal with the Governing Body or Trust. The communication will also give parents the opportunity of having their child's name placed on the waiting list for a place at the preferred school(s). The communication will also state, where relevant, why a place could not be offered at a higher ranked school.

19. On 23 March 2026 the LA will reallocate any places that may have become available since 2 March 2026 strictly in accordance with the relevant published oversubscription criteria

20. From 24 March 2026, children's names will be placed on a waiting list for an oversubscribed school to be offered places if they become available after that date. The waiting lists for all schools/Academies maintained by the Local Authority will be for Year 7 only and any places which become available will be offered strictly in accordance with the published admission criteria of the appropriate admission authority. Waiting lists for Y7 will be maintained for the school year.

PART 2 - LATE APPLICATIONS

21. Applications received after the closing date of 31 October 2025 and on or before 23 January 2026, will be considered and, as far as possible, will be offered a school place on 2 March 2026. Applications received by the closing date take priority over late applications, however, applications which are received for very good reason after the closing date because of very exceptional circumstances will be accepted and treated as an on-time application provided they are received before 23 January 2026, the date the allocation procedures begin (see paragraph 10).

22. For applications received between 26 January 2026 and 23 March 2026 the LA will, on 24 March 2026, offer a place in accordance with parental preference, where possible, and if not possible, at the nearest school with places available. These will be considered equally along with all other applicants that are on the waiting lists for a higher preferred school because they did not receive their first, or in some cases their second and third preferences on 2 March 2026.

23. For applications received between 23 March 2026 (the reallocation day) and 31 August 2026 inclusive, offer/refusal communications will be sent out within 14 days of the LA receiving the application. Any parent directly approaching a school must be referred to the LA. The LA will offer a place at the school highest in the parent's order of rank that has a place available, or if this is not possible, at the nearest suitable school that has a place available. For those who do not receive a higher preferred school the waiting lists will continue to operate.

PART 3 - IN-YEAR ADMISSIONS

24. Applications received on or after 1 September 2026 will be treated as in-year admissions.

26. For the first two weeks of the academic year 2026/27, transfers from one school to another for pupils who were offered a school place in the normal admissions round will be processed upon receipt of a request to transfer, without reference to the procedures outlined in paragraphs 26, 27, 28, and 29 of this Scheme. Specifically, the LA will, upon request, provide information about the places still available in all maintained schools within the area. All relevant admission authorities will consider any request that is made (referring to any waiting lists that are in operation) and then notify the LA, if appropriate, of the outcome. Parents whose applications are refused will be offered a right of appeal.

26. The common in-year application form will request details from the current school and parent including reason for transfer and will specify where it must be returned. Governing Bodies of Aided and Foundation Schools and Academies/UTC, as the Admissions Authority, must notify the relevant LA of any application made to them in error whether or not the parent lives in County Durham.

27. For parents of children who live in another Local Authority area who have applied for an in-year place in a County Durham School – the Home Authority (LA) must contact the Maintaining Authority (Durham) to ascertain the availability of a place. The Home Authority (LA) would then confirm the offer of a place to the parent, with a copy of the offer to the Maintaining Authority (Durham).

28. The LA will make an offer of a place in respect of completed in year application forms for children living in County Durham. For parents of children who have applied for an in-year school place in another LA area – the Home Authority (Durham) must contact the Maintaining Authority (Other LA) to confirm the availability of a place. The Home Authority (Durham) would then confirm the offer of a place to the parent, with a copy of the offer to the Maintaining Authority (Other LA).

29. Secondary In-Year Admissions will be administered by the council, who will send out in-year application forms and confirm an offer of a place to parents, school and, if appropriate, other Local Authority.

30. The LA will inform parents who have not been offered a place into the school of their choice that they have the right to appeal if they so wish. The letter will include contact details for the LA and those Voluntary Aided or Foundation schools or Academies, where they could not be offered a place, so they can if they wish lodge an appeal. Appeals for Voluntary Aided and Foundation Schools or Academies/UTC (where appropriate) must be submitted to the relevant Governing Body/Trust.

31. Parents may ask for their child’s name to be kept on a waiting list, to be offered places if they become available at any school to which they have expressed a preference on the in-year Application Form. The waiting lists – unless Aided/Trust/Academy/UTC chose to maintain the waiting lists themselves - will be maintained by the LA and any places which become available will be offered strictly in accordance with the published admission criteria of the appropriate admission authority. Waiting lists maintained by the Local Authority will be maintained for the school year for Year 7 only. Any offer of a school place will always be made by the Local Authority.

PART 4 - ADMISSION OF CHILDREN OUTSIDE THEIR NORMAL AGE GROUP

32. Where a child has been educated out of their normal age group, the parent may again request admission out of the normal age group when they transfer to secondary school. It will be for the admission authority of that school to decide whether to admit the child out of their normal age group. The admission authority will decide based on the circumstances of each case and in the child’s best interests and will bear in mind the age group the child has been educated in up to that point.

SCHEDULE 2

Timetable for Admissions to Secondary Schools/Academies September 2025

1 September 2025	Parent's Guide to School Admissions, Common Application Form and on-line portal are made available to parents
31 October 2025	Closing date for return of forms to the LA.
21 November 2025	LA shares applications with neighbouring LAs. Own admission authority schools can view applications on-line.
23 January 2026	The relevant Admission Authority for neighbouring LA schools provides the LA with the ranking of applicants. Own admission authority schools rank their applicants on-line.
30 January 2026	LA allocates places in accordance with relevant admission/oversubscription criteria and informs other LAs of places in County Durham to be offered to their residents.
2 March 2026	LA makes offer to parents and schools can view on-line the pupils to be offered places at their schools. Those parents not receiving a higher or any preferred school will have their child's name placed on those waiting list/s.
23 March 2026	Any places that become available since 3 March are reallocated to parents.
24 March 2026	Waiting lists begin to operate.

ANNEX 2

The Trusts of the Academies listed below are the Admissions Authorities to which this Scheme applies:

North Durham Academy
The Academy at Shotton Hall
Hermitage Academy
Park View School
Teesdale School
King James 1 Academy
Consett Academy
Staindrop Academy
St John's School and Sixth Form College, a Catholic Academy
Framwellgate School, Durham
St Bede's Catholic School and Sixth Form Centre, Lanchester
Woodham Academy
Easington Academy
Parkside Academy
St Leonard's Catholic School
Whitworth Park Academy
Ferryhill School
UTC South Durham
Dene Academy
Sedgefield Community College
Tanfield School
Seaham High School
St. Bede's Comprehensive and Byron Sixth Form College
Bishop Barrington School
Durham Academy
Wellfield School
Durham Sixth Form Centre
Greenfield Academy

ANNEX 3

In-Year Transfers Protocol between Secondary Schools and Academies – This protocol works in partnership with the Fair Access Protocol (FAP)

The LA and Durham secondary schools have had an agreed protocol regarding in year transfer of pupils since September 2002. This is to ensure best advice is given to parents, careful consideration of the issues is given, and effective management of the process is undertaken.

The protocol requires that a LA/Head Teacher/Parent conference will be convened at the current school for such pupils by any party. This will be held within 15 working days of the concern arising. The purpose is to provide the parent with “Best Advice” including consideration of what added value there would be in effecting a transfer and focusing on resolving any underlying issues.

A leaflet for parents “Why Change Schools?” available from the School Places and Admissions Team, Children and Young People’s Services, education Development Centre, Enterprise Way, Spennymoor is designed to assist the parent in considering the best interests of the pupil and it sets out requirements about school attendance during the process of decision-making.

This in year transfer Protocol does not apply to children with a Statement of Special Educational Needs or an Education Health and Care Plan, as the statutory SEN process and requirements apply.

In Year Secondary School Transfers - Funding

The LA arranges for the transfer of funding (AWPU), for the remainder of the year, from the previous school to the receiving school, on a pro rata basis.

ANNEX 4

LA/School Protocol agreed 2002 (reviewed annually at DASH)

Transfer between Local Secondary Schools including Academies LA/School Protocol

1 Clarity regarding availability of places.

- Head Teachers must always inform the LA about any potential student movement i.e. admissions or transfers both in and out-County. This will ensure the LA has accurate data regarding the availability of places.

- The LA advises about admissions in accordance with the School Admission code.

2 More detail to be requested by the LA on the Transfer form from the current school and parent e.g.

- Exclusions
- Attendance
- PSPs
- Other agency involvement (tick list)
- Court order/Bail?
- Courses currently being followed and exam boards if applicable.

3 To ensure no young person goes missing from education the LA will issue the DCC In Year Admission Application Forms to parents. Those Academies that are their own admission authority may also request that parents complete a school transfer form to support the admission process

4 A “Why Change Schools?” information leaflet for parents has been produced by the LA and held in schools to be given to parents making enquiries. To include for example:

- Issues re the best interest of child
- Until transfer completed home school responsible. The pupil remains on roll and should be attending school.

