

Cabinet

17 January 2024

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



Key Decision: CORP/R/2024/001

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

Electoral division(s) affected:

Countywide

Purpose of the Report

- 1 To provide an update on the development of MTFP(14), covering the period 2024/25 to 2027/28 and on the development of the 2024/25 revenue budget in the light of the Chancellor of the Exchequer's Autumn Statement in November and the provisional local government finance settlement published on 18 December 2023, which have made balancing the council's budget more challenging.
- 2 The report includes updated financial forecasts, building on the figures previously considered by Cabinet on 11 October 2023, together with the outcome of the MTFP(14) budget consultation process. The report also details some amendments to savings plans after consideration of consultation feedback as well as some additional savings options that have been developed post the previous Cabinet report.
- 3 The report also outlines recommended changes to the Council Tax Empty Property Premium Charge Section 13A(1)(c) Reduction Policy, in line with proposals to apply additional Council Tax premiums for those properties classed as long term empty from 1 April 2024.

Executive Summary

- 4 In recent months local government, through the Local Government Association (LGA), County Councils Network (CCN), Special Interest Group of Municipal Authorities (SIGOMA) and Society of Local Authority Chief Executives (SOLACE) amongst others, has been lobbying the government for additional funding to be provided in 2024/25 to address the significant demand and inflationary pressures being faced. There was recognition that additional social care funding for local government announced in the 2022 Autumn Statement was welcome, but it was not sufficient to meet the significant financial pressures being faced. It was hoped therefore that additional funding would be announced for local government in the Chancellor of the Exchequer's 2023 Autumn Statement.
- 5 On 22 November 2023 the Chancellor of the Exchequer published an Autumn Statement (AS). The AS contained important announcements on future forecasts for government borrowing, taxation, and public sector expenditure, alongside the Office for Budget Responsibility forecasts for inflation, economic growth and taxation yields.
- 6 The government fiscal mandate is to have debt falling as a percentage of Gross Domestic Product (GDP) by 2027/28. The Office for Budget Responsibility (OBR) updated forecasts, indicated that increases in taxation income would result in this mandate being achieved in 2027/28, with £20 billion of 'fiscal headroom'.
- 7 The Chancellor of the Exchequer announced in the AS that the fiscal headroom would be utilised to finance tax cuts and provide business incentives with the aim of stimulating economic growth. Reductions in business taxes and introduction of incentives to businesses announced in the AS will cost £11 billion, whilst a 2% cut in employees national insurance rates from 6 January 2024 will cost £9 billion, utilising the full £20 billion available, with none of the headroom available being used to provide any additional funding to local government.
- 8 In addition, the Chancellor of the Exchequer also announced in the AS that the National Living Wage will increase in 2024/25 to £11.44 per hour (a 9.8% increase) meeting the long held strategy of reaching 66% of national median wages. The Low Pay Commission has been asked to produce a report in 2024 on the future trajectory of the NLW. The council's MTFP forecast was based upon £11.43 per hour, and whilst it was hoped this would be a worst case position, the NLW announcement was in line with our financial planning assumptions.
- 9 The continued rapid increase in the NLW over recent years places significant pressure upon adult social care commissioning costs, but also results in the bottom pay scales in local government being very close to the revised NLW – prior to settling the 2024/25 pay award, the bottom grade in local government

will only be 11p per hour more than the updated NLW as at 1 April 2024. This situation puts pressure on local government employers to seek to increase the pay of the bottom pay scales within local government to maintain pay differentials at 1 April each year, given that historically the pay award has not been able to be agreed in advance of the start of the financial year. At this stage a 4% uplift in the paybill is included in our 2024/25 budget forecasts for the local government pay award in 2024/25.

- 10 Unfortunately, for the public sector and local government, no new additional funding is being made available, over and above the sums previously announced in the 2022 AS. The government has advised that local government will see an increase in Core Spending Power (CSP) of 6.5%, which is higher than the current Consumer Price Index of 4.6%. Whilst this is correct, the pressures facing local government are way above a CPI of 4.6%, and CPI takes no account of demand pressures in social care services that the council has a statutory duty to provide. The major element of funding increase included in the 6.5% CSP increase however relates to the ability for upper tier local authorities to increase council tax by 4.99% in 2024/25. The 4.99% increase consisting of a 2.99% increase in core council tax (in line with the referendum limit) and a 2% adult social care precept.
- 11 As part of this, the government has also assumed that the councils council tax base will increase will generate £3 million of additional spending power in 2024/25 compared to 2023/24. The actual tax base increase is only generating £0.850 million of additional spending power for the council and this assumption is therefore flawed. Regardless of this, a 6.5% increase in CSP for local government does not provide sufficient funding to cover the cost pressures being faced, and there was no additional new funding announced over and above the figures published in 2022. This position will have significant implications for the council's spending going forward.
- 12 The lack of any additional new funding in 2024/25 in the 2023 AS for local government was a major disappointment. Of more concern however was the Chancellor of the Exchequers confirmation that the public sector would see a 1% real terms increase in funding for the period 2025/26 to 2027/28. The health service, education and defence normally receive protection in this regard. It is forecast therefore that unprotected government departments, such as local government, will face very tight financial settlements over this three year period and inevitable cuts in funding rather than much needed increases. This is particularly concerning as local authorities have statutory responsibilities that have to be met which are becoming more and more costly to provide, at a time when government support is in no way keeping pace with demand. This will undoubtedly place significant additional stress on many authorities across the country.
- 13 Many commentators, including the LGA, CCN, SIGOMA and SOLACE, as well as the OBR itself, have noted that such tight financial settlements for areas such as local government are unrealistic and will result in sector wide

challenges. It is telling that the OBR have drawn this conclusion despite their assumption that council tax increases will continue to be 4.99% year on year in the three years 2025/26 to 2027/28, though the Government have only confirmed this position for 2024/25.

- 14 At this point the council must continue to be prudent in its financial planning assumptions and assume that there will be no significant increases in funding over the medium term. As such the forecast of annual cash flat government funding settlements for the three years 2025/26 to 2027/28 has remained unchanged from previous estimates, and council tax increases across this period have been assumed at 2.99% per annum.
- 15 The updated forecasts included in this report highlight that once the available government funding, actual taxbase growth, updated base budget pressures and an assumption that the council raises council tax by the maximum sums available, the total savings requirement over the next four years is £58.423 million, with £14.411 million of this falling into 2024/25.
- 16 In County Durham 83.7% of all households reside in properties that are in Bands A - C. A 4.99% increase in the council's council tax charge would result in an increase of between £1.15 and £1.54 per week for these residents. The circa 53,700 households on low incomes who qualify for support through the Local Council Tax Reduction Scheme, many of which would qualify for 100% support and pay no council tax, would be protected from any increase either in full or in part.
- 17 On 5 December 2023 the Department for Levelling Up, Housing and Communities (DHLUC) published a Policy Statement which provided detail on the likely content of the local government finance settlement. The statement was very much in line with the AS with the additional social care funding announced in the 2022 AS being confirmed, as well as an inflation uplift based upon the September 2023 CPI of 6.7% to be applied to Revenue Support Grant (RSG) and all Business Rate Retention (BRR) sums. All of these announcements being in line with the council's previous MTFP(14) assumptions.
- 18 The provisional local government settlement was published on 18 December 2023, with the final settlement expected to be confirmed in early February 2024. The provisional settlement confirmed the additional funding for local government was as announced in the 2022 AS and re-announced in the 2023 AS. The settlement was a one year settlement again, so whilst the additional sums for 2024/25 were detailed, at this stage there are no approvals for 2025/26 or beyond. Forecasts have been included as to what the sums forthcoming may be for 2025/26 and beyond for inflation uplifts in BRR but cash flat assumptions are forecast for all other government grants have been retained at this stage. This makes financial planning very difficult.

- 19 The provisional settlement confirmed the additional allocation for the council from the Better Care Fund (BCF) - Adult Social Care (ASC) Grant of £2.885 million in 2024/25 bringing the BCF ASC Grant to up to £7.212 million next year. This specific grant is ring fenced and must be pooled with a similar allocation that is being made to the NHS and is to be utilised to facilitate early discharge of patients from hospital. An additional sum of £5.739 million in 2024/25 was confirmed from the Market Sustainability and Improvement Grant alongside an additional £9.413 million allocation for the Social Care Grant which seeks to support both childrens and adults social care.
- 20 After discounting specific grants being transferred into the Social Care Grant from next year, the council will receive an additional sum of £15.152 million in 2024/25. Whilst this may seem positive, this sum will in no way address the demographic and price inflationary pressures in Children and Adult Social Care alone - of £23.560 million in 2024/25.
- 21 The settlement also confirmed a 6.7% CPI uplift in Revenue Support Grant of £2.185 million as well as a 6.7% CPI uplift in business rate retention funding of £10.900 million in 2024/25.
- 22 Unfortunately, the provisional settlement also contained an unexpected and significant reduction in the Services Grant of £4.338 million. It is understood that the reduction in the Services Grant has been utilised to partially finance the increase in the Social Care Grant, the inflation uplift in RSG and to finance the 3% Funding Guarantee for authorities whose CSP increase excluding council tax increases are below this level (mainly District Councils). Based on the provisional settlement, it is forecast that the 2024/25 Services Grant will be £0.810 million, representing a year on year reduction of 84%, and will be fully withdrawn in 2025/26.
- 23 This reduction in Services Grant is significantly higher than the council and the whole of local government were expecting, resulting in the provisional settlement being worse than was widely forecast. Local authorities are generally very unhappy that the promised increases in RSG and social care grants are being financed from reductions in other local authority mainstream funding streams. On that basis, a lot of the promised additional funding is not 'new money', and allied with the overstating our tax base growth, together with the inclusion of specific grants in the Governments CSP calculations, leads to a what can only be described as a very misleading position being reported in terms of the support being made available.
- 24 Alongside this reduction, the council's New Homes Bonus allocation for 2024/25 based upon new housebuilding over the previous 12 months is only £0.640 million, resulting in a year on year reduction of funding of £1.220 million from the current £1.860 million allocation. It is forecast the 2024/25 New Homes Bonus payment of £0.640 million will be fully withdrawn in 2025/26.

- 25 In overall terms, although the provisional settlement confirmed the additional funding announced in the 2022 AS, it did not address the significant additional demand and inflationary pressures faced by the council and the wider sector. Including RSG and Business Rate Retention inflationary uplifts the additional non ring fenced funding received by the council next year is £24.129 million, however, our unavoidable cost pressures total £55.440 million, leaving £31.311 million to fund from a combination of council tax increases, council tax and business rates tax base growth, savings and efficiencies and council reserves in order to balance the budget.
- 26 It was of significant concern and disappointment that the government in the 5 December 2023 Policy Statement openly encouraged local authorities to utilise reserves to balance their budgets rather than address the underlying position. Given the financial pressures facing councils, using reserves to continually balance annual budgets is not as sustainable approach. The Section 151 Officer will set out the council's reserves position as part of his Section 25 report to Council.
- 27 It is also of significant concern that there is a likelihood of funding reductions for the public sector from 2025/26 onwards. The AS announced that for the period 2025/26 to 2027/28 public sector funding will increase by 1% in real terms. This would intimate that public sector funding will increase by 1% above inflation. On the basis that health, education and defence would likely be protected, it is probable that this will lead to some tough grant reductions for that period for unprotected government departments such as the Department for Levelling Up, Housing and Communities. At this stage, for modelling purposes, it is assumed that grant settlements for the council will be cash flat for the period 2025/26 to 2026/27. This may prove to be an optimistic assumption and it is a concern that grant reductions could be a further pressure on the sector at a time when many local authorities are already declaring financial emergencies, with many others considering cutting back preventative services that are likely to result in even more financial pressures over the longer term.
- 28 Following the reports to Cabinet in July 2023 and October 2023, two phases of consultation were undertaken on the strategy set out in those reports for balancing the Council's budget for next year (2024/25) and over the following three years. In both phases of consultation, this included a set of proposed savings. Within phase one, the consultation also included consultation on the proposed council tax increase and options for additional savings against a list of service options.
- 29 Presentations have been made to the 14 Area Action Partnership Boards, and to key partners in the County Durham Partnership (CDP). Officers also attended meetings of County Durham Association of Local Councils (CDALC) and the Durham Youth Council and met with Trade Unions representatives. The initial consultation process after the July 2023 Cabinet MTFP(14) report

ran from 5 September to 20 October whilst the second consultation after the October 2023 Cabinet MTFP(14) report ran from 22 October to 3 December.

