County Council

28 February 2024

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

Report of Cabinet

Electoral division(s) affected:

Countywide

Purpose of the Report

1 To provide comprehensive financial information to enable Council to agree the 2024/25 balanced revenue budget, an outline Medium Term Financial Plan MTFP(14) 2024/25 to 2027/28 and a fully funded capital programme. The proposals in this report are integral to decisions on the level of Council Tax to be set for 2024/25.

Executive summary

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

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

(b) consideration of the announcement by the Government on 24 January 2024, after intense lobbying across local government, of an additional £600 million of funding being made available in 2024/25. The £600 million includes an additional £500 million allocation to the Social Care

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

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

(c) consideration of the Final Local Government Finance Settlement announced on 5 February 2024. The final settlement confirmed that the majority of government grant funding would be in line with the provisional settlement but there was an announcement of an increase in the Services Grant of £10.5 million nationally, with the council receiving an additional £0.078 million. The increase in Services Grant resulted from less funding being required for the Funding Guarantee than was previously forecast.

(d) in addition to the recovery of £10 million use of the Medium Term Financial Plan Support Reserve to balance the 2023/24 budget, there is provision for £51.8 million of unavoidable base budget pressures in 2024/25, resulting from pay and price inflation (£14.9 million) – including £3.7 million to offset the 2023/24 pay award shortfall; increased costs of children's services (£12 million) and adults' social care (£12.6 million) ; increased Home to School Transport (£2.5 million); expenditure in relation to specific grants (£2.9 million), additional demand / income loss pressures in service groupings (£4.8 million), the impact of a loss of housing benefit subsidy linked to temporary accommodation and supported housing (£2.6 million); a loss of investment income as cash balances continue to decline (£1.1 million); offset by a saving from a review of the council's minimum revenue provision policy (£0.7 million) and savings from a reduction in the general contingency budget and the unwinding of the impact of the pandemic grant funding in the collection fund (£1 million);

(e) new additional MTFP(14) capital schemes for the period 2024/25 to 2025/26 totalling £90.003 million. These proposals also produce a pre commitment of £2.880 million for 2026/27 taking total additional capital schemes to £92.883 million. This results in total investment from 2024/25 to 2027/28 being £513.656 million;

(f) capital investments in MTFP(14) include the MTFP(13) pre commitment of £10 million to bring the Greenfield School scheme budget to over £20 million; investment of the £14.8 million Local Transport Plan (LTP) government grant in highways maintenance, supplemented with an additional £5 million from the council; additional funding of £7.5 million provided to fund the forecast £10 million demolition of County Hall; a 23% increase in the Leisure Transformation Programme, with a further £10 million of capital investment added to the £43.2 million of budget already made available; a £5 million budget to repair bridges and structures across the county; and an additional £2 million allocation for building investment to enable the council to meet our Net Zero targets.

(g) a range of savings options were presented to Cabinet on 12 July and 11 October 2023 and subject to consultation which if implemented could help support balancing budgets across the MTFP(14) period. These were augmented with further savings totalling £1.029 million that had been developed subsequently and included in the Cabinet reports on 17 January and 14 February 2024. After taking into account the feedback in the consultation alongside the addition of the further savings considered in the January / February Cabinet reports , the savings recommended for approval are £8.083 million for 2024/25 with £16.360 million across the MTFP(14) period;

(h) a 2.99% increase in relation to the base council tax referendum limit and a necessary increase in the adult social care precept of 2.0% in 2024/25 to help meet the significant cost pressures in this budget, giving a total overall increase of 4.99% which is expected by the Government as part of their Core Spending Power calculations and assumptions;

(i) although savings of £8.083 million are recommended for 2024/25 and a 4.99% council tax increase is proposed, there will still be a requirement to utilise £3.720 million of the MTFP Support Reserve to balance the 2024/25 budget. The use of the MTFP Support Reserve can only be a short-term solution to buy time to develop sustainable base budget savings to balance the 2025/26 budget, where the council faces a significant challenge and will be required to deliver £16.789

million of further savings that year based on the budget forecasts, which will be a significant challenge for the council.