5 An LA/Head Teacher/Parent Conference will be convened at the current school for those pupils if requested by any party. This will be held within 15 working days of concern arising. The purpose is to provide the parent with Best Advice including consideration of what added value there would be in effecting a transfer and focussing on resolving underlying issues.

6 In most cases pupils at risk of permanent exclusion will be discussed through the Behaviour and Inclusion Partnership Panel arrangements.

7 Pupils with an attendance record of less than 65% for 6 months or more prior to the transfer request and there are no genuine reasons for the absences (medical reasons etc.) may be required to complete a 3-week attendance

placement to ensure the young person has effectively transitioned before agreement on a formal transfer is made.

8 Where possible, pupils returning from Elective Home Education within a 6 month period, would be encouraged to return to their previous school where possible. Any in year transfer request would be managed through the in - year transfer protocol once on roll of their previous school.

9 In cases of continued difficulty the LA/schools will discuss whether any further action might be appropriate.

ADMISSION POLICIES / OVERSUBSCRIPTION CRITERIA FOR COMMUNITY AND VOLUNTARY CONTROLLED NURSERY SCHOOLS AND UNITS, INFANT, JUNIOR, PRIMARY AND SECONDARY SCHOOLS

ADMISSION TO COMMUNITY AND VOLUNTARY CONTROLLED NURSERY SCHOOLS AND UNITS

Priority will be given to children entitled to 15 hours per week and these places must be allocated first. Places are allocated for the 15 hours per week entitlement according to the oversubscription criteria listed below:

1. **Children who are 'looked after' or a child who was previously looked after but immediately after being looked after became subject to an adoption, residence/child arrangement, or special guardianship order*.** A looked after child is a child who is, at the time of making an application to a school, (a) in the care of a local authority, or (b) being provided with accommodation by a local authority in the exercise of their social services functions (see the definition in section 22(1) of the Children Act 1989).

   An adoption order is an order under section 12 of the Adoption Act 1976 or section 46 of the Adoption and Children Act 2002. A 'residence order' is an order settling the arrangements to be made as to the person with whom the child is to live under section 8 of the Children Act 1989. A child arrangement order is an order settling the arrangements to be made as to the person with whom the child is to live under section 14 of the Children and Families Act 2014. Section 14A of the Children Act 1989 defines a 'special guardianship order' as an order appointing one or more individuals to be a child's special guardian (or special guardians).

2. **Children who appear to the Admissions Authority to have been in state care outside of England and ceased to be in state care as a result of being adopted.**
   A child is regarded as having been in state care in a place outside of England if they were accommodated by a public authority, a religious organisation, or any other provider of care whose sole purpose is to benefit society.

3. **Children In Need**

   The Children Act 1989 defines a child 'in need' as:

   a) He/she is unlikely to achieve or maintain, or to have the opportunity of achieving or maintaining, a reasonable standard of health or development without the provision of services by the Local Authority under Part 3 of the Act.
   b) His/her health or development is likely to be significantly impaired, or further impaired, without the provision for him/her of such services.
   c) He/she is disabled.

   A maximum of two part-time nursery places are retained until the end of the Autumn half term in order to accommodate emergency referrals of children "in need" as defined in the requirements of the Children Act, 1989.

4. The Two Year Old Free Entitlement

Where a child has been accessing the free entitlement for 2 year olds in a maintained nursery school or unit, for a minimum of 15 hours per week for two terms immediately prior to the child becoming eligible for free entitlement, they shall receive priority for admission to that maintained nursery school or unit in order to preserve continuity, providing that they also live within County Durham's administrative area.

5. Age

The offer of a place will be prioritised according to date of birth. Normally, the earliest date your child can be accepted for Early Years Provision is the term after the child's 3rd birthday, although some 2 year olds can access the free entitlement. Where applicants have the same date of birth, priority will be given to the earliest date of application.

6. Those children who are only entitled to the universal entitlement of 15 hours free early education per week

Those children who are not eligible for the extended 30 hours offer should be offered the 15 hours universal entitlement for a minimum of three terms before they are due to enter a full-time school place in the Reception year. Maintained nurseries should plan for this provision to ensure those who are only entitled to 15 hours are offered a place.

7. Children Living in Other Authorities

Although there are no catchment areas for places, preference will be given to children whose parents live within County Durham's administrative area. Only when all children living within the boundary of County Durham have been allocated a place, may a child living in a neighbouring area be offered a place.

30 hours free early education per week, term time, from September 2017:

This is for 3 & 4 year olds from working families that meet the eligibility criteria. The 30 hours free place will consist of the current 15 hours universal entitlement for all 3 & 4 year olds, which will be **extended** by an additional 15 free hours. The additional 15 free hours will be known as the **'extended entitlement'**.

The maintained nursery school or unit will undertake a validation check on the eligibility code and details provided by the parent on the application form. On confirmation the code is valid the following criteria will be applied to all applicants:

If there are more places available than applications, all children will be offered a place. Subsequent applicants will be offered places until the provision is full. Once all places have been allocated, further applications will be included on a waiting list and places will be allocated in accordance with the 30 hours oversubscription criteria.

If there are more applications than places the 30 hours oversubscription criteria will be applied as follows.

30 Hours oversubscription criteria:

Places will be allocated on a “first come, first served” basis on receipt of a verified code.

2026/27 OVERSUBSCRIPTION CRITERIA FOR ADMISSION TO COMMUNITY AND VOLUNTARY CONTROLLED INFANT, JUNIOR AND PRIMARY SHCOOLS

If more children want a place that there are places available, we will offer places according to the following criteria, strictly in order of priority.

1. **Children who are 'looked after' or a child who was previously looked after but immediately after being looked after became subject to an adoption, residence/child arrangement, or special guardianship order* including those children who appear (to the admission authority) to have been in state care outside of England as a result of being adopted.** A looked after child is a child who is, at the time of making an application to a school, (a) in the care of a local authority, or (b) being provided with accommodation by a local authority in the exercise of their social services functions (see the definition in section 22(1) of the Children Act 1989).

2. Medical Reasons
Children with very exceptional medical factors directly related to school placement.

3. Sibling Links
Children who have a sibling** already attending the school and who is expected to be on roll at the school at the time of admission.

4. Distance
Children who live nearest the preferred school measured by the shortest walking route***. This will be based on the child's address. Where the last place to be allocated would mean that a multiple birth sibling group i.e. twins, triplets, or other multiple birth sibling groups, would be split, the sibling group will be given priority over other children. Otherwise, if only one final place can be offered and two applicants live equidistant from the school, the LA's system of random allocation will apply.

* An adoption order is an order under section 12 of the Adoption Act 1976 or section 46 of the Adoption and Children Act 2002. A 'residence order' is an order settling the arrangements to be made as to the person with whom the child is to live under section 8 of the Children Act 1989. A child arrangement order is an order settling the arrangements to be made as to the person with whom the child is to live under section 14 of the Children and Families Act 2014. Section 14A of the Children Act 1989 defines a 'special guardianship order' as an order appointing one or more individuals to be a child's special guardian (or special guardians).

** Sibling is defined as children who live as brother or sister in the same house, including natural brothers or sisters, half - brothers, or sisters, adopted brothers or sisters, stepbrothers or sisters and children of the parent/carer's partner. Some schools give priority to siblings of pupils attending another community and voluntary controlled school with which they have close links (for example, schools on the same site). Where this is the case, details will be published in the Local Authority's Admissions Brochure.

*** In assessing home to school distance, the LA uses a Geographic Information System (GIS) to identify and measure the shortest route utilising only the Ordnance Survey Integrated Transport Network (ITN) and Urban Paths Network (UPN) which are national recognised datasets. The LA will not include any other routes or any other method of measurement. Routes are measured from the centre point**** of the child's house, or in the case of a flat from the centre point**** of the building, to the nearest school site entrance. In all cases the GIS identifies the route to be measured by connecting in a straight line the centre point**** of the child's house to the closest point on the nearest route on the ITN/UPN.

**** In accordance with the co-ordinates of the Basic Land and Property Unit on the National Land and Property Gazetteer.

2026/27 OVERSUBSCRIPTION CRITERIA FOR COMMUNITY SECONDARY SCHOOLS AND THOSE ACADEMIES WHO USE THE LOCAL AUTHORITY'S OVERSUBSCRIPTION CRITERIA

When there are more requests for places than those available, the following criteria will be used to allocate places strictly in order of priority:

1. **Children who are 'looked after' or a child who was previously looked after but immediately after being looked after became subject to an adoption, residence/child arrangement, or special guardianship order* including those children who appear (to the admission authority) to have been in state care outside of England as a result of being adopted.** A looked after child is a child who is, at the time of making an application to a school, (a) in the care of a local authority, or (b) being provided with accommodation by a local authority in the exercise of their social services functions (see the definition in section 22(1) of the Children Act 1989).

2. **Medical Reasons**
   Children with very exceptional medical factors directly related to school placement.