- 30 Consultation was also published on the council's website and CDP partners were written to, to seek their views on the Councils budget strategy. The Corporate Overview and Scrutiny Management Board met on 1 September 2023 to consider the July 2023 Cabinet MTFP(14) report and on 1 December 2023 to consider the October 2023 Cabinet MTFP(14) reports. The questions posed during the first phase of public consultation were as follows:
- (a) What is the view on our savings proposals for 2024/25?;
 - (b) What do you feel will be the impact of this approach to 2024/25 savings upon you or those you represent?;
 - (c) What is the view on areas where the council should focus to achieve additional savings still needed for 2024/25 and the following three years? Respondents were asked to choose three services they would prioritise for funding reductions from a list of service areas provided?;
 - (d) What is the view to the council raising the council tax by the maximum amount of 4.99% to protect service provision? If respondents disagreed with the 4.99% increase, they were asked to go back to the list and choose a further three services to reduce?;
 - (e) If we raise council tax by 4.99%, what do you feel would be the impact on you, your community or those you represent and
 - (f) Did respondents have any additional ideas as to where the council could raise further income or become more efficient?
- 31 The questions posed during phase two of the consultation, which ran between 23 October and 3 December 2023, were as follows;
- (a) Do you agree with our approach to balance the budget regarding further savings proposals, particularly the additional £1.943 million of savings in 2024/25 and £2.909 million across the four-year period derived from back-office savings and efficiencies, income raising and reductions in third party contributions and savings from changes in the way we deliver front-line services?;
 - (b) What do you feel will be the impact of this approach upon you, your community or those you represent?; and
 - (c) Do you have any additional ideas or suggestions as to areas where we can raise further income or become more efficient in the years to come?

- 32 The report sets out details of the consultation feedback received. Overall, across both phases of consultation, the feedback illustrated an understanding and appreciation for the council's financial situation. With regards to phase one of the consultation, it is evident that the majority of responses agreed with the council's approach to the savings proposals. The priority areas for additional savings identified were in Culture, Environment and Climate Change, Council Tax, Benefits and Other Processing and Local Council Tax Support. With regards to phase two of the consultation, respondents are less favourable towards the council's further savings proposals. The main areas of concern related to the proposed changes to car parking charges, early years and nursery provision savings proposals and proposals concerning AAP area budgets.
- 33 The second phase consultation, held between 23 October and 13 November 2023, included proposed changes to car parking charges in Durham City, Seaham and Crimdon, as detailed in MTFP(14) October savings plan. Within this consultation, the public were asked to consider a number of car parking charges and tariff review proposals and confirm whether they agree or disagree with each proposal and state whether the impact of each proposal will be negative or positive. This consultation generated a significant response, particularly in regarding proposals to introduce car parking charges in Seaham and Crimdon. The responses were largely negative in respect of this.
- 34 The feedback will be taken on board in terms of finalising the savings that will be presented to Cabinet and Council in February as part of the budget setting process. The report details some additional savings that are to be considered to assist in balancing the budget as well as a rephrasing of the Local Council Tax Reduction grant payment to Town and Parish saving in the light of consultation feedback received.
- 35 If all of the proposed savings of £16.240 million (£7.964 million of which falls into 2024/25) are ultimately approved by Council in February 2024 and assuming council tax increases in line with government expectations of 4.99% in 2024/25 and 2.99% per annum thereafter, the council is facing a £42.183 million shortfall over the four year MTFP(14) period, with a forecast requirement to use £6.447 million of the MTFP Support Reserve to balance the budget next year whilst additional savings are developed to ensure a more sustainable budget is developed from 2025/26 onwards.
- 36 It is of concern that the in year funding gap in 2025/26 is forecast to be £19.968 million. Achieving savings of this magnitude in that year will be extremely challenging, which will necessitate early planning for MTFP(15) to commence immediately after the 2024/25 budget and MTFP(14) is agreed in February.
- 37 Planning for the councils 2024/25 budget will continue over the coming weeks with the budget report to be presented to Cabinet on 14 February

2024 before being presented to Council on 28 February 2024 for approval. Corporate Overview and Scrutiny Management Board (COSMB) will meet 23 January 2024 to consider this report, with details of their deliberations included in the 14 February report. COSMB will meet again on 15 February 2024 to consider the 14 February report and details will be included in the Council report on 28 February 2024. The Chair of COSMB will be provided an opportunity to present the views of COSMB to Council as part of the budget setting meeting on 28 February 2024.

- 38 Three proposals in relation to changes to the councils policy on Empty Property and Second Home were approved by Cabinet on 15 November 2023. These proposals focus on bringing properties back into full time use by providing a financial disincentive to owners of such properties whilst generating additional spending power for the authority, at a time when the council is having to make significant savings to balance its budget.
- 39 From 1 April 2024 changes will be made to the Council's empty home premiums. With the period a property needs to be classed as empty and unfurnished before attracting a 100% Council Tax premium reduced from two years to twelve months. Those properties which have been classed as empty and unfurnished for over 10 years will have a 300% Council Tax premium applied to them from 1 April 2024.
- 40 In line with these two changes and the public consultation which took place from July 2023 to September 2023 the Empty Homes Policy and Section 13A (1)(c) Reduction policy, which provides details of the reliefs available to liable parties has been reviewed and updated, with a copy of the updated policy attached at Appendix 5 for Cabinet consideration and approval.
- 41 From 1 April 2025 a further new Council Tax premium will be introduced for those properties which are classed as second homes. During the coming year a review of all empty and furnished properties will be undertaken to determine which of these should have the new premium applied to them. A further review of the Section 13A (1)(c) Reduction policy will also take place to incorporate this change and inform any further changes required to the support available.

Recommendations

- 42 It is recommended that Cabinet
- (a) note the content of the report detailing the content of the Autumn Statement and the provisional local government finance settlement, which is a disappointing outcome and one which places the council in a difficult position in terms of balancing its budgets next year and beyond;

- (b) note that the draft settlement was broadly in line with previous forecasts, contained no new additional funding and significant unexpected cuts in the Services Grant, which has left the council in a worse position than what it was previously forecasting;
- (c) note that the government have announced that funding settlements for the public sector, but especially for unprotected government departments, will be challenging for the period 2025/26 to 2027/28;
- (d) note the changes to the MTFP(14) planning assumptions set out in the report, including the proposed council tax increases in line with the government's expectations;
- (e) note the proposed revisions to savings plans for MTFP(14) detailed at Appendix 3;
- (f) note the budget shortfall for 2024/25 of £6.447 million with a £42.183 million savings shortfall over the four year MTFP(14) period;
- (g) note the consultation responses on MTFP(14) detailed in Appendix 4 and consider these when finalising the 2024/25 budget;
- (h) approve the updated Council Tax Empty Property Premium Charge Section 13A(1)(c) Reduction Policy attached at Appendix 5, effective from 1 April 2024;
- (i) note that a further review of the Council Tax Empty Property Premium Charge Section 13A(1)(c) Reduction Policy will take place ahead of the introduction of the Second Homes Council Tax premium on 1 April 2025; and
- (j) note that the 2024/25 revenue and capital budget and MTFP(14) 2024/25 to 2027/28 budget report will be presented to Cabinet on 14 February 2024 and to Council on 28 February 2024.

Background

- 43 Previous reports have been presented to Cabinet on the development of MTFP(14), covering the period 2024/25 to 2027/28 and on the development of the 2024/25 revenue budget – in July and October 2023 - to ensure Cabinet are aware of anticipated funding changes, any forecast budget pressures that need to be accommodated and the need to achieve savings / increase council tax in order to balance the budget.
- 44 This report provides an update based on the latest financial forecasts, taking into account the quarter two revenue and capital forecasts presented to Cabinet in November and, significantly, the Autumn Statement made on 22 November and the provisional local government finance settlement published on 18 December 2023.

Autumn Statement

- 45 In the lead up to the Autumn Statement, local government had been lobbying government for additional funding to be provided in 2024/25 to address the significant demand and inflationary pressures being faced. There had been recognition that additional social care funding for local government announced in the 2022 Autumn Statement was welcome, but it was not sufficient to meet the significant financial pressures being faced. It was hoped (and widely anticipated) therefore that additional funding would be announced for local government in the Chancellor of the Exchequer's 2023 Autumn Statement.
- 46 The Chancellor of the Exchequer published the Autumn Statement (AS) on 22 November 2023. The AS contained important announcements on future forecasts for government borrowing, taxation and public sector expenditure, alongside the Office for Budget Responsibility (OBR) forecast for inflation, economic growth and taxation yields.
- 47 The government fiscal mandate is to have debt falling as a percentage of Gross Domestic Product (GDP) by 2027/28. The Office for Budget Responsibility (OBR) updated forecasts, indicated that increases in taxation income will result in this mandate being achieved in 2027/28, with £20 billion of 'fiscal headroom'.
- 48 The Chancellor of the Exchequer announced in the AS that the fiscal headroom would be utilised to finance tax cuts and to provide business incentives with the aim of stimulating economic growth. Reductions in business taxes and incentives to businesses will cost £11 billion whilst a 2% cut in employees national insurance will cost £9 billion utilising the full £20 billion available. No new additional funding was announced for local government.

- 49 As part of the AS the Chancellor of the Exchequer announced that the National Living Wage will increase in 2024/25 to £11.44 per hour (a 9.8% increase), achieving the previous stated strategy of reaching 66% of national median wages by 1 April 2024. The Low Pay Commission has been asked to produce a report in 2024 on the future trajectory of the NLW. The councils MTFP forecasts had been based upon a £11.43 per hour rate, although this was hoped to be a worst case position, so the NLW announcement was in line with our financial planning assumptions.
- 50 The continued rapid increase in the NLW over recent years places significant pressure upon adult social care commissioning costs but also results in the bottom pay scales in local government being very close to the revised NLW – prior to settling the 2024/25 pay award, the bottom grade in local government will only be 11p per hour more than the updated NLW as at 1 April 2024. This situation puts pressure on local government employers to seek to increase the pay of the bottom pay scales within local government to maintain pay differentials at 1 April each year, given that historically the pay award has not been able to be agreed in advance of the start of the financial year. At this stage a 4% uplift is included in our 2024/25 budget forecasts for the local government pay award in 2024/25.
- 51 Unfortunately for the public sector, no new additional funding is being made available, over and above the sums previously announced in the 2022 AS. The government has advised that local government will see an increase in Core Spending Power (CSP) of 6.5% which is higher than the current Consumer Price Index of 4.6%. The major element of the 6.5% CSP increase however relates to the ability for upper tier local authorities to increase council tax by 4.99% in 2024/25. The 4.99% increase includes a 2.99% increase in core council tax in line with the referendum limit and a 2% adult social care precept.
- 52 As part of this the government have also assumed that the councils council tax base will increase and will generate £3 million of additional spending power in 2024/25 compared to 2023/24. The actual tax base increase is only generating £0.85 million of additional spending power for the council. A 6.5% increase in CSP for local government does not provide sufficient funding to cover the costs presently being faced.
- 53 The lack of any new additional funding in the 2023 AS in 2024/25 for local government was a major disappointment. Of more concern however was the Chancellor of the Exchequers confirmation that the public sector would see only a 1% real terms increase in funding for the period 2025/26 to 2027/28. The health service, education and defence normally receive protection in this regard. It is forecast therefore that unprotected government departments, such as local government will face very tight financial settlements over this three year period and the prospect of cuts in funding rather than much needed increases.

- 54 Many commentators, as well as the OBR itself, have stated that such tight financial settlements for areas such as local government are unrealistic and will result in sector wide challenges. It is telling that the OBR have drawn this conclusion despite their assumption that council tax increases will continue to be 4.99% year on year in the three years 2025/26 to 2027/28, though the Government have only confirmed the position for 2024/25. At this point however the council must be prudent in our financial planning. As such, the forecast of annual cash flat government funding settlements for the three years 2025/26 to 2027/28 will remain unchanged from previous estimates. This may ultimately provide to be an optimistic assumption.
- 55 The following announcements were also set out in the AS:
- (a) **Benefits** – all benefits will be updated by the September CPI figure of 6.7% from April 2024;
 - (b) **Local Housing Allowance** – will be increased to 30th percentile of local market rents after being frozen for a number of years increasing the housing benefit that tenants can claim. There is no direct impact on local government but indirectly it could help reduce the pressure on temporary accommodation, discretionary housing payments and homelessness;
 - (c) **Pension Triple Lock** - will be honoured in full, with an 8.5% increase to be applied to pensions from April 2024. Pensions increase by the higher of CPI, wages or 2.5%. Unusually, wages have increased by more than inflation, and so pensioners will receive an above-inflation increase in 2024/25;
 - (d) **Council Tax Referendum Limit** – will be maintained at the current level of 2.99% although upper tier local authorities will be able to increase council tax by an additional 2% in 2024/25 for an adult social care precept. There was no indication over whether the 2% adult social care precepting powers would continue beyond 2024/25, though the OBR have assumed it will in their forecasts of core spending power. The councils MTFP planning assumptions have not factored in any additional adult social care precept increases beyond 2024/25.
- 56 The AS also updated the forecast across the medium term for CPI. The forecasts across the next three years now being between 0.7% and 2.4%. higher than the forecasts published in the March 2023 Budget statement, as detailed below. This forecast higher level of CPI has been reflected in the MTFP models:

	2024/25	2025/26	2026/27
	%	%	%
Spring 23 Budget	0.6	0.0	0.8
Autumn 23 AS	3.0	1.6	1.5
Increase	2.4	1.6	0.7

DLUHC Policy Statement

- 57 On 5 December 2023 the Department for Levelling Up, Housing and Communities (DLUHC) published a Policy Statement which provided detail on the likely content of the local government finance settlement, which was ultimately published on 18 December. The content of the policy statement was very much in line with the AS, with the additional social care funding already announced in the 2022 AS being confirmed, as well as an inflation uplift based upon the September 2023 CPI of 6.7% to be applied to Revenue Support Grant (RSG) and all Business Rate Retention (BRR) sums. All of these announcements were in line with the council's MTFP(14) planning assumptions as included in the October Cabinet report.