3. **Sibling Links**
   Children who have a sibling** already attending the school and who is expected to be on roll at the school at the time of admission.

4. **Applicants to their nearest School**
   Those children who have applied for a place at the nearest school to their home address measured by the shortest walking route***

5. **All other applicants**

   Tiebreaker

   Where the school is oversubscribed within any of the above categories the following tiebreakers will be applied:

   (a) For those children who have applied for a place at the nearest school to their home address (category 4), priority will be given to those living closest to the nearest school measured by the shortest walking route;

   (b) For other children (category 5), priority will be given to those children who live nearest to the school applied for. Otherwise, if only one final place can be offered and two applicants live equidistant from the school, the LA's system of random allocation will apply.

In the unlikely event of the school being oversubscribed within categories 1, 2 or 3 tiebreaker (b) will apply.

Footnote[1]: 'School' means any maintained secondary school or a DFE maintained Academy in County Durham. Distance will be measured by the shortest walking route. Those parents who live in County Durham and have children in year 6 in primary schools maintained by Durham County Council will be provided with information for them to find out which school is nearest to their home address according to the official measuring system. The same information will be provided for any other applicant on request.

* An adoption order is an order under section 12 of the Adoption Act 1976 or section 46 of the Adoption and Children Act 2002. A 'residence order' is an order settling the arrangements to be made as to the person with whom the child is to live under section 8 of the Children Act 1989. A child arrangement order is an order settling the arrangements to be made as to the person with whom the child is to live under section 14 of the Children and Families Act 2014. Section 14A of the Children Act 1989 defines a 'special guardianship order' as an order appointing one or more individuals to be a child's special guardian (or special guardians).

** Sibling is defined as children who live as brother or sister in the same house, including natural brothers or sisters, half - brothers, or sisters, adopted brothers or sisters, stepbrothers or sisters and children of the parent/carer's partner. Some schools give priority to siblings of pupils attending another community and voluntary controlled school with which they have close links (for example, schools on the same site). Where this is the case, details will be published in the Local Authority's Admissions Brochure.

*** In assessing home to school distance, the LA uses a Geographic Information System (GIS) to identify and measure the shortest route utilising only the Ordnance Survey Integrated Transport Network (ITN) and Urban Paths Network (UPN) which are national recognised datasets. The LA will not include any other routes or any other method of measurement. Routes are measured from the centre point**** of the child's house, or in the case of a flat from the centre point**** of the building, to the nearest school site entrance. In all cases the GIS identifies the route to be measured by connecting in a straight line the centre point**** of the child's house to the closest point on the nearest route on the ITN/UPN.

**** In accordance with the co-ordinates of the Basic Land and Property Unit on the National Land and Property Gazetteer.

2026/27 ADMISSION TO SIXTH FORMS – COMMUNITY SECONDARY SCHOOLS AND ACADEMIES WHO USE THE LOCAL AUTHORITY'S OVERSUBSCRIPTION CRITERIA

Applications for Year 12

Some County Durham secondary schools and academies offer sixth form of study for students. The majority of the sixth form students transfer from Year 11, but places are available for external students.

The entry requirements for sixth forms are largely dependent on the course of study that a student wishes to access. They are the same for internal and external students. Details of specific entry requirements and courses available may be obtained from the school. The availability of courses is dependent upon the number of applicants and the financial sustainability of the course. The Governing Body of the school determines this.

Entry requirements and oversubscription criteria:

Priority will be given to:

1. Students who have attended the school in the previous academic year (during Year 11) and who satisfy the school's entry requirements* for the course available and then,
2. All other students of the relevant age who satisfy the school's entry requirements* for the course available.

Where the school is oversubscribed within category (1) the following will be applied, strictly in order of priority:

a) **Children who are 'looked after' or a child who was previously looked after but immediately after being looked after became subject to an adoption, residence/child arrangement, or special guardianship order** including students who appear (to the Admissions Authority) to have been in state care outside of England and ceased to be in state care as a result of being adopted.** A looked after child is a child who is, at the time of making an application to a school, (a) in the care of a local authority, or (b) being provided with accommodation by a local authority in the exercise of their social services functions (see the definition in section 22(1) of the Children Act 1989).
b) Students who will have a sibling*** at the secondary school during the coming academic year.
c) All other students.
d) Distance from home to school measured by the shortest walking route****, with those living nearest the school receiving priority. Otherwise, if only one final place can be offered and two applicants live equidistant from the school, the LA's system of random allocation will apply.

Where the school is oversubscribed within category (2) the above criteria will be applied, strictly in order of priority with the exception that, after b), the following will apply: all other students who previously attended in Year 11, a maintained school or academy with 11-16 provision only.

Applicants refused admission to a sixth form are entitled to an appeal to an independent appeals panel.

*Details of the entry requirements are available from the individual Sixth Forms.

** An adoption order is an order under section 12 of the Adoption Act 1976 or section 46 of the Adoption and Children Act 2002. A 'residence order' is an order settling the arrangements to be made as to the person with whom the child is to live under section 8 of the Children Act 1989. A child arrangement order is an order settling the arrangements to be made as to the person with whom the child is to live under section 14 of the Children and Families Act 2014. Section 14A of the Children Act 1989 defines a 'special guardianship order' as an order appointing one or more individuals to be a child's special guardian (or special guardians).

*** Sibling is defined as children who live as brother or sister in the same house, including natural brothers or sisters, half-brothers, or sisters, adopted brothers or sisters, stepbrothers or sisters and children of the parent/carer's partner. Some schools give priority to siblings of pupils attending another community and voluntary controlled school with which they have close links (for example, schools on the same site). Where this is the case, details will be published in the Local Authority's Admissions Brochure.

**** In assessing home to school distance, the LA uses a Geographic Information System (GIS) to identify and measure the shortest route utilising only the Ordnance Survey Integrated Transport Network (ITN) and Urban Paths Network (UPN) which are national recognised datasets. The LA will not include any other routes or any other method of measurement. Routes are measured from the centre point***** of the child's house, or in the case of a flat from the centre point***** of the building, to the nearest school site entrance. In all cases the GIS identifies the route to be measured by connecting in a straight line the centre point***** of the child's house to the closest point on the nearest route on the ITN/UPN.

***** In accordance with the co-ordinates of the Basic Land and Property Unit on the National Land and Property Gazetteer.

Appendix 4

Durham County Council Equality Impact Assessment

NB: The Public Sector Equality Duty (Equality Act 2010) requires Durham County Council to have 'due regard' to the need to eliminate unlawful discrimination, harassment and victimisation, advance equality of opportunity and foster good relations between people from different groups. Assessing impact on equality and recording this is one of the key ways in which we can show due regard.

Section One: Description and Screening

Service/Team or Section	Education, School Places and Admissions
Lead Officer	Joanne Collins
Title	Senior School Places, Appeals and Transport Entitlement Officer
MTFP Reference (if relevant)	N/A
Cabinet Date (if relevant)	12 February 2025
Start Date	January 2025
Review Date	January 2026

Subject of the Impact Assessment

Please give a brief description of the policy, proposal, or practice as appropriate (a copy of the subject can be attached or insert a web-link):
School Admission Arrangements Academic Year 2026/27.

Who are the main stakeholders? (e.g. general public, staff, members, specific clients/service users):
General Public, Head Teachers and Governing Bodies/Academy Trusts of all schools/academies in County Durham, neighbouring Local Authorities, providers of Early Years Education.

Screening

Is there any actual or potential negative or positive impact on the following protected characteristics?		
Protected Characteristic	Negative Impact Indicate: Y = Yes, N = No, ? = unsure	Positive Impact Indicate: Y = Yes, N = No, ? = unsure
Age	N	The school admission arrangements comply with the Admissions Code of Practice and ensure fairness and equity.
Disability	N	The school admission arrangements comply with the Admissions Code of Practice and ensure fairness and equity.
Marriage and civil partnership (workplace only)	N	N
Pregnancy and maternity	N	N
Race (ethnicity)	N	The school admission arrangements comply with the Admissions Code of Practice and ensure fairness and equity.
Religion or Belief	N	The school admission arrangements comply with the Admissions Code of Practice and ensure fairness and equity.
Sex (gender)	N	The school admission arrangements comply with the Admissions Code of Practice and ensure fairness and equity.
Sexual orientation	N	The school admission arrangements comply with the Admissions Code of Practice and ensure fairness and equity.
Transgender	N	The school admission arrangements comply with the Admissions Code of Practice and ensure fairness and equity.

Please provide **brief** details of any potential to cause adverse impact. Record full details and analysis in the following section of this assessment.
The main groups affected are children and their families living in County Durham. It is not expected that children and their families will be adversely affected.