Provisional Local Government Finance Settlement

- 58 The provisional Local Government Finance Settlement was published on 18 December 2023 and confirmed a number of previously announced increases in funding for local government and did not include and much needed net new additional funding. The final settlement is expected to be published in February 2023. The additional funding to be provided to local authorities next year, along with the councils provisional allocations are detailed below:

- (a) **Better Care Fund - £400 million increase in funding in 2024/25 from £600 million to £1 billion** – Local government and the NHS will each receive 50% of this additional funding of £400 million in 2024/25, building on the £600 million announced in 2023/24. The funding has specific grant conditions with local government and the NHS required to pool budgets with the aim of improving the discharge of patients from hospital. It does not help the councils underlying base budget and has specific grant conditions which necessitate additional new spending requirements. The council received £4.327 million in 2023/24 and this allocation will rise to £7.212 million in 2024/25 a year on year increase of £2.885 million (66%). The council share of the national funding is 1.44%;
- (b) **Market Sustainability and Improvement Fund (MSIF) increase in grant of £488 million in 2024/25 (including £205 million Workforce Fund)** – in 2022/23 the government announced additional funding of £2 billion to enable the implementation of adult social care charging reforms and the outcomes of a fair cost of care review. The first £160

million tranche of this funding was allocated in 2022/23 with the council receiving £1.9 million which was utilised in increasing fees to adult social care providers in 2022/23.

In the 2022 AS the government announced that the social care reforms had been deferred from October 2023 until at least October 2025 (now likely to be much later if at all) and that the remaining circa £1.8 billion of funding would be repurposed into the Social Care grant to provide support for both adult and children social care.

The council will continue to receive the £1.9 million originally received in 2022/23 in the future but in a repurposed Market Sustainability and Improvement Grant. The grant to the council in 2023/24 was initially £6.609 million but a further £4.292 million Workforce Fund was announced in August 2023 bringing the total 2023/24 grant up to £10.911 million.

The core MSIG funding is to increase from £6.609 million to £9.937 million in 2024/25, an increase of £3.328 million. The Workforce Fund reduces in 2024/25 from £4.292 million to £2.411 million.

All of the funding is now subsumed into the core Market Sustainability and Improvement Grant. It is therefore assumed that this funding will continue in 2025/26 and beyond.

The MSIF core funding increase of £3.328 million in 2024/25 has been utilised to partially offset the expected increase in adult social care fee uplifts next year. For 2024/25 £2.411 million the workforce element of the grant will be used on short term measures to support the adult social care market.

- (c) **Social Care Grant - £0.692 million increase in 2024/25** – this funding is non ring fenced and is provided to support demographic and cost pressures in children's and adult's social care.

This funding is being apportioned to local authorities based upon the Adults Relative Needs Formula (RNF) alongside an element of equalisation to consider that local authorities can raise differing amounts from council tax increases due to varying size of council taxbases. This funding is only payable to upper tier authorities who provide social care services.

The councils allocation has increased from £49.564 million in 2023/24 to £58.977 million in 2024/25, a year on year increase of £9.413 million (19%).

This sum will not however fully address the demographic and price inflationary pressures in Children and Adult Social Care alone of £23.560 million in 2024/25;

- (d) **Revenue Support Grant (RSG)** – local authorities will receive an inflation uplift of 6.7% in line with the September 2023 Consumer Price Index (CPI) on their 2023/24 RSG allocations.

The council will receive an additional £2.185 million next year, increasing RSG received to £35.176 million.

In future years it is still assumed the council will receive no increase in line with our assumption of cash flat financial settlements from 2025/26 to 2027/28. This may prove to be optimistic given the announcements made in AS with regards to maintaining a 1% real terms growth in public funding beyond 2024/25;

- (e) **Reduction in New Homes Bonus (NHB) funding** – it was previously forecast that the NHB may be abolished from 2024/25. The government have however agreed to continue the NHB funding regime for one more year.

The council received £1.860 million of NHB funding in 2023/24, which will reduce by £1.220 million to £0.640 million in 2024/25. This reduction is mainly a result of a lower number of new houses being sold in the county over the 12 months October 2022 to September 2023 compared to the same period a year before.

At this stage it is forecast that the £0.640 million of NHB received by the council will be fully withdrawn in 2025/26;

- (f) **Services Grant** – the council currently receives £5.148 million of services grant. This grant was introduced in 2022/23 as one off funding and was originally to provide funding for local government for an expected 1.25% employers national insurance increase which was subsequently withdrawn and was expected to provide funding to smooth in the implementation of Fair Funding.

In 2024/25 the council will only receive £0.810 million, a year on year reduction of £4.338 million (84%). This reduction is significantly higher than the council and all of local government were expecting, resulting in the provisional settlement being worse than was widely forecast.

It is understood that the reduction in Services Grant has been utilised to partially finance the 2024/25 increase in the Social Care Grant, the inflation uplift in RSG and to finance the 3% Funding Guarantee for authorities whose CSP increase excluding council tax increases are below this level (mainly District Councils in two tier areas). It is forecast that the 2024/25 Services Grant of £0.810 million will be fully withdrawn in 2025/26.

- 59 The government has also announced that the implementation of the Fair Funding Review (FFR) would definitely be delayed until at least 2026/27.
- 60 Overall, the provisional local government settlement is worse than the council was forecasting with government funding being circa £1.740 million less than expected. The additional un ring fenced funding received by the council next year is £24.129 million, however, our unavoidable cost pressures total £55.440 million, leaving £31.311 million to fund from a combination of council tax increases, council tax and business rates tax base growth, savings and efficiencies and council reserves in order to balance the budget.
- 61 The major concern for the council must be however what happens to financial settlements from 2025/26 onwards, where it is forecast that funding uplifts for the public sector will be limited to an average of 1% real terms uplifts for the period 2025/26 to 2027/28. If as expected the NHS, Education and Defence are protected then it is highly likely that local government would face funding reductions. At this stage for modelling purposes, it is forecast that there will be cash flat settlements for local government which are funding reductions in real terms. This may prove to be an optimistic assumption should the current public expenditure forecasts and current funding distribution methodology be retained.

Core Spending Power (CSP)

- 62 The provisional CSP figures for the council factor in assumptions on council tax increases in line with the referendum limits and the maximum permissible under the Adult Social Care Precept. The England average is a 6.5% CSP increase next year, whilst Durham's position is forecast to be 6.6%. A number of issues need to be considered in this regard however:
- (a) the CSP calculation forecasts that the council will increase council tax by the full 4.99% available i.e., the 2.99% referendum level, introduced in 2023/24 and retained in 2024/25 and beyond, plus the 2% adult social care precept raising powers in 2024/25. Any 1% below the 4.99% assumed would reduce the CSP by 0.5%;
 - (b) the CSP includes the additional Better Care Fund grant which comes associated with a new burden and as such is not available to support core council service provision and therefore should not be included in the calculation (other specific grant funding is excluded). Including this in the CSP calculation artificially increases the headline figure that is used / reported.
 - (c) the CSP includes an assumption that our council tax base will increase and generate an additional £3 million of spending power in 2024/25, which significantly exceeds the actual increase in 2024/25 which only generates an additional £0.850 million of spending power in reality.

- 63 Taking into account the issues identified above the council’s actual CSP increase is much closer to 6% than 6.6%.
- 64 In terms of comparative CSP per dwelling positions the table below compares the council with a number of authorities and the England average. Wokingham, which is the least deprived upper tier authority in England, has a very similar CSP to Durham. If Durham received a CSP per dwelling equivalent to the national average CSP of £2,517 per dwelling the council would receive an additional £42.3 million of government funding.

Area	Core Spending Power Per Dwelling
	£
England	2,517
Durham	2,350
Middlesbrough	2,709
Newcastle	2,521
Northumberland	2,426
Richmond Upon Thames	2,407
Wokingham	2,341

Review of MTFP Forecasts

- 65 The report to Cabinet on 11 October 2023 provided an update on the forecast revenue budget position for 2024/25 as well as an update for the MTFP(14) planning period 2024/25 to 2027/28.
- 66 An ongoing review of all base budget pressures and savings options has resulted in a number of necessary amendments to the base budget pressures forecast for the MTFP(14) planning period. The major amendments and updates to the forecasts that were reported previously which are included in the updated MTFP(14) forecasts attached at Appendix 2 are detailed below:

(a) Government Funding

The revised model includes the government funding position published in the provisional settlement on 18 December 2023 and detailed above. In overall terms, after discounting grants provided for a specific purpose, the Council is forecast to receive £24.129 million of net additional grant funding in 2024/25 – this is £1.741 million less than what was assumed in the previous forecasts.

(b) **Business Rate Retention**

The AS confirmed that the total sums associated with business rate retention would increase by 6.7% in 2024/25 in line with September 2023 CPI. The forecasts have been updated to reflect this in relation to business rate local share, Section 31 grants and the Top Up grant.

It is assumed that CPI will be 2.5% in September 2024 and this has been used to determine estimated increases for 2025/26. Compared to the assumptions built into the October 2023 report, where CPI at September 2023 was assumed to be 6.5% and at September 2024 was assumed to be 1.5%, the updated forecasts include an additional £0.3 million of funding in 2024/25 and an additional £1.550 million of funding in 2025/26;

(c) **Council Tax Base**

The 11 October 2023 MTFP(14) update report forecast a £0.5 million increase in the council tax taxbase for 2023/24.

The council tax taxbase setting report to Cabinet on 15 November 2023 however, identified a 969.4 (0.66%) Band D equivalent increase in the taxbase for 2024/25, generating £0.850 million of increase, £0.350 million more than the October 2023 forecast.

Council Tax base growth assumptions in the period 2025/26 to 2027/28 have been retained in line with previous forecasts at this stage.

(d) **Business Rate Taxbase**

The 11 October 2023 MTFP(14) update report forecast a £2.8 million increase in the taxbase for 2023/24.

The updated forecast however has reduced this to £1.8 million, a £1 million reduction, reflecting an increase in business rate reliefs being applied (a significant element of this is a result of academisation of a number of schools, where academies can access 80% mandatory rate relief) and also from a slowdown in the forecast of new buildings coming into the rating list in 2024/25, with assumed growth slipping into the following year now.

Business rate taxbase growth assumptions in 2025/26 have been increased by £0.25 million but assumptions in 2026/27 and 2027/28 have been retained in line with previous forecasts at this stage.

(e) **Pay Inflation**

A thorough review of the base budget has been carried out as part of the detailed budget preparation, building in necessary budget growth in 2024/25 for unavoidable inflationary impacts.

Over the four years this has resulted in a slight increase in forecast pay costs of £0.425 million, with £0.350 million of this falling into 2024/25.

At this stage assumptions for pay inflation over the four year period are left unchanged from that previously reported, with a 4% pay increase forecast in 2024/25; 1.75% in 2025/26 and 1.5% increases assumed in both 2026/27 and 2027/28.

(f) **Adult Social Care Fees**

The October 2023 AS confirmed the NLW would increase from £10.42 per hour to £11.44 from April 2024, which is in line with our forecasts where we had assumed it would rise to £11.43, though it was hoped it would be less.

Social Care fees uplifts are calculated by a basket of factors including NLW and CPI, based on the position at the end of January 2024.

The CPI forecast previously used for the purposes of calculating the care fee uplifts were in excess of 6.5% but are now forecast to be less than 5%. This, allied with utilisation of short term government social care grant funding to introduce fee uplifts for an 18 month period from October 2023, which are reducing forecast 2024/25 costs, have enabled forecast fee uplift costs for 2024/25 to reduce from £17.8 million to £12.550 million.

This budget pressure is in excess of the additional MSIG grant income (£5.739 million) and council tax generated from the adult social care precept (£5.340 million) next year.

It is important to note in this regard that the additional £9.413 million Social Care Grant is a non ring fenced grant notionally to be utilised for Childrens and Adult Social Care. The council is including an additional £10 million in the 2024/25 budget for additional looked after children pressures and £1.010 million for the increased inflationary increases in fostering allowances.

(g) **Adult Social Care Reform – Cost Cap**

The government was expected to push forward with the charging and cost cap reforms during 2023 for future implementation, from October 2025.

This has not progressed and whilst it was previously assumed that this would be delayed until after a General Election, there is increased uncertainty over whether this will be implemented at all.

At this stage it is felt prudent to remove the forecast budget pressures of £1.75 million in 2025/26 and 2026/27 pending further government announcements post the upcoming General Election.

(h) **Children’s Demographics**

A sum of £8 million was previously included in the October 2023 Cabinet MTFP(14) report for 2024/25, with further growth figures included in years two to four.

Reflecting upon the Quarter 2 forecast of outturn report considered at Cabinet on 15 November 2023, where a c£7.1 million in year overspend was forecast on Looked after Children budgets this year, a thorough review of the cost of the current cohort of children within the looked after system and updated forecasts of how these costs can be contained on an ongoing basis has been undertaken.

Based upon the current cohort and factoring in the impact of the LAC sufficiency strategy, a budget uplift of £8 million would not provide any provision for any increase in demand over the next 18 months, which given our experience in recent years is unrealistic.

It is considered more prudent therefore that a budget uplift of £10 million is factored into the 2024/25 budgets – £2 million more than previously assumed. The budget pressures in later years have been left unchanged in the latest forecasts.

Disappointingly, the unavoidable significant budget pressures the council has faced in recent years in its LAC budgets – budget growth of £46.2 million has needed to be found over the five year period 2020/21 to 2024/25 (a 160% increase) – has not been recognised by government and no new additional funding has been forthcoming to address these pressures, with the burden falling solely on the council and local taxpayers to fund.

(k) **Home To School Transport**

A thorough review of costs in year and for the 2024/25 and 2025/26 period has been carried out. Forecasting costs in this area is complicated by contracts and volume of journeys being volatile from year to year, with contracts based upon the beginning of the academic year i.e., September, rather than April. The forecasting is further complicated by rising demand for specialist SEND transport provision.

The previous forecast included a £1 million cost increase for 2024/25. To provide forecast coverage for the full academic year impact of this growth it is recommended that a sum of £0.5 million is included in the MTFP(14) model for 2025/26 and this has been factored into the latest updates.

These forecasts are presently being reviewed in the light of the 9.8% increase in the NLW and to factor in the forecast demand for SEND transport from September 2024. There is a strong likelihood that the £1 million 2024/25 base budget pressure may need to increase.

(l) **Electric Vehicles**

The previous MTFP(14) forecasts included additional costs of £5.573 million relating to the forecast replacement costs of larger vehicles over the 2025/26 to 2027/28 period. The previous assumptions were based on an expectation that the market would have developed more quickly than has proved to be the case.

These assumptions have been reviewed as it is apparent that the electric vehicles we will require over the next three to four years are unlikely to be available in the numbers we had hoped and therefore it is unlikely that these will be replaced as previously anticipated.

On that basis we have reprofiled the forecast replacement programme and costs over the next four years. This has resulted in forecast costs reducing over the 2025/26 to 2027/28 period from £5.573 million to £1.646 million, a reduction of £3.927 million.

(m) **Park and Ride**

An additional base budget pressure is included of £0.240 million for 2024/25 linked to the forecast shortfalls in income linked to lower patronage after the pandemic, which is producing an overspend within the Regeneration, Economy and Growth service. It is forecast that this position will be recovered over a four year period as patronage on the Park and Ride gradually increases and returns back to pre-pandemic levels.

As part of the Office Accommodation Strategy and to service the wider Aykley Heads site, additional investment will be required to extend the park and ride service so that it adequately services the Aykley Heads north site i.e., to extend the service down to the Police HQ. This will ensure that employees, including those working at the Police HQ, Trinity School, Corten House, Salvus House and/or Rivergreen etc will be more incentivised to utilise the service. A forecast £0.257 million base budget pressure is included in 2024/25 to cover the additional cost of the new extended service.

(n) **Information Governance**

As part of the Corporate Business Intelligence programme a review of information governance within the council has identified a number of issues in the council's arrangements, which exposes the council to unacceptable levels of risk.

To enable this to be addressed and in line with the arrangements in place in other councils, this area needs greater priority and investment and therefore six new posts are required be created at a forecast cost of £0.275 million.

(o) **Investment Income**

Updated forecasts of our cash balances over the coming years, allied with current levels of interest rate earned on our investments (which includes sums fixed into next financial year) have enabled our forecast investment income returns to be reviewed.

It was previously forecast that the investment income budget, which was increased by £7 million in 2023/24, would need to reduce by £2.5 million, £2 million and £2.5 million over the next three years as our cash balances reduce, mainly as a result of planned capital expenditure levels.

The updated cash flow forecasts review indicates that the investment income budget reductions can be amended to £1.1 million, £3.4 million and £1.6 million over the next three years.

This adjustment results in a reduction in budget pressure in 2024/25 of £1.4 million. It is also forecast that the investment income base budget will be circa £0.9 million higher going forward than previously assumed.

(p) **Prudential Borrowing**

The council's Treasury Management advisers have carried out a review of our Minimum Revenue Provision (MRP) policy.

Annually the council is required to make a charge to the revenue account based upon a calculation that assesses the principal repayment a council should make to fund loans to finance capital expenditure.

The MRP policy being in place to stop authorities taking out maturity loans (interest only) and as such not incurring principal repayments in budget setting rounds.

The review has identified an opportunity for the council to amend our approach based upon how work in progress is accounted for and when MRP begins to be charged.

The regulations allow for a charge to begin once a scheme is finished. The council policy has always been to charge MRP based upon work in progress at the end of the previous year.

With this in mind it is forecast that short-term savings can be achieved by following this approach. The savings that can be achieved over the next three years are £0.7 million, £0.5 million and £0.4 million. In 2027/28 the full impact of these savings of £1.6 million is negated with a subsequent budget uplift being required.

67 In addition to the review of base budget pressures work has continued to seek to identify additional savings as well as taking on board the initial MTFP(14) consultation feedback. The latest savings plans are attached at Appendix 3. Any changes to savings plans are highlighted in Appendix 3 with the changes being summarised as follows.

(a) **Local Council Tax Reduction Grant paid to Town and Parish Councils** – the MTFP(14) consultation included an option to reduce this grant by £0.750 million (50%) phased in equally over the next two years i.e., £0.375 million in 2024/25 and £0.375 million in 2025/26.

As part of the Tax Base setting report in November, Cabinet considered the consultation feedback from Town and Parish Council's and from the County Durham Association of Local Councils.

Cabinet have resolved to retain the current quantum saving of £0.750 million (50%) but phase in the reduction over three years

rather than two years i.e., £0.250 million in each year 2025/26, 2026/27 and 2027/28.

- (b) **Neighbourhood and Climate Change** – additional savings across the next four years are recommended for consideration in relation to increases in charges in the Pest Control Service and a range of proposed efficiencies Clean and Green Services. The savings would achieve £0.089 million in 2024/25 and £0.498 million of additional savings over the four years of MTFP(14).
- (c) **Resources** - additional savings across the next four years are recommended for consideration in relation to planned reviews and changes in Customer Services, Digital Services and HR. None of the savings relate to 2024/25 but there are £0.412 million of additional savings recommended across the four year MTFP(14) period.

- 68 If approved at Full Council in February 2024, savings totalling £7.964 million in 2024/25 and £16.241 million across the four year MTFP(14) period will need to be delivered. This is a £0.910 million increase compared to the savings total included in the October 2023 MTFP(14) Cabinet report.
- 69 Taking on board available government funding, updated taxbase growth assumptions, updated base budget pressures, and an assumption that the council raises council tax by the maximum sums available, the savings required over the next four years has reduced to £58.423 million, with £14.411 million of this falling into 2024/25. This compares to a previous forecast of savings required over the next four years of £67.602 million with £16.308 million of this falling into 2024/25.
- 70 The MTFP(14) report to Cabinet on 11 October 2023 identified £15.330 million of savings options for consultation, with £8 million of the savings being in 2024/25, leaving a shortfall of £8.308 million next year.
- 71 The latest forecasts include £16.240 million of savings options (£0.910 million higher), with £7.964 million considered achievable in 2024/25, leaving a shortfall of £6.447 million next year.

MTFP(14) Consultation

- 72 Following the reports to Cabinet in July 2023 and October 2023, two phases of consultation were undertaken on the strategy set out in those reports for balancing the Council's budget for next year (2024/25) and over the following three years. In both phases of consultation, this included a set of proposed savings. Comprehensive detail of the consultation outcomes can be found at Appendix 4.

Consultation - Phase One (Sept-Dec 2023)

- 73 Between 5 September and 20 October 2023, the council carried out phase one of its budget consultation with residents and partners regarding proposals to balance the council's budget for the next financial year (2024/25) and across the Medium Financial Term Plan period up to March 2028. This was based on the position as presented to Cabinet in July 2023. During the same period and beyond, we presented the proposals to the 14 Area Action Partnership (AAP) Boards, our key partners in the County Durham Partnership (CDP) and attended meetings of County Durham Association of Local Councils (CDALC) and the Durham Youth Council (DYC).
- 74 The questions posed were as follows:
- (a) Do you agree with our approach to balance the budget regarding our savings proposals for 2024/25, particularly the £3.7 million of savings derived from back-office savings and efficiencies, income raising and reductions in third party contributions and savings from changes in the way we deliver front-line services?;
 - (b) What do you feel will be the impact of this approach upon you, your community or those you represent?;
 - (c) Where should the council focus to achieve additional savings still needed for 2024/25 of £6.2 million and £43.5 million over the following three years? – Please choose three services you would prioritize for funding reductions from the list to provided;
 - (d) Do you agree or disagree with the proposal that the council protects services by increasing council tax by 4.99% (including 2% towards adult social care) in 2024/25?;
 - (e) If we raise council tax by 4.99%, what do you feel would be the impact on you, your community or those you represent?; and
 - (f) Do you have any additional ideas or suggestions as to areas where we can raise further income or become more efficient in the years to come?

Promotion

- 75 The consultation was promoted via press release; social media, the council's consultations website page, posters displayed in libraries and Customer Access Points, and targeted emails sent to a range of organisations and partners. The Consultation and Engagement Team sent out a special edition of their monthly newsletter to partners including the County Durham Partnership Board and its thematic groups, County Durham Together Partnership, County Durham Association of Local Councils, the Better Together Forum, the Disability Partnership, County Durham Care

Partnership, Durham Constabulary and County Durham and Darlington Fire and Rescue Service. Partners were provided with the consultation materials with a request to provide their feedback by the closing date.

Participation

Method	Number of people
Survey Online	253
paper surveys (from Libraries and Customer Access Points)	4
14 AAP Board meetings	299
Durham Youth Council meeting	15
County Durham Partnership Board meeting	14
Social media – post 12 October	224 engagements
TOTAL	809

- 76 The approach enabled the council to engage with 809 people. This included 257 online survey respondents, with 80% of these respondents providing equality data. We have no disaggregated equality data for other engagement methods. Feedback from the online survey was received across the protected groups, although rates were not always directly comparable with population data for the County.
- 77 Slightly more men (53%) than women responded to the online survey. In terms of age, 73.6% of respondents were between the age of 18 - 64, with 26.4% 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. No online responses were received from the under 18 age group however a targeted engagement session was carried out with 15 members of the Durham Youth Council to provide a representative voice for younger residents.
- 78 The disability online respondent rate was 17.9%, which is lower than the Census 21 population data of 22.4% (for overall county population). A targeted engagement session was offered to the Disability Partnership however they did not take up the offer. 5.3% of respondents were Black, Asian and Minority Ethnic which is comparable with Census 21 ethnicity data for the County also at 5.3%.
- 79 Respondents from the remaining protected groups were broadly representative of the population with 6.8% from the lesbian, gay and bisexual population and 36.9% having no religion or belief. There was a slightly higher response rate from Christians (60.4%) compared to the County wide rate of 54.6%. The outcomes from across the consultation have been recorded and analysed and key messages are identified below.

Summary of survey responses

80 In total 257 people completed a survey either online or via a paper version.

Our approach to balancing the 2024/25 forecast budget shortfall including identified savings of £3.7 million.

81 There were 248 responses to this question. 65% of responses either agreed or neither agreed nor disagreed, whilst 35% disagreed with the proposed approach. When asked to explain their views, 229 comments were received, with 70 positive comments and 135 negative comments. Whilst the comments spanned across all the proposals, the majority of comments related to:

- (a) Agreement with proposals with the need to focus on efficiencies and being least impactful on the vulnerable (26); and
- (b) Disagreement with the proposals with alternative ideas proposed (20)

Agreement with proposals with the need to focus on efficiencies and being least impactful on the vulnerable:

82 Comments recognise that - savings have to be made from somewhere, opportunities for increasing charges for services are limited, all approaches are needed, the savings appear reasonable, logical and mainly aimed at increasing efficiency and being least impactful on the most vulnerable. Other comments agree with the council's approach in looking at the way we do things - seeking to do things in a smarter way, whilst always trying to minimise the impact on people and not compromising services.

Disagreement with the proposals with alternative ideas proposed:

83 Comments regarding alternative ideas in disagreement of the council's proposals included income raising by; introducing car parking fees in town centre parking areas including retail parks, with a percentage of the revenue ringfenced for the council. The view in this regard being slightly at odds with the consultation feedback in relation to specific car park charge increase proposals set out in the October 2023 Cabinet report. Comments were also made in relation to increasing the number of speed cameras on traffic lights and increasing the number traffic wardens to in turn generate income from increased fines and making council tax payable based on household income.

84 Additionally, comments relating to alternative ways to save money included: replicating operating models of other local authorities, (perceived to provide increased value for money), removing the Durham Police Crime Commissioner and support team, making further reductions in front line services, preventing the use of private contractors, combining libraries and museums under the same venue / service and providing a limited service, scaling back regeneration and highway projects, moving council offices to

villages and selling the new council headquarters. Where able to attribute comments to the specific savings proposal categories, the following observations were made:

Back-office savings and making efficiencies

- 85 Nine comments stated the need to make efficiencies by reducing senior management and Councillor costs. Six comments directly disagree in the proposal to review the Music Service.