How will this policy/proposal/practice promote our commitment to our legal responsibilities under the public sector equality duty to: • eliminate discrimination, harassment, and victimisation, • advance equality of opportunity, and • foster good relations between people from different groups?
The School Admissions code exists to ensure fairness and equity in school admissions arrangements. The oversubscription criteria comply with the Code and: • Are not gender specific and apply equally to all male/female applicants • Do not apply to pupils who have an Education Health and Care Plan (EHCP) as they are automatically admitted to the school named in the EHCP, therefore they have priority for admission to school • Are not age specific • Ensure that all pupils regardless of race/ethnicity/religion or belief/sexual orientation are ranked according to the oversubscription criteria. The number of school places and the co-ordination of admissions via the schemes do not impact on specific groups.

Evidence

What evidence do you have to support your findings? Please **outline** your data sets and/or proposed evidence sources, highlight any gaps and say whether or not you propose to carry out consultation. Record greater detail and analysis in the following section of this assessment.
The School Admissions Code exists to ensure fairness and equity in school admission arrangements. The policy and oversubscription criteria and co-ordinated admission schemes comply with the School Admissions Code.

Screening Summary

On the basis of this screening is there:	Confirm which refers (Y/N)
Evidence of actual or potential impact on some/all of the protected characteristics which will proceed to full assessment?	N
No evidence of actual or potential impact on some/all of the protected characteristics?	Y

Sign Off

Lead officer sign off:	Date: 11/01/2025
Service equality representative sign off:	Date:

If carrying out a full assessment, please proceed to section two.

If not proceeding to full assessment please return completed screenings to your service equality representative and forward a copy to **equalities@durham.gov.uk**

If you are unsure of potential impact please contact the corporate research and equalities team for further advice at **equalities@durham.gov.uk**

Cabinet Report

12 February 2025

East Durham Community Athletics Track, Option Agreement & Ground Lease at Less Than Best Consideration

Ordinary Decision

Report of Corporate Management Team

John Hewitt, Chief Executive

Paul Darby, Corporate Director of Resources

Councillor James Rowlandson, Cabinet Portfolio Holder for Resources, Investment and Assets

Councillor Elizabeth Scott Portfolio Holder for Economy and Partnerships

Electoral division(s) affected:

Sedgefield and Countywide

Purpose of the Report

1 This report sets out the background information necessary for Cabinet to consider a request from East Durham Community Athletics Track (EDCAT) for the council to grant an Option Agreement on 16.204 acres of land at NETPark, which is currently included in the Local Plan as land for industrial development.

2 The primary objective of the Option Agreement is twofold:

- Remove the specified land from NETPark's available development areas;
- Grant the group the necessary legal rights and time to:
  - (i) Develop a robust and sustainable business plan for the proposed facility (including ancillary structures such as changing rooms and car parking);

(ii) Secure the necessary funding for its construction and operation; and

(iii) Provide the Council with the requisite assurances regarding their ability to successfully deliver the project.

3 Upon successful fulfilment of these conditions, the land will be transferred to the group via a 30-year lease.

4 The purpose of the Option Agreement is to remove the land requested from the developable area at NETPark (currently approximately 116 acres of land is available for future development) and provide the group with the legal entitlement and time it needs to prepare a comprehensive and sustainable business plan to build and operate the proposed facility (which includes ancillary facilities such as changing rooms and car parking), raise the necessary funding to do so and to provide the Council with the necessary assurances that it needs that it can do so. Should they be successful in doing this, the land would be transferred to them on a 30 year lease. Removing this land from the developable area at NETPark will leave circa 100 acres still available for future development.

5 This report sets out the terms and conditions of the proposed lease that would be exercised if the group are able to meet the conditions that will be set out in the Options Agreement, to enable the development of the athletics track.

Executive summary

6 The East Durham Community Athletics Track is a charity that was set up in 2010 by members of the local athletics club, Sedgefield Harriers. The activities of the charity are to: '*raise funds in order to build and maintain an athletics facility in Sedgefield, Co-Durham. The facility will be suitable for disabled use and its aim is to support the aspirations of athletes and be available to those wanting to try sports and train"*.

7 The main strategic aim of the council supporting this project is to support the sporting activities in this locality for the benefit of the local community and wider athletic groups.

8 Since 2010, volunteers working on the project have investigated possible sites for the creation of a community athletics track, with the support of council officers. Steered by officers and supported by Local Ward members, and after investigating a number of suggested sites, the group have settled on a preferred site at NETPark, shown edged red at Appendix 2.

9 For this site, EDCAT have prepared an outline business plan for approval, submitted a planning application (which has received conditional consent) and have been negotiating a long-term lease with the council to secure the land.

10 The business plan has been reviewed by council officers, who view it as broadly acceptable but ambitious in terms of predicted numbers of users of the facility and therefore the ability to generate revenue to offset the likely running costs once constructed. This is an important factor for the long term sustainability of the facility.

11 In order to support the development and provide the group with the ability to make capital funding bids, EDCAT have requested that the council grant them an Option Agreement leading to a 30 year lease. EDCAT have requested that the lease is provided at a peppercorn rent, rather than a market rent for community sports provision in order to assist their business plan and reduce running costs.

12 In March 2023, EDCAT were advised that it may be possible to accept a peppercorn rent on the basis that it fulfilled the requirements of the councils ‘under-value’ process. This requires the council to be satisfied that the benefits of the scheme would promote or improve the economic, social or environmental wellbeing of all or part of the area, or all, or any residents within the County and that this outweighs the loss of income from applying a market rate within the lease (or in any sale process).

13 When the original proposal from EDCAT was received and reviewed by the council in 2019, it was agreed in principle to recommend to lease an area of land on the east side of NETPark to them for a minimum of 30 years on a peppercorn rent, this being subject to receipt of a sustainable business plan and evidence that EDCAT could raise the funding to construct the proposed facilities.

14 NETPark (Northeast Technology Park) is owned by the Council and having been established for over twenty years, is the region’s only science park. It consists of a range of properties for early stage and growing science and technology businesses.

15 In September 2021, the council committed to the NETPark Phase 3 development, which is currently under construction. NETPark Phase 3 will deliver up to 270,000 sq. ft of new laboratory, office, production and storage space, based on demand from existing NETPark tenants and potential further inward investment to the site. Over the last decade, NETPark has had approximately £100 million of investment with circa 116 acres of development land remaining of which 33 acres of land is now being developed as employment land.

16 The scale and speed of the current expansion was not foreseen in 2019 when the original proposition was received from EDCAT. This means that the granting of an option to EDCAT, which is a departure from the strategic plan allocation of the land for employment land, will result in the loss of circa 16 acres of land for strategic employment in the future, leaving circa 100 acres of developable land available still for future strategic employment development. Removal of the developable land for future strategic employment needs to be given careful consideration.

17 Since 2019, officers have continued to work with EDCAT to support the development of their business plan, set out in Appendix 5 of this report EDCAT have continued to work diligently on the project and in 2022 were successful in securing planning permission (subject to conditions regarding ecology and offsetting) for the development of the proposed facilities: an Athletics Track, and associated facilities, including floodlighting, changing facilities and car parking.

18 In March 2024 a meeting with EDCAT identified two requirements that had to be addressed for project to succeed and in order for officers to be able to support the proposed lease of the land to EDCAT. These were:

(i) EDCAT to provide a dedicated volunteer post or appointment of paid full-time sports development post for the final planning stages and first year of operations; and

(ii) The council to allow a reasonable period of time to enable EDCAT to acquire and secure sufficient funds for the project development in advance of granting a lease.

19 EDCAT has advised that a granting of an Option Agreement in advance of the lease would enable them to seek and obtain the funding they require for project development and allow them to comply with the obligations of the planning permission with regards to ecology and offsetting. Should they be successful in doing this, then the council would require the production and subsequent approval of a viable business plan for both construction and running of the facility before the lease obligation would be granted.

20 Heads of Terms for the Option Agreement and the proposed Lease are set out in Appendix 3 of this report.

21 EDCAT would be required to commit to a 30-year lease term, on a full repairing and insuring basis, at a peppercorn rent with prior submission of an updated business plan required, thus providing confidence to the council that the proposal will be sustainable as well as developable.

22 Due to the ongoing uncertainty that EDCAT can actually achieve sufficient capital funding to deliver the development, it is considered that the granting of a two year Option Agreement is reasonable. This will allow the group to demonstrate to potential funders that they have a legal interest in the site, a standard eligibility requirement for grant funding bodies.

23 The outline business plan submitted to date indicates that in order to facilitate the development, EDCAT will need to secure approximately £3.2 million of capital funding. These forecasts have not been verified by the council and are now several years old. Updated cost estimates would need to be set out in the final business plan. To date they have secured £500,000 of funding, of which £345,000 is Section 106 monies.

24 Normally an option to draw down a lease is only considered for recommendation when some if not all planning approvals are obtained, along with sufficient funding for the development being secured along with the development of a robust Business Plan which sets out future viability of the development throughout the proposed lease term.

25 EDCAT has planning consent, secured in April 2022, subject to Section 39 approval regarding ecology related matters (ecological mitigation/biodiversity net gain).