Income raising opportunities including reducing third party contributions

- 86 The majority of identifiable comments (12) agreed with the general principle of increasing fees as a better alternative to reducing essential services. This was followed by ten comments that disagreed with the general principle of raising additional fees and charges, ten comments that disagreed with the proposal to raise income by reviewing services charged to schools - because school budgets are under pressure and require increased funding - and ten comments that disagreed with the proposal to reduce the Town and Parish council grant as this was said to impact the poorest Parishes the most.

Savings from changes in the way we deliver front-line services

- 87 The majority of identifiable comments (13) agreed with the general aim to protect front line services. 13 comments directly agreed with the proposal to move Durham County News online – as online was considered to be better. Nine comments directly disagreed with the proposal to move Durham County News to an online format due to digital exclusion concerns.

The impact of this approach upon you, your community or those you represent

- 88 Respondents were asked how they felt they would be impacted by the proposals and why they believe this would be the case. 243 responses were received with 44.8% stating that the impact is either positive or neither positive nor negative, whilst 55.1% state that it will have a negative impact. The highest number of comments was spilt (17 each) between concerns about the impact on local communities, and concern regarding the practice of passing impacts on to others such as schools, and the Town and Parish Councils.
- 89 The second highest number of comments (15) related to concerns regarding the cost-of-living pressures and increased poverty and support needs with direct mention of council tax in respect of this. The third highest number of comments (14) related to concern over increases in changes for services - when services need to be maintained.

Further areas for savings

- 90 Respondents were asked to select three service areas to target for additional savings. 255 respondents selected three service areas each, which provided a total of 765 responses to this question. The breakdown is as follows;

	Frequency	Percent of responses
Culture	129	50.6%
Environment and climate change	75	29.4%
Council tax, benefits and other processing	74	29.0%
Local council tax support	72	28.2%
Planning services	65	25.5%
Local community projects	60	23.5%
Leisure and wellbeing	57	22.4%
Welfare assistance and advice	53	20.8%
Economic development	38	14.9%
Customer access and customer services	28	11.0%
Housing services	26	10.2%
Community safety and protection	22	8.6%
Street cleaning and grounds maintenance	21	8.2%
Preventative services	16	6.3%
Roads and transport	15	5.9%
Waste collection, disposal and recycling	14	5.5%
Total	765	300.0%

Council Tax increases of 4.99% (2.99% plus 2% adult care precept)

- 91 There were 254 comments relating to this question. The breakdown is as follows:

	Frequency	Percent
Agree	108	42.5%
Disagree	146	57.5%
Total	254	100.0%

- 92 Where respondents disagreed with the proposal to raise council tax by 4.99% a supplementary question was presented as follows:

You have indicated you disagree with a council tax rise of 4.99%. As such, we will need to find further savings from service areas. Please select another three service areas to target for savings. Please do not select any service areas you have already selected again.

- 93 There were 316 credible responses to this question i.e., where respondents selected service areas not previously selected. The breakdown is as follows:

	Frequency	Percent*
Customer access and customer services	38	31.9%
Local community projects	28	23.5%
Local council tax support	27	22.7%
Planning services	26	21.8%
Culture	24	20.2%
Council tax, benefits and other processing	23	19.3%
Economic development	23	19.3%
Welfare assistance and advice	22	18.5%
Environment and climate change	21	17.6%
Housing services	21	17.6%
Preventative services	16	13.4%
Street cleaning and grounds maintenance	14	11.8%
Leisure and wellbeing	12	10.1%
Community safety and protection	10	8.4%
Waste collection, disposal and recycling	6	5.0%
Roads and transport	5	4.2%
Total	316	265.5%

If we raise council tax by 4.99%, what do you feel would be the impact on you, your community or those you represent?

- 94 There were 236 comments received in response to this question. 27.5% of responses either felt the impact would be positive or neither positive nor negative. 72.5% of responders felt the impact would be negative. The highest number of comments (77) focussed on the impact being negative due to the cost-of-living pressures and the perceived unaffordability of the council tax increase. The second highest number of comments (24) confirmed that the proposed increase would be acceptable if essential services are maintained and/or improved and needs are met as a result. The third highest number of comments (19) focussed on the need for the council to budget better and to halt unnecessary projects as a way to save money rather than increase council tax.

Additional ideas or suggestions as to areas where we can raise further income or become more efficient.

- 95 In total 288 comments were received suggesting alternative ways in which savings could be achieved. The main responses have been grouped into the following categories;
- (a) **Reduce senior management / Councillor roles (30)** – including focus on salaries of the highest paid and executive level, savings in allowances and expenses, introduce affordable pension scheme to the taxpayer;

- (b) **Review staff roles (22)** – including focus on reviewing salaries across the board, performance management and productivity, areas of duplication and make council self-financing;
- (c) **Halting unnecessary investment projects (17)** – including DLI Museum, Council Headquarters, regeneration schemes including the Durham Bus Station;
- (d) **Reduce administration buildings (16)** – including focus on increasing hybrid working and staff working from home, renting office space in other buildings for dual purpose;
- (e) **Increase fees (14)** – including focus on parking enforcement, illegal parking, libraries (reservation fees), highways, speeding, littering, fly tipping;
- (f) **Accommodation charges (13)** – focusing on student accommodation opportunities and HMO;
- (g) **Procurement (12)** – focusing on strategic outsourcing and commissioning, collective approach, use of local businesses;
- (h) **Review services/structures to identify efficiencies (12)** – focusing on full route and branch review of the organisational structure, combining roles, audit of all customer facing services and productivity of back office; and
- (i) **Events, arts and culture (10)** – reduce this service area and make it self-financing as an area that is of great cost that appeals to a minority and no inclusive for residents.

Variation in survey responses

Respondent breakdown	Number of people
Resident	223
Durham County Council Employee	17
A business	4
An organisation	6
Other	4
TOTAL	254

96 Residents constituted the majority of the responses to the survey at 88%. Known organisation survey responses were received from County Durham and Darlington Fire and Rescue Service, Durham Constabulary, Ferryhill Town Council and an unnamed Parish Council. A known business response was received from Believe Housing. Specific comments from these

respondents are noted within the feedback from partners section of this report.

- 97 Both Durham County Council employees and the Organisations group were more favourable towards the approach to our savings proposals and the proposal to increase council tax by 4.99%. A total of 82.4% of Durham County Council employees either agree or neither agree nor disagree with the approach to our savings proposals - an increase in 17.4% against the collective survey responses. 64.7% of Durham County Council employees agree with the proposal to increase council tax by 4.99% - an increase of 22.2% against the collective survey responses.
- 98 In total 83.3% of partner Organisations either agree or neither agree nor disagree with the approach to our savings proposals - an increase in 18.3% against the collective survey responses. 66.7% of Organisations agree with the proposal to increase council tax by 4.99% – an increase of 24.2% against the collective survey responses.

Summary of feedback – AAP Board Meetings

- 99 A presentation was delivered to each AAP Board where they could ask questions and provide feedback. Members of the public were invited to attend the meetings and a feedback survey was available to collect responses. The key themes which emerged are detailed below.

The proposed approach to balancing the 2024/25 forecast budget shortfall including identified savings of £3.7 million.

- 100 Feedback upon this area was limited therefore it was difficult to achieve a consensus. Comments regarding this area however indicated an appreciation that the council are facing difficult decisions, dealing with additional pressures and it's now virtually impossible to look at achieving savings without having to look at cutting non-essential statutory services.
- 101 A variety of comments centred around the definition and impact of statutory services on income. Questions raised covered whether there is a clear split between what is statutory versus non-statutory and whether this changes significantly year on year. There was also a suggestion that a lot of service provision carried out by the council is not statutory.

What do you feel will be the impact of this approach to savings for 2024/25 upon you or those you represent?

- 102 Feedback was limited. Where feedback was given, it mainly related to the need for more information to understand and provide a response regarding impact.

Further areas for savings

- 103 The majority of the AAP feedback confirmed that there is a view that the council can find savings in other areas, and solutions could also be found through working with partners and looking externally. Priority areas for further savings included the following;
- (a) **Culture:** Including savings on Lumiere, theatres, libraries, Brass Festival and cycle events. (Four AAPs)
 - (b) **Homes to School Transport:** Concerns regarding value for money when considering the cost of taxi contracts, children travelling in separate taxis rather than together, the coordination of journeys to reduce distance travelling to schools. (Four AAPs)
 - (c) **CYPS:** Making savings by increasing fostering of children and the need to focus on this area in detail in respect of the issues such as high staff turnover and a significant amount of funds going to this service to cater for a small proportion of people. (Three AAPs)
 - (d) **Elected Members:** Members budgets should be monitored, and consideration given to the reduction in the number of Members. (Two AAPs)
 - (e) **Community Safety and Protection:** Funds given to the Neighbourhood Wardens should be looked in relation to their powers which are seen as lacking in comparison to the Police in dealing with issues such as antisocial behaviour. (Two AAPs)
 - (f) **Roads and Transport:** Savings from activities such as switching off streetlights at certain times, encouraging alternative transport options to reduce road infrastructure costs, introducing fines for motorists parking on footpaths. (Two AAPs)
 - (g) **Climate Change:** Appreciation that this is a global problem, but questions raised over the extent to which this impacts County Durham residents directly. (One AAP)
 - (h) **Area Action Partnerships:** The extent to which AAPs are an essential service was questioned. It was recommended that a cost benefit analysis be undertaken to establish their benefit. (One AAP)
 - (i) **Consultations:** The need for consultations service was recommended as an area of savings based on the view that Members provide the council's consultation function / service. (One AAP)

Areas to protect

- 104 It was suggested that town centres need to be protected in consideration of budget setting in reference to leisure centre closures having a negative impact.

Role of partners and organisations

- 105 Comments highlighted that some services are already provided by voluntary community sector organisations. With better support, to this sector, services could potentially help support savings as there is a wealth of knowledge within the sector that should be taken advantage of. Additionally, it was suggested that partnering with other local authorities to deliver back-office functions should be considered.

Council Tax increases of 4.99% (2.99% plus 2% adult care precept)

- 106 The tone of the feedback suggested an understanding regarding the need to look at this as an option but ultimately caution and disagreement towards imposing the 4.99% increase, with a significant amount of concern expressed on behalf of residents regarding the impact of this proposed rise, especially on those with lower incomes.

Impact on residents

- 107 Concerns regarding the negative impact on lower income residents included:
- (a) It is not the right time to take such a step given current financial pressures as people who live in poverty are often hit the hardest;
 - (b) A 4.99% increase will affect lower income families who are already struggling with the increased cost of living;
 - (c) This would have a huge impact on deprived areas and increase the number of people needing council tax support and support in other areas - such as the use of food banks; and
 - (d) Those in '*in work poverty*' often fall through the net and specific attention to the impact on these people should be considered.

Alternative / additional opportunities to increase council tax income

- 108 Comments in relation to opportunities to gain additional income from council tax referenced:
- (a) Increasing the low tax base
 - (b) Opportunities regarding new housing developments
 - (c) Student and landlord council tax

- (d) Considering an increase above 4.99%

Decision making

- 109 Comments questioned the decision-making process asking - if the majority of consultees respond negatively, would it still be implemented? Also what percentage of people need to say no to the council tax increase for it not to be applied?

Additional ideas or suggestions as to areas where we can raise further income or become more efficient

- 110 Feedback brought a variety of responses covering:
 - (a) Concern for the future in considering the continued pressure on CYPS;
 - (b) Concern for the future given the national press coverage of the pressures facing other local authorities and reassurances needed regarding the council's contingencies in the event that the deficit cannot be met;
 - (c) Questions and concerns regarding the council's spending behaviour covering:
 - i. Spending on high profile projects, for example, the DLI Museum and County Hall headquarters;
 - ii. Increased requirements for emergency spending for example extreme weather events;
 - iii. The financial impact and scale of Reinforced Autoclaved Aerated Concrete (RAAC) on council buildings, other public buildings and community buildings;
 - iv. The financial impact of energy prices;
 - v. The use of external consultants; and
 - vi. Spending on regeneration schemes
 - (d) The position and requirements of central Government regarding additional funding and support needs for the northeast as a whole
- 111 Comments as to where we can raise further income or become more efficient covered:
 - (a) Business rate income opportunities, derived from business such as Amazon;

- (b) Doing things more centrally to make savings;
- (c) The role of the selective licensing fee to generate income;
- (d) Utilising the sale of assets and disposal of land to generated income;
and
- (e) Reduce recycling bin contamination costs.

Summary of feedback from Partners

County Durham Partnership

112 The County Durham Partnership received a presentation on the council's budget proposals on 21 September. Each partner in turn discussed their financial outlook. There were no comments directed in response to the consultation questions, but partners including agreed to work together to consider the wider impact of budget decisions to ensure we don't push demand pressures onto partners.

Livin Housing

113 As part of the AAP meetings social housing provider Livin Housing provided feedback in respect of the proposal to raise council tax by 4.99%. They are seeing an increase in 'in work poverty', and this group often fall through the net, posing the question - what is the impact on these people? and has this been considered regarding this council tax increase.

Believe Housing

114 Believe Housing's feedback has been accounted for within the summary of survey responses section. Believe Housing agree with the council's savings approach commenting that as a social landlord they welcome the approach of protecting front line services that have an impact on their customers. They feel the council's approach will have a negative impact stating they value the impact town and parish councils have on our local communities, any reduction in funding would impact on the ability to continue delivering on local priorities and creating thriving communities.

115 Believe Housing express a preference for additional savings derived from the service areas of: Culture, Council Tax, Benefit and Other Processing and Leisure. Although they selected leisure services, they wished to highlight that any cuts should be made with consideration for fair access and the implications for those on low incomes as for many this is what they rely on for their health and wellbeing.

116 They agreed with the proposal to increase council tax by 4.99% but welcome the continued commitment to protect the most vulnerable by continuing to maintain the current council tax support and as a business that employs

many residents in the County, they are concerned this increase will have a detrimental impact on their employees' finances.

- 117 Believe Housing additionally commented that they welcome discussions with the council on how we can work in partnership to ensure services are protected for the most vulnerable in our communities, stating they feel closer partnership working could prove beneficial to both partners. They do however recognise the limitations of what they can financially sustain as a partner should the council withdraw provision, as they already provide significant support to customers both through financial support and resourcing.

Town and Parish Councils

- 118 The County Durham Association of Local Councils (CDALC) received a presentation at their Larger and Smaller and Medium Council Forums. Attendees could ask questions and provide feedback. Comments and questions centred on savings proposals aimed at reducing the LCTRS grant which indicated acceptance that this was a likely area for the council to review. There was also concern that this would significantly impact Town and Parish Councils, wider residents and communities as they face the same cost pressures as the council in terms of price inflation.
- 119 Feedback suggested that savings could be made elsewhere rather than targeting the LCTRS grant including:
- (a) Reviewing Durham County News
 - (b) Increasing council tax beyond the allowed limit by undertaking a referendum
 - (c) Offsetting the funds from the sale of the Sands building

Ferryhill Town Council

- 120 Ferryhill Town Council's feedback has been accounted for within the summary of survey responses. The Town Council strongly disagree with the council's savings proposals approach, believing the approach will have an extremely negative impact. The Town Council expressed a preference for additional savings derived from: Council Tax Benefits and Other Processing, Culture and Planning Services. The Town Council disagree with the proposal to increase council tax by 4.99% believing this proposal will have an extremely negative impact.

Parish Council – unnamed

- 121 The Parish Council's feedback has been accounted for within the summary of survey responses. They agree with the council's savings proposals approach believing the approach will have a positive impact. They express a

preference for additional savings derived from: Council Tax Benefits and Other Processing, Local community projects and Local council tax support.

- 122 They agree with the proposal to increase council tax by 4.99% believing it will have a positive impact. The Parish Council provide alternative ideas to raise income by generating income (council tax and business rates) from holiday homes in County Durham, small schools sharing one building, a review of senior salaries and the necessity for a northeast Mayor to be considered.

Durham Constabulary

- 123 Durham Constabulary's feedback has been accounted for within the summary of survey responses. Durham Constabulary strongly agree with the council's savings proposals approach believing the proposals will have a positive impact stating the planned savings minimise the impact on front line services and demonstrate a continuous improvement ethos in terms of back-office efficiency. Durham Constabulary express a preference for additional savings derived from: Local Community Projects, Planning Services and Roads and Transport.
- 124 They agree with the proposal to increase council tax by 4.99% believing this will have neither a negative nor positive impact, as the public understand that local services need to be protected where possible and will therefore be willing to pay an increased amount.

County Durham and Darlington Fire and Rescue Service

- 125 County Durham and Darlington Fire and Rescue Service's feedback has been accounted for within the summary of survey responses. They agree with the council's savings proposals approach agreeing that the approach minimises the reduction of vital front-line services. The Service express a preference for additional savings derived from: Council Tax Benefits and Other Processing, Customer Access and Customer Services and Local Community Projects.
- 126 The Service agree with the proposal to increase council tax by 4.99% but express that this will have a negative impact as any increase in taxation, however necessary, will have a negative impact especially on those on low incomes. Furthermore, given the current cost of living crises this will further increase the level of deprivation in the area which places further demand on public services.

Durham Youth Council

- 127 During the consultation period the Durham Youth Council received a presentation by the council's Finance Manager and Consultation and Engagement Team Leader. The young people prepared and submitted a feedback report. In conclusion the young people expressed that all the potential areas for budget reviews are important, and in some ways, all

impact on young people and their families. The young people understand that difficult decisions need to be made, but also know that they impact on young people, and the futures of children need to be considered.

- 128 The areas three priority areas that young people felt were most impactful on them and needed most consideration and caution regarding future savings were:
- (a) **Local Community Projects:** The projects our local communities run are important to young people. The youth service relies on grant money and support from the council, charities, AAPs and would struggle to exist without it. These services need more support, not less and if they are cut any more, young people will suffer.
 - (b) **Road and Transport:** Young people find it incredibly difficult to travel around County. It has only recently introduced that young people can access subsidised fares across public services. This needs to continue to happen. Roads are in need of constant repair often damaged roads causes damage to vehicles, which is very dangerous.
 - (c) **Waste Collection, Disposal and Recycling:** Durham Youth Council supports Durham County Council's Single Use Plastic Pledge and has done a lot of work around waste collection, recycling and disposal already. Our current waste collection, disposal and recycling offer isn't good enough, cutting budgets and reducing services is just not an option. We need to do better.

Consultation - Phase Two (Oct-Dec 2023)

- 129 Between 23 October and 3 December 2023, a second phase of consultation on further proposals published in the October Cabinet report to help balance the council's budget was undertaken with our residents and partners. During the same period, we presented the proposals to the 14 Area Action Partnership Boards and attended Durham Youth Council.
- 130 The questions posed were as follows:
- (a) Do you agree with our approach to balance the budget regarding further savings proposals, particularly the £1.943 million of savings in 2024/25 and £2.909 million across the four-year period derived from back-office savings and efficiencies, income raising and reductions in third party contributions and savings from changes in the way we deliver front-line services?
 - (b) What do you feel will be the impact of this approach upon you, your community or those you represent?

- (c) Do you have any additional ideas or suggestions as to areas where we can raise further income or become more efficient in the years to come?

Promotion

- 131 Again, the consultation was promoted via press release; social media, the council's consultations website page, posters displayed in libraries and Customer Access Points, and targeted emails sent to a range of organisations and partners. The Corporate Director of Resources sent a bespoke consultation letter to a number of partners including the County Durham Partnership Board and County Durham Association of Local Councils. Partners were provided with the consultation materials with a request to provide their feedback by the closing date.
- 132 The Consultation and Engagement Team, in support of this, sent a newsletter to range of partners and interested groups notifying them of the consultation, requesting they cascade the information to their networks and contacts and asking them to take part. Partners included The Disability Partnership, Health Care and Engagement Forum and The Better Together Forum.

Participation

Method	Number of people
Survey Online	108
Paper surveys (from Libraries and Customer Access Points)	2
14 AAP Board meetings	282
Durham Youth Council meeting	16
Social media - post 25 October	297 engagements
TOTAL	705

- 133 The approach enabled the council to engage with 705 people. This included 110 online survey respondents with 70% of these respondents providing equality data. We have no disaggregated equality data for other engagement methods. Feedback on the online survey was received across the protected groups, although rates were not always directly comparable with population data for the County.
- 134 Slightly more men (52.6%) than women responded to the online survey. In terms of age, 70.9% of respondents were between the age of 18 - 64, with 27.9% 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. One online response was received from the under 18 age group and a further targeted engagement session was carried out with 16 members of the Durham Youth Council to boost the representative voice for younger residents.

- 135 The disability online respondent rate was 15.2%, which is lower than Census 21 population data of 22.4% (for overall county population). Notification of the consultation was issued to groups with protected characteristics, including the Disability Partnership, to increase engagement. 4.2% of respondents were from a minority ethnic background which is lower than Census 21 ethnicity data for the County at 5.3% (all ethnicities).
- 136 Respondents from the remaining protected groups were broadly representative of the population with 3% from the bisexual population. 44.2% having no religion or belief. 53.2% of respondents identified as Christian which is comparable with the County wide rate of 54.6%, there was a slightly higher response rate from those with no religion (44.2%) compared with census 21 at 38.6%. The outcomes from across the consultation have been recorded and analysed and key messages are identified below.

Summary of survey responses

- 137 In total 110 people completed a survey either online or via a paper version.

Our approach to balancing the budget shortfall including further identified savings amounting to £1.943 million of savings in 2024/25 and £2.909 million across the four-year period.

- 138 There were 109 responses to this question. 37.6% of responses either agree or neither agree nor disagree, whilst 62.4% disagreed. When asked to explain their response, there were 120 additional comments received. Overall, the majority of comments (30) saw respondents confirm their negative response is due to disagreement over proposals relating to the car parking charges element within the category: income raising opportunities including third party contributions.
- 139 The second highest number of comments (16) saw respondents confirm their negative response is due to disagreement concerning proposals specifically relating to early years and nursery provision review within the category: savings from changes in the way we deliver front line services.
- 140 The third highest number of comments (10) saw respondents confirm their positive response is due to their view that the proposals appear balanced and the least impactful and least disruptive - as balancing the budget is the priority and the Council have little choice in this matter and need to make savings across the board. Where able to attribute comments to the specific savings proposal categories, the following observations were made.

Back-office savings and making efficiencies

- 141 In respect of this category the highest number of comments (three) expressed general support for back-office savings as - savings that can be made in the back office were considered preferable. This was followed by two comments that expressed disagreement with proposals concerning back-

office savings due to concern regarding the ongoing reduction in services as a consequence with comments such as - don't make back office savings that will impact the effectiveness of the Council, workloads or employee wellbeing, and don't cut staff and leave services at risk, back-office reviews need to be in conjunction with other councils to share costs.

Income raising opportunities including reducing third party contributions

- 142 In respect of this category the majority of comments, as noted above (30), expressed general disagreement with proposals concerning car parking charges with the majority of comments discussing the impact that this proposal will have on tourism, local businesses and local residents.
- 143 Further comments also focused on the negative practice of - taking away from people a low-income activity and free leisure opportunity in terms of going to the beach or taking a trip to the City for free.
- 144 The second highest number of comments (seven) expressed agreement for proposals concerning car parking charges as - increasing car parking charges will help to reduce traffic and deliver more frontline services to help those in need.
- 145 This was followed by five comments that expressed disagreement for proposals concerning car parking charges concerning the Seaham area as - the car parking charges proposals are detrimental to Seaham, it will prevent impact on local coastal business and cause those who do still visit the area to park in local residents' streets causing a nuisance.

Savings from changes in the way we deliver front-line services

- 146 In respect of this category the majority of comments, as noted above (16), expressed disagreement with proposals concerning early years and nursery provision with the majority of comments discussing the impact of this proposal including - funding and staff ratios in this area are already stretched and with more significant needs of children to be met, this will become impossible and these proposals will leave County Durham behind the rest of the country in childcare provision.
- 147 The second highest number of comments (7) related to disagreement regarding AAP area budget changes with the majority of comments discussing the impact of this proposal including - the change to AAPs could have a detrimental impact on the voluntary community sector who are reliant on funding from them to sustain community initiatives.
- 148 The third highest number of comments (three) related to disagreement with proposals concerning allotments as - revising budgets for Neighbourhood Protection and allotments might lead to decreased service quality.

The impact of this approach upon you, your community or those you represent

- 149 Respondents were asked how they felt they would be impacted by the proposals and why they believe this would be the case. 109 responses were received with 22% stating that the impact is either positive or neither positive nor negative, whilst 78% state that it will have a negative impact.
- 150 In total 102 additional comments were made in respect of this question. The highest number of comments (23) focused on the impact of the car parking charges proposals including the impact on the local economy, visitor numbers and local residents due to nuisance parking from visitors.
- 151 The joint second highest number of comments (eight comments each) focus on the negative impact of early years and nursery provision savings proposals and the negative impact on communities, especially poorer, vulnerable, rural communities, regarding the proposal overall within the category: savings from changes in the way we deliver front line services would bring.
- 152 In respect of the negative impact on early years and nursery provision comments such as - the proposals will have a great impact on child development and education - were evident. In respect of the negative impact on communities, that savings proposals to front line services will bring, comments such as - more effort needs to be placed in encouraging community in rural areas where there is high deprivation not more limitations placed on residents' access to community services - were evident.

Additional ideas or suggestions as to areas where we can raise further income or become more efficient

- 153 In total 128 separate comments were received suggesting alternative ways in which savings could be achieved. The top eight responses have been grouped into the following categories.
- (a) Rationalise and manage Council assets, buildings, land more efficiently (14);
 - (b) Review senior management and Councillor pay and expenses (9);
 - (c) Review staff and Councillor structures (9);
 - (d) Review of grounds maintenance services (8);
 - (e) Review of process covering business admin (8);
 - (f) Review of procurement services and funding for public/private partnerships (6);

- (g) Reduce events programme e.g. Lumiere and Bonfire and
- (h) Review of waste collection services and fees (5)

154 It is evident from this list of suggestions that they, on a number of occasions, align to ideas brought forward in consultation phase one.