26 The council has been clear that there is no council funding available for either capital or revenue to support the development.

27 In ascertaining whether or not the council can deliver a lease to EDCAT the council's title, and deeds have been inspected. Within the council's registered title, the Church Commissioners for England (CCE) have a qualified title to freehold mines and minerals. Subsequently, any development on the land will require CCE's written consent.

28 CCE was approached last year and in principle will agree to the construction of the track and are proposing to protect their interests through a deed of grant of easement.

29 The removal of circa 16.2 acres of employment land does represent a significant loss of potential income to the council should it be developed for industrial use, with employment land in this area capable of achieving a capital receipt of approximately £75,000 - £100,000 per developable acre should it be disposed of.

30 It is anticipated that included in the lease would have a gross income value of circa £1 million should it be retained for employment and leased post development for industrial use. However, due to the amount of land available (circa 100 acres will still be available if the lease is granted), this income is unlikely to be achieved for at least 20

years and is fully dependent on significant further expansion and assumes continuing demand for this site. Note that this income would also be offset by capital financing costs to facilitate the development of the site, including any necessary infrastructure works and unit build costs.

31 For context, the current development expansion at Phase 3a, covers approximately 33 acres and has the potential to create around 1,250 skilled jobs, plus 2,200 in the supply chain and be worth £625 million to the local economy over the next 10 years.

32 Due to its strategic importance in the region NETPark has also been designated as a growth site through the creation of a new Investment Zone for the region aligned to the £4.2 billion North East devolution deal.

33 Taking into consideration the longevity of this project and the previous and continued support for the development of the running track facility, which has strong local member support, the wider benefits of the facility and the remaining supply of employment land available at NETPark (circa 100 acres, excluding EDCAT site) it is recommended to approve in principle the granting of a two year Option Agreement to EDCAT on the heads of Terms set out at Appendix 3. Subject to production of a satisfactory Business Plan, a 30 year lease will be provided to allow the development of the running track and associated facilities. Should a viable business plan not be received within the two years then the Option Agreement will fall away and the land would be retained.

Recommendations

34 Cabinet is recommended to:

(a) approve the granting of a two year Option Agreement to EDCAT;

(b) delegate authority to the Corporate Director of Regeneration, Economy and Growth, in consultation with the Corporate Director of Resources to assure EDCAT’s business plan;

(c) following approval of the business plan , agree to grant a 30 year lease on a full repairing and insuring basis at a peppercorn rent to EDCAT;

(d) delegate authority to the Corporate Director of Resources to agree the detailed terms of the FRI lease, subject to approval of EDCAT’s Business Plan and in line with the Council’s agreed Less than Best Process;

(e) delegate authority to Director of Resources to agree any necessary easements with the Church Commissioners for England for the required site; and

(f) agree that payment for the easement is made from the monies remaining from the NETPark freehold acquisition budget.

Background

35 The East Durham Community Athletics Track is a project that was initiated in 2010 by members of the local athletics club, known as the 'Sedgefield Harriers.' It was and continues to be supported by local ward members.

36 Since 2010, volunteers working on behalf of EDCAT on the project have been supported by officers from the council to investigate possible sites for an athletics track in this part of the county.

37 Following investigations of a number of sites, which took into account geographic location requirements of the club, which limited sites to Sedgefield and the surrounding area, considered planning and conservation requirements as well as availability of land within the council's ownership, EDCAT settled on a site at NETPark, shown edged red at Appendix 2.

38 NETPark (Northeast Technology Park) is owned by the Council and having been established for nineteen years, is the region's only science park. It consists of a range of properties for early stage and growing science and technology businesses and is currently home to 35 companies, including Kromek, Filtronic, IBEX Innovations and Polyphotonix, employing a total of over 600 staff specialising in fields such as nanotechnology, X-Ray technology, forensics and semiconductor technology.

39 NETPark has strong links with Durham University, with the NETPark Research Institute housing part of the University's Centre for Advanced Instrumentation. It is also home to two National Catapult Centres – The High Value Manufacturing Catapult, managed by CPI, and the Northeast Satellite Applications Centre of Excellence managed by Business Durham; three national innovation centres including National Formulations Centre, National Centre for Healthcare Photonics and National Centre for Printable Electronics operated by CPI.

40 Managed by Business Durham as part of the Council's portfolio of industrial and commercial property, NETPark currently has ten buildings totalling some 200,000 sq. ft, including two owned by CPI and the rest owned by the Council including Plexus 1 and 2, Discovery 1 and 2, Explorer 1 and 2, Kromek plc and the Durham University Research Institute, the first building to open in 2004 and now also home to Orbit, the Durham University Enterprise Zone.

41 The Strategic Economic Plan highlights that innovation is central to the region's long-term ambition to build a more productive Northeast with stronger innovation delivery improving productivity and growth in 'better'

jobs, which are highly paid and highly skilled. The plan identifies NETPark as a key Science Park in the Northeast supporting this aim of more and better jobs.

42 Furthermore, the recent Northeast Local Enterprise Partnership (NELEP) Health and Life Science Strategy cites NETPark as an essential part of the region's innovation infrastructure and one of a number of key locations where the health and life sciences sector is clustering. There is a strong opportunity to complete the development of these locations, and to strengthen the linkages between them to ensure a vibrant regional eco-system.

43 The Council is committed to NETPark as a key innovation asset and driver of economic growth in the County, supporting businesses to innovate and grow.

44 In September 2021, the council committed to the NETPark Phase 3 development, which is currently under construction. NETPark Phase 3 will deliver up to 270,000 sq. ft of new laboratory, office, production and storage space, based on demand from existing NETPark tenants and potential further inward investment to the site. It is anticipated that Phase 3 will help achieve key targets of the Council Plan including the creation of up to 1,250 skilled jobs adding over £625 million GVA (Gross Value Added) to the County Durham economy. A typical business taking space on NETPark Phase 3 would provide a broad range of job opportunities including scientists, technicians, administration, accounting, marketing, IT and logistics

45 Throughout the development of the project, various funding avenues have been explored. Sedgefield Harriers and the EDCAT Charitable Incorporated Organisation have raised £60,000 and the project was awarded £40,000 from the Terrace Hill (Sainsbury's) fund held by Sedgefield Town Council.

46 EDCAT have submitted proposals and been supported in allocating £345,000 of S106 funding from recent housing developments in Sedgefield towards the project, subject to EDCAT acquiring a lease, approval of a planning application and the development of a viable Business Plan.

47 Pre-planning application discussions took place from Summer 2020 and, following a positive consultation exercise over December 2020 - January 2021, a planning application for the development of a Community Athletics Track on the north-eastern side of NETPark was submitted in May 2021.

48 DM/21/01984/FPA refers to the current planning application pending approval. The proposal under consideration concerns the formation of a

community athletics track facility with associated floodlighting, access, car parking, drainage and landscaping.

49 The Planning Committee in April 2022 deemed the application acceptable subject to the completion of a Section 39 agreement relating to the delivery of biodiversity net gain. While the terms of the agreement were agreed in May 2022, the planning decision notice won't be issued until EDCAT demonstrate that they have adequate legal interest in the land, together with an approved updated financially viable Business Plan.

50 EDCAT have been negotiating with the council for a 30-year lease relating to the proposed land at NETPark since early 2022.

51 EDCAT has requested that the rent payable for the lease should be at a peppercorn only, rather than a market rent for a sports facility.

52 In March 2023 EDCAT were advised that it may be possible to accept a peppercorn rent on the basis it fulfilled the requirements of the councils 'under-value,' process. This requires a project to demonstrate that the benefits it would promote or the improvements it would deliver to the economic, social or environmental wellbeing of all or part of the area, or all, or any residents within the County offset the loss of potential receipt forgone.

53 Local Authorities have powers under the Local Government Act 1972 to dispose of land in any manner they wish, including sale of their freehold interest, granting a lease or assigning any unexpired term on a lease, and the granting of easements. The only constraint is that a disposal must be for the best consideration reasonably obtainable (except in the case of short tenancies), unless the Secretary of State consents to the disposal (section 123, LGA 1972). In this case the best consideration reasonably obtainable would be the market value for the land in use as employment land.

54 Notwithstanding this, it is considered that the use of the land as a community athletics facility did provide other non-momentary benefits which could demonstrate best consideration.

55 Aside from the peppercorn rental requested, EDCAT have requested a term certain greater than the 30 years offered. However, following detailed discussion, it was determined that 30 years is the maximum term that council can and should offer.

56 The main strategic aim of the council supporting this project is to support the sporting activities in this locality for the benefit of the local community and wider athletic groups.

57 Following further detailed discussions in March 2024, focussing on their draft Business Plan, it was identified that in order to move forward EDCAT needed to appoint a dedicated volunteer post or a paid full-time sports development post for the final planning stages and first year of operations.