Variation in survey responses

Respondent breakdown	Number of people
A resident	90
A Durham County Council employee	10
A business	6
An organisation	8
Other	10
TOTAL	124

155 As a multiple-choice question, we received 124 responses. Residents provide the majority of the responses to the survey at 81.8%. Known organisation survey responses were received from Blackhall Community Centre, Believe Housing, a Community Association, a Parish Council, Startforth Parish Council. Additionally, seven members of DYC, responded to the survey. Specific comments from these respondents are noted within the feedback from partners section of this report.

156 DYC members and Durham County Council employees are more in favour of the council’s savings proposals approach with 85.7% of DYC members and 44.4% of Durham County Council employees stating they agree nor neither agree nor disagree with the council’s approach. Organisations and businesses however show disagreement as 75% of organisations and 100% of business respondents disagreed with the Councils savings proposals approach.

157 This trend is reflected in responses regarding the impact of the savings proposals. 51.7% of DYC members and 44.4% Durham County Council employees more favourably believe the impact will be neither positive nor negative. Organisations and businesses again less favourably believe the proposals will have a negative impact at 87.5% for organisations and 100% for business respondents.

Summary of feedback – AAP Board Meetings

158 A presentation was delivered to each AAP Board where they could ask questions and provide feedback. Members of the public were invited to attend the meetings and a feedback survey was available to collect responses. The key themes which emerged are detailed below.

The approach to balancing the budget shortfall including further identified savings amounting to £1.943 million of savings in 2024/25 and £2.909 million across the four-year period

- 159 The general tone from the feedback is of concern and disagreement with the approach to further savings alongside understanding and appreciation with regards to the council's financial situation. One AAP commented that it is reasonable that senior managers review the Councils budget with a view to making significant savings and that all savings should reflect the demographic make-up and needs of the local population.

Back-office savings and making efficiencies

- 160 Three AAPs raised concerns covering this category. Concerns were raised around the efficiency of the council regarding further staff cuts and problems with recruitment and having enough staff. Concerns were also raised regarding staff working arrangements following the move to hybrid working with questions raised around the negative side of hybrid working and the costs of being relocated to different parts of the county.

Income raising opportunities including reducing third party contributions

- 161 The majority of AAPs (nine) mentioned car parking charges proposals. A number of concerns and questions were raised regarding these proposals covering unfairness that staff parking isn't included in the proposals, had the costs of introduction and monitoring of this been taken into account and re-assurance that charges would not increase to an excessive amount.

Savings from changes to the way we deliver front-line services

- 162 One AAP commented regarding nursery provision, questioning with concern, as to whether proposals would lead to increased charges. One AAP requested that if the council consolidate or reform the APPs that kindred communities are grouped together. One AAP also noted regarding Neighbourhood Budgets and the capital/revenue split, that the rules around capital/revenue split are restrictive and there should be some flexibility.

What do you feel will be the impact of this approach upon you or those you represent?

- 163 The feedback focused on the impact of the savings proposals concerning the AAP area budget savings proposals and the car parking charges savings proposals.
- 164 In respect of AAP savings proposals, impacts were discussed in terms of the negative impact and increased pressures this would pass on to local providers, community groups and smaller organisations. It was commented that the removal of revenue funding will seriously damage small

organisation's ability to function in the community. Within this feedback the importance of the AAPs within the community and the support and funding provided to local organisations was stressed with fears expressed about the potential impact on further cuts and the ability to cope.

- 165 It was also commented that the impact on the AAP area budget proposals would in turn be detrimental for local residents including the most vulnerable in our communities who would be less supported, urging the Council to ensure AAPs retain their funding for local issues. It was also suggested that rural communities would be greatly adversely impacted in this way.
- 166 In respect of car parking charges savings proposals, impacts were discussed in terms of the negative impact on visitor numbers specially to the affected coastal destinations, public health and wellbeing, local businesses and local residents in the event that visitors occupy residential parking areas to avoid charges.

Additional ideas or suggestions as to areas where we can raise further income or become more efficient

- 167 Feedback brought a variety of responses covering:
- (a) **Making best use of funds / resources / investments and not being wasteful in the first instance** - attention drawn to County Hall, The Sands HQ building, Lumiere funding, Regeneration schemes, Durham City centre developments, empty buildings. (Five AAPs)
 - (b) **Additional income from parking related fees and charges** - including staff parking charges, fining those who park poorly for example outside of schools or on pavements. (Two AAPs)
 - (c) **Working in partnership to reduce costs** - covering private enterprises and VCS partnerships. (Two AAPs)
 - (d) **Generating income by providing homes and services for asylum seekers.** (One AAP)
 - (e) **Income generation within the catering service** - including selling catering services externally. (One AAP)
 - (f) **Resident initiative** - covering the collection of plastics and metals for a weigh in reward scheme. (One AAP)
 - (g) **Additional council tax income generation** - including the increase of council tax above 4.99%. (One AAP)

Summary of feedback from Partners

Believe Housing

- 168 Believe Housing's feedback has been accounted for within the summary of survey responses. Believe Housing disagree with the Council's further savings proposals stating that they will have a negative impact. They comment specifically in respect of proposals regarding AAP area budgets stating they feel this proposal will impact the sustainability of communities and funding for community projects. They encourage communication between partners and the Council during this time regarding these proposals.
- 169 Believe Housing also express concern at proposals regarding early years and nursery provision as vital services needed for addressing inequalities faced by those in poverty and on low incomes stating it is imperative that they understand for themselves and welcome further consultation in respect of the impact of any changes in this area. They also note concern regarding proposals covering car parking charges believing the impact will be negative on a precarious local economy and on communities.
- 170 Believe Housing suggest the council can raise additional income or become more efficient through closer partnership working to create more efficient processes which could be through shared resources or sharing of data.

Town and Parish Councils

- 171 The unnamed Parish Council's feedback has been accounted for within the summary of survey responses. The Parish Council agree with the council's approach to further savings proposals however believe the impact of the savings proposals will be negative. The Parish Council encouraged a review of allotments indicating concern over waiting list times. They are unsure regarding the car parking charges savings proposals stating they can see the positives and negatives in increasing turnover in carparks and boosting revenue while also penalising motorists.
- 172 The Startforth Parish Council's feedback has been accounted for within the summary of survey responses. Startforth Parish Council disagree with the Council's further savings proposals stating they will have a negative impact. They specifically state the removal of the 2pm free parking initiative will have a detrimental impact on businesses in the area.

Blackhall Community Centre

- 173 The Blackhill Community Centre's feedback has been accounted for within the summary of survey responses. Blackhall Community Centre disagree with the council's further savings proposals stating they will have a negative impact on them, - already under pressure, such steps will mean they will require voluntary, third-party organisation support. They suggest the council

can raise additional income via the re-introduction of home collections for bulky items to save against fly tipping collection services.

Community Association

- 174 The Community Association's feedback has been accounted for within the summary of survey responses. The Community Association disagree with the council's further savings proposals stating they will have a negative impact in the main due to service reduction. They suggest the council can raise additional income by undertaking a review of Councillors' allowances including their travel allowances and attendances at conferences.

YMCA

- 175 YMCA's feedback has been accounted for within the summary of survey responses. YMCA disagree with the council's further savings proposals stating they will have a negative impact. They state in relation to proposals concerning the AAPs area budgets that this could have a detrimental impact on the voluntary sector and other services, who support the work of the council and some of which have become reliant on funding to sustain community initiatives and may no longer be able to continue. They suggest the council can raise additional income by undertaking a review of internal structures concerning areas where the impact would not be felt by the community.

Durham Youth Council

- 176 During the second phase of consultation DYC invited the council's Finance Manager and Consultation and Engagement Team Leader to attend their November meeting. During the discussion the young people voiced caution regarding the car parking charges proposals and proposals to review early years and nursery provision. With regards to the car parking charges proposals, they focused on the unaffordability of the increased charges and new charges especially on low-income individuals likely to include younger people.
- 177 Additionally, seven DYC members also responded to the survey which has been accounted for within the summary of survey responses. Six respondents either agree or neither agreed nor disagreed with the council's further savings proposals. Additional comments made in respect of this question show three responses that agree with the proposals because they are balanced or least impactful and three responses that disagree with the proposals specifically concerning the savings category: making changes to how we deliver front line services, in respect of early years and nursery provision proposals.
- 178 The majority of responses (four) confirm the savings proposals would have neither a negative nor positive impact. The remaining three responses state

the proposals will have a negative response. DYC respondents suggest the council can raise further income by reviewing Councillor / senior officer pay and expenses, reviewing grounds maintenance services and considering seasonal tiered parking charges.

Car Parking Charges and Tariff Review Consultation (Oct to Nov 2013)

- 179 Between 23 October and 13 November 2013 additional consultation was carried out proposed changes to car parking charges in Durham City, Seaham and Crimdon. The public were asked to consider a number of proposals and confirm whether they agree or disagree with the proposal and whether the impact of each proposal will be negative or positive.
- 180 A total of 3,323 people completed the online survey. Within this total 2,618 were residents, 294 were organisations, 173 were businesses and 294 were Elected Members. In terms of identifiable organisations, responses were received from Durham City Centre Church, an Angling Club, East Durham Heritage and Lifeboat Centre, a Cadets and Scouting group, Durham Miners Association, a local Town and Parish Council, A Bell Ringing group, East Durham Artists Network and Seaham Bridge Club. Additionally, 224 responses were received from visitors, 25 responses were received from local employees and 2 responses were received from Durham Youth Council.
- 181 The analysis of the qualitative feedback is in progress however the tables below outline the quantitative feedback and as can be seen, a significant majority of responses disagreed with the proposals. This feedback being contrary to the responses to the initial consultation, where many respondents indicated a preference that the council should actively seek to maximise fees and charges, including car parking charges, before impacting upon front line services:

Question: Do you agree or disagree with the following proposal?			
Proposal detail / description	Agree	Disagree	Total number of responses
Introduce Sunday on-street parking charges in Durham City	5.1%	94.9%	453
Introduce Sunday parking charges at Providence Row	7.8%	92.2%	244
Increase of on-street charges in Durham City	11.7%	88.3%	273
Increase of off-street charges in Durham City	9.2%	90.8%	239
Introduce Sunday Park & Ride Service	61.4%	38.6%	153
Increase of Park & Ride fare	17.7%	82.3%	175
Introduce parking charges in Seaham coastal car parks	2.5%	97.5%	2710
Introduce parking charges on North Road in Seaham	3.8%	96.2%	1814
Introduce parking charges at Crimdon	5.5%	94.5%	563

Question: What do you feel would be the impact of the following proposal?			
Proposal detail / description	Positive*	Negative**	Total number of responses
Introduce Sunday on-street parking charges in Durham City	4.2%	93.4%	454
Introduce Sunday parking charges at Providence Row	5.7%	90.2%	244
Increase of on-street charges in Durham City	5.1%	87.9%	273
Increase of off-street charges in Durham City	3.8%	90.4%	239
Introduce Sunday Park & Ride Service	47.4%	37.7%	154
Increase of Park & Ride fare	4.6%	79.8%	173
Introduce parking charges in Seaham coastal car parks	2.0%	96.7%	2702
Introduce parking charges on North Road in Seaham	2.5%	95.9%	1807
Introduce parking charges at Crimdon	2.5%	95.0%	565

* Extremely positive + Positive

**Extremely negative + Negative

182 Corporate Overview and Scrutiny Management Board (COSMB) will meet 23 January 2024 to consider this report, with details of their deliberations included in the 14 February report. COSMB will meet again on 15 February 2024 to consider the 14 February report and details will be included in the Council report on 28 February 2024. The Chair of COSMB will be provided an opportunity to present the views of COSMB to Council as part of the budget setting meeting on 28 February 2024.

MTFP(14) Summary

183 The report to Cabinet on 11 October 2023 highlighted significant shortfalls over the MTFP(14) period. Before taking into account the savings options proposed for consultation but after assumptions on council tax increases across the MTFP(14) planning period, the shortfall was £67.602 million over the MTFP(14) period with £16.308 million of the shortfall in 2024/25.

184 The updated MTFP(14) forecasts attached at Appendix 2, have been updated for the provisional local government grant settlement published on 18 December 2023 and revised updated assumptions on base budget pressures. The forecasts still assume that the council will raise council tax by the maximum sum possible of 4.99% in 2024/25 and 2.99% per annum over the period 2025/26 to 2027/28.

185 Before taking into account the savings options proposed but after assumptions on council tax increases across the MTFP(14) planning period, the updated shortfall is £58.423 million over the MTFP(14) period with

£14.411 million of the shortfall in 2024/25. The savings proposals now total £16.240 million, with £7.964 million of this considered achievable in 2024/25.