58 This addition, EDCAT's Business Plan left one outstanding matter; how to secure funding and investors prior to the lease. It was determined that offering EDCAT an Option Agreement would allow time for EDCAT to seek and obtain the funding they require for project development and subsequently draw down the lease as set out in EDCAT's Business Plan upon satisfactory compliance with the terms of the Option Agreement.

59 A three year option term has been requested by EDCAT, however, given the broader strategic land requirements it is the considered view of officers that an option for two years should be adequate for EDCAT to secure the funding they require.

60 For clarity, the Option Agreement in this situation is a contract where the council enters into an agreement with EDCAT for a two-year period and subject to EDCAT satisfying their obligations under the agreement a 30 year lease on the terms agreed would be triggered. This gives EDCAT time to seek the required funding for the Athletics Facilities and to develop their Business Plan further.

61 Subject to the planning conditions set out in this report EDCAT can opt to draw down the lease at any point in the two year option period if they secure the funding and satisfy the council that it has a financially viable business plan.

62 The council is somewhat 'burdened' by this Option Agreement as it will be required to resolve any third-party implications in readiness of EDCAT achieving the Option Agreement terms and requesting the lease.

63 The Option Agreement is a means of overcoming the issue raised by EDCAT that a lease needs to be in place or a contract confirming such for them to seek and secure project funding from third parties.

64 In considering whether to grant an option to EDCAT an assessment of the options available to the council have been fully considered and are set out below.

Options

Option 1 – Do Nothing in aiding EDCAT's Project

65 This would likely result in the Athletics track not being developed and the land, prior to any forthcoming commercial development in the future (potentially some 20 years plus into the future), to be let out for horse grazing or agricultural use as is common for these areas of undeveloped land.

66 Without securing a long-term lease with the council, EDCAT would be unable to apply for and secure grant funding, severely limiting their options and effectively killing the project. This would result in a lost opportunity to develop access to high-quality athletic facilities within this local community. This option is therefore not recommended.

Option 2 – Charge rent at market rate for community sport facilities

67 An indicative market rent for a community sports facility based on recreational and sport used by the local community is determined to be in the region of £2,500 per annum.

68 Discussions with EDCAT in terms of an annual rent determined at £2,500 pa reveals that it would be prohibitive to EDCAT taking on a lease. EDCAT have advised that as a registered charity they do not have the level of income required to pay a full commercial rent for a sports facility.

69 Any income retained by EDCAT will be reinvested and used to maintain the site and any future facilities, with any surplus used to provide additional activities and services for local people. Any rent other than a peppercorn rent applied effectively has a significantly detrimental impact on EDCAT's ability to take on a long-term lease reducing opportunities for the local community to utilise the facilities.

Option 3 – Long term lease at peppercorn rent

70 Under this option, the council would grant a 30-year lease on the site to EDCAT at a peppercorn rent, maximising the opportunities for the local community to utilise the facilities. It would greatly assist EDCAT in terms of its revenue business plan and provide an opportunity for it to be able to be sustainable.

71 Rent at below commercial value will enable EDCAT to pass on savings to key stakeholders and beneficiaries of the facility and ensure it is an accessible community facility.

72 A 30-year lease term, or more, would enable EDCAT to leverage funds to complete the initial and subsequent phases of the project.

73 Any lease granted would need to be on a full repairing and insuring basis and no other financial commitment would be provided by the council either capital or revenue towards the scheme.

74 The offering of a peppercorn rent in such circumstances is not uncommon and the council has similar arrangements with other community and voluntary sector organisations.

75 This is the option that it is considered provides the best opportunities for the development to succeed. The proposed Option Agreement and lease terms are set out in Appendix 3 of this report.

Main Implications

76 By granting an option to EDCAT for two years the council is effectively committing to give up its interest in the land for a period of up to 32 years (2 year option plus 30 year lease).

77 The land is currently allocated in the local plan as employment land and has the potential to be developed for this use. Should the land be disposed of as employment land it would likely have the potential to earn capital receipt of circa £1 million. Whilst the land is not required for development at NETPark in the immediate future and indeed is considered to be outside the requirements of the 10-year master plan, 'giving' up the land is certainly something that needs to be duly considered.

78 This is of particular relevance when considering that Phase 3 of NETPark has seen investment of £62 million for Zones 2 & 3 (11 units that will be completed by end March 2025 totalling 232,150 sq ft) plus the proposed investment in Phase 3a of circa £37 million to open up Zone 1 and build Unit 9 for a potential inwards investor.

79 Taking both of these phases of development together circa £100milliion of investment will have been invested in NETPark in the last few years, which has resulted in approximately 60 acres of land being developed. This exceeds the expectations and demonstrates the success of NETPark. The scale and speed of the expansion of NETPark in recent years was not envisaged when discussions started with EDCAT.

80 The NETPark site currently consists of 116 acres of undeveloped land, once Phase 3 and 3a and developed. Removing the proposed site from the developable area would still leave 100 acres of land available for further future expansion of NETPark, over the next 20+ years.

81 In determining whether or not the council can grant a lease to EDCAT the council's title and deeds have been inspected. Within the councils' registered title, the Church Commissioners for England (CCE have a qualified title for freehold mines and minerals. Subsequently any development on the land will require CCE's written consent for development.

82 CCE has been approached to ascertain whether they will agree to the construction of the running track and associated facilities. They have proposed that a deed of grant of easement with a caveat that the easement is granted in so far as CCE title comprise real property and is time-matched to the proposed lease of 30 years.

83 Costs borne by this easement include the consideration sum of £10,000 subject to legal fees. The council has agreed that it would meet these costs and reasonable legal fees and this is to be funded from the funding remaining from the freehold title acquisition from the NHS for NETPark. The remaining monies total £85,768 and it is anticipated that this sum will cover the consideration payment and agent and legal fees for third party consent.

84 A 30-year lease term has been considered appropriate for the EDCAT development within NETPark, rather than a freehold disposal due to the existing and ongoing development and expansion of the NETPark and its strategic importance.

85 Prior to the option being granted it will be necessary for the land which is currently held under the Town and Country Planning Act 1990 to be appropriated to the relevant Local Government Act provisions.

86 Although theoretically the subject land would be brought back into council use after the 30 year lease term is expired, should the option be triggered, in reality it has to be acknowledged that once the land is given over for recreational and sport use there will be little prosect of it being brought back into use as employment land in the future.

87 It would be prudent to consider the granting of the Option Agreement, which could lead to the trigger for the lease, as being a permanent loss of the land for employment purposes.

Subsidy Control

88 Subsidy Control Regulations will apply for this transaction as the granting of a lease at a peppercorn and forgoing the land as employment land, along with the provision of S106 monies, are considered to be public subsidies, as they will be awarded together i.e they are mutually exclusive in that one cannot be granted without the other and the total exceeds £100,000.

General Consent for the Disposal of Land at an Undervalue

89 The granting of the option at a peppercorn and subsequent lease for 30 years at a peppercorn would be considered for the purpose of the General Disposal Consent Regulations a disposal at less than best consideration. The regulations for disposing of land at an undervalue, not exceeding £2 million, by Local Authorities is provided by under Circular 06/2003 of the Local Government Act 1972. This applies where the purpose of the sale will promote or improve the economic, social or environmental well-being of all or part of the area, or all, or any residents within the county. The Local Authority must be satisfied that the disposal contributes to the achievement of one or more of the following objectives. These are:

(a) The promotion or improvement of economic well-being;

(b) The promotion or improvement of social well-being;

(c) The promotion or improvement of environmental well-being.

90 It is anticipated that following the approval of a viable and sustainable business plan, the development of the running track and associated buildings will provide facilities for users of the athletics clubs, sports and community groups, schools and businesses and it will be used for training, competition and improvement of health and wellbeing in the local community.

91 The club actively encourages coaching, education and development and this in turn led to a large junior section drawn from local schools and the wider area. The project will be managed by volunteers for its thirty-year lifespan.

92 The EDCAT team has led the way in founding the East Durham Athletics Network (EDAN), which will play a core role in promoting and managing use of the proposed facilities.

93 On that basis the council is satisfied that the proposal meets the promotion or improvement of social well-being and promotion or improvement of environmental well-being tests and can be supported as disposal at less than best consideration

Conclusion

94 By granting the Option Agreement and committing to the lease, the council is effectively agreeing to give up its land for 32 years. This will

result in loss of a development site as well as the potential to earn rental income/capital receipt.

95 The council has remained committed to supporting EDCAT and has clearly demonstrated this through its actions in working with EDCAT and incurring some costs ahead of formal agreement being reached for the lease.

96 The proposed lease arrangements would require the council to incur cost of circa £10,000 plus legal fees to facilitate the granting of an easement with the Church Commissioners of England for this site. These costs would be met from existing budgets.

97 It is therefore considered that the granting of an Option Agreement for two years, which would result in a 30 year lease being granted should the necessary funding be secured, is a good compromise solution which will provide a degree of protection to both parties and allow EDCAT to fulfil part of their planning conditions and provide them with a foundation on which to seek funding to meet the costs of the development.

98 Transferring the site to EDCAT through a long lease at a peppercorn, by initially entering into an Option Agreement as detailed in this report will promote athletic sporting activities for the benefit of the local community and wider athletic clubs using the local facilities.

99 The council have been clear with EDCAT that the granting of the lease at peppercorn, and associated costs in terms of arranging the easements with the Church Commissioners is the total financial commitment to the scheme and that no additional capital or revenue contributions will be available to support the development.

Background papers

- Appendix 1 - Implications
- Appendix 2 - Site Plan
- Appendix 3 – Option and Lease terms

Author:	**Susan Robinson**	**Tel: 03000 XXXXXX**
	Alison Clark	**Tel: 03000 XXXXXX**

Appendix 1: Implications

Legal Implications

The Authority can rely on the General Consent under circular 06/2003 of the Local Government Act 1972 to sell the property at an undervalue where the transfer would result in the promotion or improvement of the economic, social, or environmental well-being of all or part of the area, or all, or any residents within the County.

It is demonstrated in the report that this lease / disposal should be considered as an undervalue transaction.

There will need to be a change of land designation via appropriation to enable delegated powers. Subject land to be appropriated from Town and Country Planning Act to Open Spaces Act.

Option Agreement

The Option Agreement is otherwise considered as a contract obligating the council to enter into the lease pending planning approval. The council is therefore obliged to grant the lease within the option term should planning permission be obtained by the developer and qualifying conditions for 106 grant funding within the two year period.

Subsidy Control and subsequent grant funding agreement applies concerning investment and promoting effective and efficient use of public money.

Finance

Site to be transferred at a peppercorn.

Costs of £10,000 plus legal fees to facilitate the granting of an easement with the Church Commissioners of England for this site will be incurred as a result of taking this proposal forward. These costs would be met from existing budgets – a capital budget held by Business Durham which was set aside for the acquisition of the freehold of NETPark from the NHS.

The report sets out an estimate of the under-value costs (opportunity costs) to the council from agreeing to this lease. This is estimated to be circa £1 million.

S106 grant funding applies subject to planning approval amounting to £345,000.

Each party is to bear its own Legal and Surveyor's costs associated with this transaction.

Consultation

The Portfolio Holder for Strategic Housing and Assets, and Portfolio Holder for Economic and Partnerships, together with Local Members have been consulted on the proposals and are supportive of them, with no objections or conflicts of interest declared.

Equality and Diversity / Public Sector Equality Duty

The provision of the Athletics Track Facilities within NETPark Sedgefield will give accessible opportunities to participate in sports to many thousands of County Durham residents, particularly young people. The track will provide a much-needed facility for residents of Sedgefield, but also the surrounding areas of Fishburn, the Trimdons, Ferryhill, Coxhoe and Spennymoor from where Sedgefield Harriers draw much of their membership, along with those in Wingate, Peterlee throughout east Durham, and in parts of the Tees Valley.

Climate Change

S39 Ecology agreement applies as part of Planning consent granted. This relates to the delivery of ecological mitigation/biodiversity net gain and will need to be satisfied by EDCAT before the development can progress.

Human Rights

N/A

Crime and Disorder

N/A

Staffing

EDCAT are to appoint a dedicated volunteer post or appointment of a paid full-time sports development post for the final planning stages and the first year of operations. Officers will continue to work with EDCAT to develop and assess the business plan for viability and a delegated decision report will be prepared in due course prior to triggering the lease.

Accommodation

N/A - the terms of the proposed lease if full repair and insurance. The council will have no obligations and is making no financial commitments to the project beyond facilitating the required easements with the Church Commissioners of England.

Risk

The Option Agreement provides two years for EDCAT to obtain the required funding to develop the Athletics Track Facilities, in accordance with Planning conditions. During this time EDCAT will need to further develop their Business Plan, update the costings for the development of the facilities and secure the necessary funding to build the facility.

There is a risk that EDCAT are not able to secure the required funding within the two years of the Option Agreement. The Council has been clear that the option will fall away if the deadline is not achieved, and it has also been made clear that the council is not making any financial commitment or would welcome any bid for further funding from the council to meet any capital or revenue shortfalls.

Costs undertaken by the council for third-party agreements are not recoverable, but the agreements are necessary to have in place in readiness for EDCAT drawing down the lease.

The same applies to the appropriation of land currently under the Town & Country Planning Act to enable the land to be leased out for sports and recreational use.

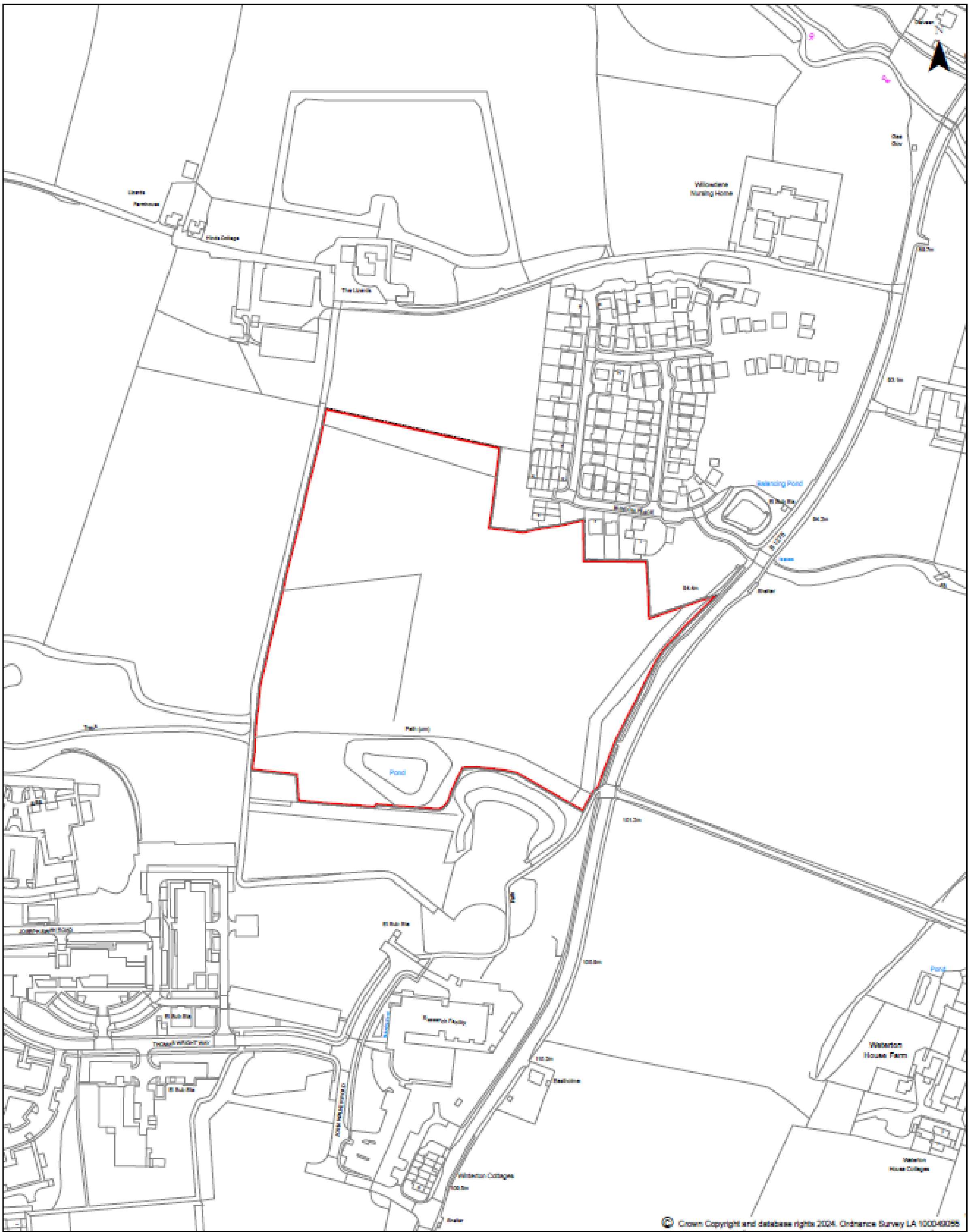
At the end of the 30 year lease, the council would have the option to return the land to employment land, however, in reality, it is unlikely that this would happen and in reality the granting of the lease would result in the land being permanently excluded from the developable area at NETPark.

Removing the land from the developable area would limit the space available for future development. The undeveloped land available at NETPark is currently 116 acres, removing the 16acres of land for the athletics facilities would reduce this to 100 acres. This would be a long term risk as it is expected that it will take 20+ years for the site to reach saturation – assuming there is sufficient demand for the commercial development of this land.

Procurement

N/A

Appendix 2: Current Lease Plan Area Edged Red - 16 Acres



Total Area Coloured Red: 65,574.2 m², 16.204 Acres or thereabouts.