- 186 The MTFP(14) updated forecasts in terms of savings shortfalls is summarised below for the MTFP(14) period 2024/25 to 2027/28, with a circa £20 million funding gap anticipated in 2025/26 (£6.447 million in year base budget gap in 2024/25 plus a further £13.251 in year base budget gap in 2025/26):

	Savings Requirement	Less Savings Options	Savings Shortfall
	£m	£m	£m
2024/25	14.411	7.964	6.447
2025/26	16.950	3.429	13.521
2026/27	15.465	3.694	11.771
2027/28	11.597	1.153	10.444
TOTAL	58.423	16.240	42.183

Risk Assessment

- 187 There remains significant uncertainty and a wide range of financial risks that need 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. All risks will be assessed continually throughout the MTFP(14) planning period. Some of the key risks identified include:

- (a) ensuring the achievement of a balanced budget and financial position across the MTFP(14) period – including balancing the Councils appetite to increase council tax vs increase potential cuts to service provision;
- (b) ensuring any savings plans are risk assessed across a range of factors e.g., impact upon customers, stakeholders, partners, and employees and that there is appropriate management oversight on the delivery of those savings to ensure they are delivered and realise the financial returns expected;
- (c) the Chancellor of the Exchequers confirmation that the public sector would see only a 1% real terms increase in funding for the period 2025/26 to 2027/28. Given that the health service, education and defence normally receive protection in this regard, it is forecast that unprotected government departments, such as local government, will face very tight financial settlements over this three year period and

inevitable cuts in funding rather than much needed increases. Many commentators, as well as the OBR itself have noted that such tight financial settlements for areas such as local government are unrealistic and will result in sector wide challenges. It is telling that the OBR have drawn this conclusion despite their assumption that council tax increases will continue to be 4.99% year on year in the three years 2025/26 to 2027/28, though the Government have only confirmed the position for 2024/25.

- (d) the outcome of the government's Fair Funding Review which is expected to be consulted upon during the next two years with the earliest implementation now being 2026/27. Any implementation could result in significant changes to the distribution of government funding, however, at the same time there was expectation of a business rate reset in 2023/24 as part of Business Rate Retention (BRR). This did not progress due to the delay in the implementation of the FFR. A business rate reset will not be implemented until the FFR is progressed. The council would expect to be a beneficiary of any business rate reset as business rate income growth in the county has been lower than the national average since the implementation of BRR in 2013/14;
- (e) the localisation of council tax support which passed the risk for any increase in council tax benefit claimants onto the council. Activity in this area will need to be monitored carefully with medium term projections developed in relation to estimated volume of claimant numbers. The coronavirus pandemic resulted in a reduction in the council tax base for the first time since the council took on responsibility for council tax support;
- (f) 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 revised '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(14);
- (g) the impact of future increases in inflationary factors such as the National Living Wage and pay awards, which will need to be closely monitored. Having achieved the long held strategy of reaching 66% of national median wages in April 2024, the Government have asked the Low Pay Commission to produce a report in 2024 on the future trajectory of the NLW;
- (h) the council continuing to experience increases in demand for social care services – particularly children's social care – and for home to school transport. Although some allowance is made for demand increases across the MTFP(14) period this issue will need to be closely monitored as experience in recent years has been that pressures in

looked after children and home to school transport budgets in particular have exceeded the prudent estimates included in previous MTFP planning rounds;

- (i) the funding position for the High Needs Dedicated Schools Grant. It was hoped that the government fully recognises this pressure as part of the financial settlement, but that has not proved to be the case and Cabinet received a report in December which demonstrated that costs cannot be contained within the grant provided going forward based on current assumptions;
- (j) it is still not possible to be fully clear at this point as to any long-term impact from the coronavirus on council costs and income, though a budget adjustment is proposed with regards to leisure centre income levels and for the Park and Ride service based on experience over the last two years and forecasts for the shortfall that will materialise again this year. This will continue to be closely monitored with any ongoing impact needing to be built into future MTFP plans;
- (k) the next the triennial valuation review of the Pension Fund will need to be applied from April 2026. This will set the employers' pension contribution rate for the following three years, as well as determining the annual contribution to eliminate the pension fund deficit. In the first year since the latest triennial review was undertaken (based on the position at 31 March 2022) asset values within the pension fund have not increased as much as forecast, largely due to market instability due to the continuing impact of the war in Ukraine, and it is presently forecast that there may need to be an increase in employers pension contribution rates or pension deficit payments in 2026/27.
- (l) the impact of requirements associated with the health and social care reforms if and when they are resurrected post the General Election.

Council Tax Empty Property Premium Charge Section 13A(1)(c) Reduction Policy

- 188 Three proposals in relation to changes in Empty Property and Second Home policies were approved by Cabinet on 15 November 2023. These proposals focus on bringing properties back into full time use by providing a financial disincentive to owners of such properties whilst generating additional spending power for the authority, at a time when the council is having to make significant savings to balance its budget.
- 189 From 1 April 2024 changes will be made to the Council's empty home premiums, with the period a property needs to be classed as empty and unfurnished before attracting a 100% Council Tax premium reduced from two years to twelve months. Also, for those properties which have been classed

as empty and unfurnished for over 10 years, a 300% Council Tax premium will be applied rather than the 200% premium that is currently applied.

- 190 In line with these two changes and the public consultation which took place from July 2023 to September 2023 to inform the decisions made by Cabinet in November the Empty Homes Policy, and the reliefs available to liable parties, has been reviewed and updated with a copy of the updated policy attached at Appendix 5.
- 191 Relief is currently offered for those properties in need of renovation, properties which are currently up for sale/let, and to owners who are undergoing legal or technical difficulties in relation to the property. As at 1 October 2023, there were 301 awards active for Section 13a relief, totalling £714,385 of reductions in the premiums in place for the current year.
- 192 During the consultation, no significant new or additional circumstances were highlighted that the current policy did not already support, so there are no new circumstances of the property which need to be considered in addition to those already offered by Durham County Council.
- 193 A further review of the council's internal procedures is being undertaken to ensure the process is as efficient as possible while also ensuring that any risk areas of exploitation of current support are identified and mitigated.
- 194 From 1 April 2025 a further Council Tax premium shall be introduced for those properties which are classed as second homes. During the coming year a review of all empty and furnished properties will be undertaken to determine which of these should have the new premium applied to them. In line with this introduction, a further review of the Section 13A (1)(c) Reduction policy will take place to incorporate this change and inform any further changes required to the support available.

Conclusion

- 195 The provisional settlement received confirms the funding announced in the 2022 AS and whilst this additional funding is to be welcomed there was no new additional funding provided and the overall level of grant funding being made available falls well short of the sums required to cover the demand and inflationary costs being faced by the council, which cannot be met from council tax increases locally.
- 196 Once again, the AS and the provisional settlement did not provide any long term certainty for local government, with many uncertainties still in place in relation to settlements from 2025/26 onwards. This uncertainty is exacerbated by the upcoming General Election.
- 197 The report sets out details of the consultation feedback received on the savings proposals and budget strategy set out in the previous reports to

cabinet in July and October 2023. The feedback will need to be taken on board in terms of finalising the savings that will be presented to Cabinet and Council in February as part of the budget setting process.

- 198 Corporate Overview and Scrutiny Management Board (COSMB) will meet 15 January 2024 to consider this report, with details of their deliberations included in the 14 February report. COSMB will meet again on 23 February 2024 to consider the 14 February report and details will be included in the Council report on 28 February 2024. The Chair of COSMB will be provided an opportunity to present the views of COSMB to Council as part of the budget setting meeting on 28 February 2024.
- 199 The report sets out details of proposed changes to the savings previously considered by Cabinet. None of the savings previously put forward have been withdrawn at this stage, but there are some re-profiling proposals between 2024/25, 2025/26 and 2026/27. In addition, new savings are recommended for consideration from Neighbourhoods and Climate Change and Resources, which increases the overall saving total to £16.240 million across the MTFP(14) period. Details of these are set out in the report.
- 200 Planning for the councils 2024/25 budget will continue and be finalised over the coming weeks with the budget report to be presented to Cabinet on 14 February 2024 before being presented to Council on 28 February 2024.
- 201 Finally, the report includes an updated Council Tax Empty Property Premium Charge Section 13A(1)(c) Reduction Policy, which has been reviewed in line with the decisions taken by Cabinet in November in terms changes in Empty Property and Second Home policies.

Background papers

- Autumn Statement, published 225 November 2023
- Provisional Local Government Finance Settlement, published 18 December 2023

Other useful documents

- Medium Term Financial Plan (13), 2023/24 to 2026/27 – Report to Council 22 February 2023
- Medium Term Financial Plan (14), 2024/25 to 2027/28 – Report to Cabinet 12 July 2023
- Medium Term Financial Plan (14), 2024/25 to 2027/28 – Report to Cabinet 11 October 2023

- Council Tax Base 2024/25 and Forecast Deficit on the Council Tax Collection Fund as at 31 March 2024 – Report to Cabinet 15 November 2023

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Appendix 1: Implications

Legal Implications

The council has a statutory responsibility to set a balanced budget for 2024/25. It also has a fiduciary duty not to waste public resources.

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

On 22 November 2023 the Chancellor of the Exchequer published an Autumn Statement (AS). In making the AS, the Chancellor of the Exchequer deferred decisions on any significant funding reductions in the public sector until the next parliamentary period, with reductions now expected in the period 2025/26 to 2027/28.

The additional funding being provided to the council in 2024/25 is welcome but will not be sufficient to set a balanced budget, even after the council applies a maximum council tax increase in line with the referendum limits. The report highlights that there is a savings shortfall in 2024/25 of £14.411 million required to balance the 2024/25 budget, with a shortfall of £58.423 million of additional savings required across the next four years.

Additional savings of £16.240 million across the MTFP(14) period have been factored into the forecasts to assist in balancing budgets across the MTFP(14) period.

The savings factored into the July and October Cabinet reports have been subject to consultation during October to December. None of the savings previously put forward have been withdrawn at this stage, but savings linked to Local Council Tax Reduction grants to Town and Parish Councils and a small number of other proposals have been refiled. The savings outlined in Appendix 3 have been augmented with new additional savings totalling £0.910 million since the October Cabinet report was considered.

Final decisions on savings to be implemented will be taken as part of the budget setting report in February 2024.

The achievement of £7.964 million of savings in 2024/25 will help reduce the 2024/25 funding shortfall from £14.411 million to £6.447 million whilst the £16.240 million of savings proposed across the MTFP(14) planning period will reduce the savings shortfall over the four years from £58.423 million to £42.183 million.

There is a forecast requirement at this stage to use £6.447 million of the MTFP Support Reserve to balance the budget in 2024/25 whilst additional savings are developed to ensure a more sustainable budget is developed from 2025/26 onwards.

The in year funding gap in 2025/26 is forecast to be £19.968 million. Achieving savings of this magnitude in that year will be extremely challenging, which will necessitate early planning for MTFP15 to commence immediately after the 2024/25 budget and MTFP14 is agreed in February.

Consultation

The report provides full detail on the MTFP(14) consultation process and Appendix 4 contains a more detailed summary of the consultation feedback that was received.

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 take into account when considering these savings proposals.

The July and October reports contained summary details of the impact assessment on the proposed savings. An updated Equality Impact Assessment factoring in the consultation feedback and further work undertaken since the initial screening was undertaken in October will be factored into the February reports.

Climate Change

The council budget provides resources to enable the council to make progress against and help meet the requirements set out in the council’s Climate Change Emergency Response Plan.

Human Rights

Any human rights issues will be considered for each of the proposals as they are developed, and decisions made to take these forward. There are no human right implications from the information within the report.

Crime and Disorder

None

Staffing

The impact of the MTFP forecasts and the savings proposals that have been developed to contribute to the financial challenges faced is detailed within the report.

Should the MTFP(14) savings proposals set out in the July, October and this report, as amended for the changes outlined in this report be implemented in full, it is estimated that there will be circa 100 FTE reduction across the four years. HR policies will be strictly adhered to in terms of any restructure activity and priority will continue to be placed on seeking voluntary redundancies and early retirements to mitigate against the need for compulsory redundancies.

The staffing / HR implications arising from the action that will need to be taken to meet the circa £42.183 million shortfall over the next four years are yet to be determined and will need to be outlined in future reports for MTFP(15) and beyond.

Accommodation

Medium Term Financial Plan (MTFP) savings of £0.275 million were previously factored into MTFP(12) from the expected move to the new HQ and closure/demolition of the existing County Hall building at Aykley Heads.

Based on the revenue estimates that underpinned the review of the options for disposal of the building on the sands and the implementation of an alternative strategy, net revenue running costs are still forecast to be at least £0.275 million.

Risk

The council is continuing to operate in a period of significant financial uncertainty and volatility. When the 2023/24 budget was approved on 22 February 2023, the council was concerned about the ongoing and consequential impact of high levels of demand for services and historic high levels of inflation. These concerns still remain. The impact of demand and inflation is being experienced across all council services with no part of the council's budget unaffected.

Prudent financial planning assumptions have been 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.

A robust approach to Risk Assessment across the MTFP process will be followed especially in relation to any individual risk assessments of savings plans. The savings plans have been assured in terms of delivery with every attempt made to seek to protect front line services as far as possible.

Procurement

None

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