Sedgefield NETpark - Sedgefield Harriers

Based Upon O.S Map: NZ3531. Date: 08/08/2024. Scale: 1:2,500 (Paper Size: A3)

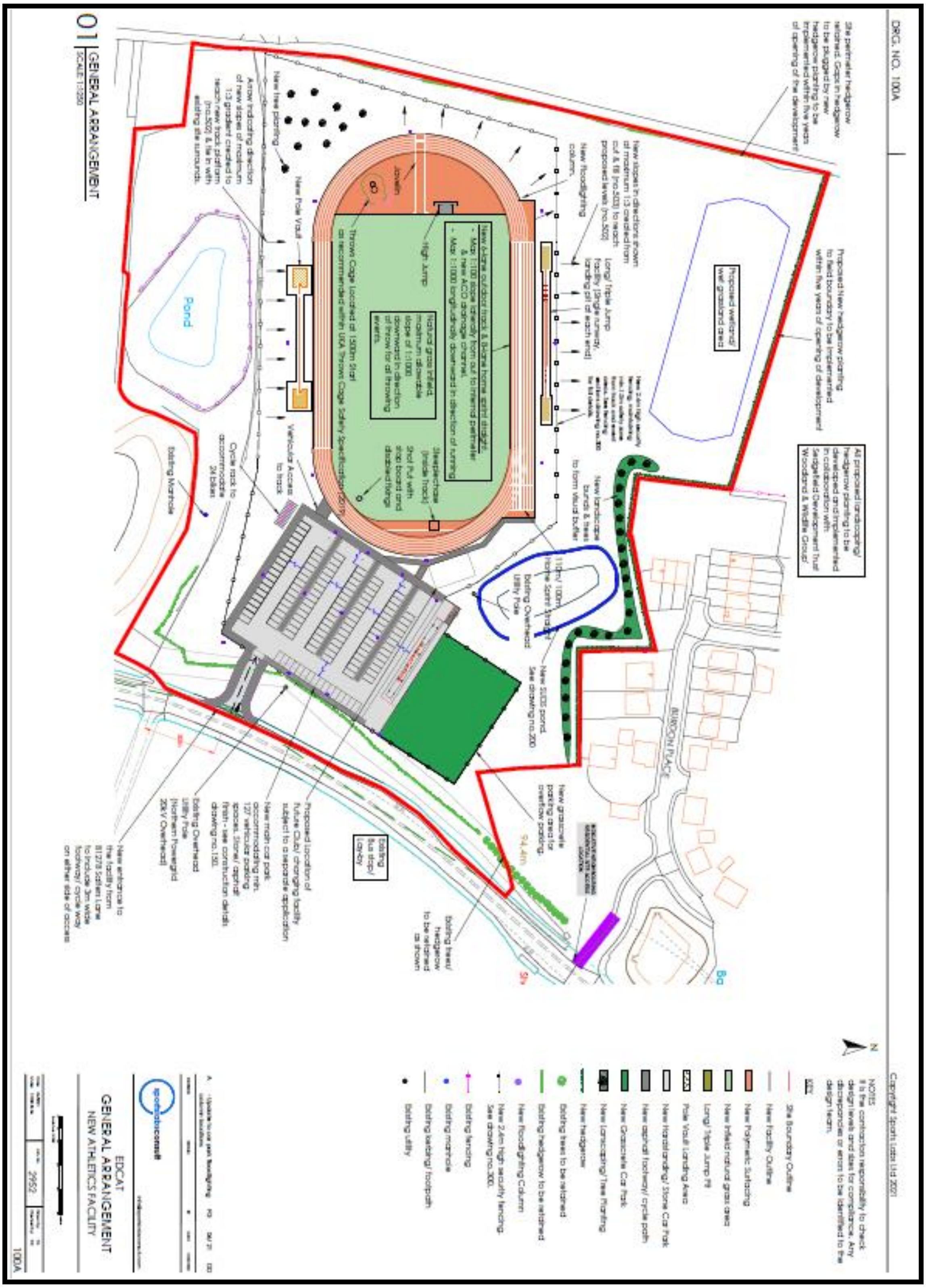
UPRN: 3301S05 (Part). Plan Ref: ARC-24-339

0 75 150 300 Meters

AMY HARHOFF
REGENERATION, ECONOMY AND
GROWTH
COUNTY HALL,
DURHAM, DH1 5UJ.
TEL 03000 260 000
CORPORATE PROPERTY AND LAND

Durham County Council

Site Layout extracted from drawings contained in the Planning Application



Appendix 3: Proposed Option and Lease Terms

OPTION AGREEMENT	
Grantor	Durham County Council,
Grantor's solicitor	Inhouse Legal Services
Grantee (EDCAT)	East Durham Community Athletics Track (Registered Charity No. 1154064) Chair Steve Foreman/Ean Parsons
Grantee's solicitor	Alex Wright Ward Hadaway LLP Alex.Wright@wardhadaway.com
Plan	Draft Lease Plan attached, area edged red
Access Area	B1278 close to Weterton House Farm junction
Option Period	Initial Period of 2 years from date of completion, to allow EDCAT to secure third-party funding
Option Fee	£1 per annum if demanded.
Exercise of Option	EDCAT may exercise the Option to draw down the Lease upon giving written notice to the Landlord having obtained sufficient funding to develop, run and maintain the site in accordance with the Business Plan and Planning consent as approved by Durham County Council (at their absolute discretion) and Durham County Council being satisfied (at their absolute discretion) that the grant of the lease and any separate grant comply with the subsidy control principles in the Subsidy Control Act 2022. Exercise of the option will also be subject to mines & minerals (deed of grant or similar as approved by Legal Services), Coal Authority consent for site investigations and site development and grant of planning permission.

OPTION AGREEMENT	
Grantor/Landlord's restrictions and obligations	Landlord will grant utility wayleaves/easement and development site investigation licences over the Landlord's Property as required for the Athletics track development. Approval by Landlord in principle to matters concerning s.38 and s278 highway matters and s104 agreements with drainage for example.
Insurance	To carry and produce on-demand insurance certification amounting to £10 million public liability insurance.
EDCAT Rights	The following rights are required during the Option Period: • Use of the access land and development land for surveys and inspections to secure planning permission and to prepare for construction. EDCAT will make good damage caused or pay compensation for such damage.
Costs	Each party is to pay its costs incurred Legal & Surveyors fees concerning this matter.
Determination	EDCAT may determine the Option at any time by giving the Landlord one months' notice in writing.
Grant funding agreement	If appropriate, a form of grant funding agreement, to be entered into on completion of the lease, will be annexed to the option agreement

LEASE AGREEMENT	
Landlord	Durham County Council
Tenant	East Durham Community Athletics Track ("EDCAT") (Registered Charity No. 1154064)
Period	30 years
Rent	£1 per annum if demanded
Property	Community Athletics Track Facility as defined by Planning Application DM/21/01984/FPA and Lease Plan

LEASE AGREEMENT	
Landlord & Tenant Act	The Lease will be excluded from the Security of Tenure provisions of the Landlord & Tenant Act 1954 part II (Sections 24-28)
Use	For community sport and leisure facilities only (Tenant's restrictive use)
Alienation	Not to assign, sub-let or part with possession of part only of the demised premises. (The right to implement AGA arrangement on assignment of the whole) Not to assign the whole of the demised premises without the Landlord's prior written consent, such consent not to be unreasonably withheld. Not to sub-let or part with possession of the whole of the demised premises.
Repair	The lease is to be drawn on a full repairing and insuring basis.
Alterations following practical completion of tenant's works to create community athletics track facility	No future extensions, improvements or alterations are to be carried out without the Landlord's approval of plans and specifications, such approval is not to be unreasonably withheld. (Note CCE restricted to use with regards to deed of grant over mines and minerals rights. Future possibility of Clubhouse accepted in principle. Landlord to be able to refuse consent if not compliant with Planning, Church Commissioners conditions and Coal Authority conditions). The Landlord reserves the right at the end of the term for all buildings to be demolished to ground level and utilities decommissioned leaving a cleared site free of any building debris. Decommissioning Insurance Policy undertaking to be determined.
Insurance	The Tenant is to insure the property and indemnify the Landlord against any claims which may arise as a result of the grant of this lease.

LEASE AGREEMENT	
Conditions to be satisfied before grant of option	Subject to Contract Subject to Delegated Authority Subject to Approval of Business Plan & Approval of Planning Authority for Planning Permission & Release of S106 grant funding Satisfactory site investigations on EDCAT's behalf reported to Landlord Appropriation of land away from TCPA 1990 Compliance with Landlord's undervalue procedure Compliance with subsidy control requirements

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of the Local Government Act 1972.

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Agenda Item 10

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of the Local Government Act 1972.

Agenda Item 11

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By virtue of paragraph(s) 3, 5 of Part 1 of Schedule 12A
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Agenda Item 12

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