November 2023 Autumn Statement

3 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.

4 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’.

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

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

7 The rapid increase in the NLW over recent years has placed significant pressure upon adult social care commissioning and home to school transport costs, but also resulted in the bottom pay scales in local government being very close to the revised NLW. Prior to settling the 2024/25 pay award, the bottom grade in local government will only be 11p per hour more than the updated NLW as at 1 April 2024. This situation puts pressure on the national local government employers to seek to increase the pay of the bottom pay scales within local government to maintain pay differentials at 1 April each

year, given that historically the pay award has not been able to be agreed in advance of the start of the financial year.

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

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

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

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

12 Regardless of this, even a 7.5% increase in CSP for local government would not provide sufficient funding to cover the unprecedented cost pressures being faced. The lack of any additional funding announced at the time of the provisional settlement (over and above the 2022 published figures) was

contrary to widespread expectation that there would be, and despite a number of authorities publishing or commenting that they may be required to publish Section114 notices given their precarious financial position. Had the Government maintained its position of providing new additional funding, there would be even more significant implications for the council's spending going forward necessitating urgent and unprecedented action during the coming twelve months. As it stands, the additional funding announced on 24 January 2024 has helped to relieve some of the immediate pressure but in no way fully resolves the underlying budget pressures facing the council and the wider sector.

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

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

Provisional Local Government Finance Settlement

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

16 The provisional settlement confirmed the additional allocation for the council from the Better Care Fund (BCF) - Adult Social Care (ASC) Grant of £2.885 million in 2024/25 bringing the BCF ASC Grant to up to £7.212 million next year. This specific grant is ring fenced and must be pooled with a similar allocation that is being made to the NHS and is to be utilised to facilitate early discharge of patients from hospital. An additional sum of £5.739 million in 2024/25 was also confirmed from the Market Sustainability and Improvement Grant alongside an additional £9.413 million allocation for the Social Care Grant which seeks to support both children's and adults social care, though falls woefully short of the pressures faced in these areas.

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

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

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

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

21 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.

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

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

24 It is also of significant concern that there is the prospect of funding reductions for the public sector from 2025/26 onwards. On the basis that health, education and defence would likely be protected going forward, it is probable that this will lead to some tough grant reductions for that period for unprotected government departments such as the Department for Levelling Up, Housing and Communities and a potential return to austerity measures from 2025/26 onwards. At this stage, for modelling purposes, it is assumed that grant settlements for the council will be cash flat for the period 2025/26 to 2027/28. This may prove to be an optimistic assumption and it is a concern that grant reductions could be a further pressure on the sector at a time when many local authorities are already declaring financial emergencies, with many others considering cutting back preventative services that are likely to result in even more financial pressures over the longer term.

Additional Funding Announcement

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

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

27 On 24 January 2024 (after the provision settlement), the Government announced an additional £600 million of funding was being made available in 2024/25. The £600 million includes an additional £500 million Social Care Grant, £15 million for the Rural Services Delivery Grant and a forecast £85 million for an increase in the Funding Guarantee from 3% to 4%. The council will only benefit from the increase in the Social Care Grant and is forecast to receive an additional £5.880 million in 2024/25 beyond the sums announced in the provisional local government settlement.

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

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

Final Local Government Finance Settlement

30 The Final Local Government Finance Settlement was published on 5 February 2024. The final settlement confirmed that the vast majority of the 2024/25 core government grant payments to the council would be in line with

the provisional settlement and the 24 January 2024 additional funding announcement but the final settlement included an increase in the Services Grant nationally of £10.5 million, with the council receiving an additional £0.078 million. The increase in Services Grant resulted from less funding being required for the Funding Guarantee than was previously forecast.

Savings Plans

31 The council constantly strives to identify efficiency savings which can be realised without unduly impacting upon front line service delivery. A range of savings options were detailed in the 12 July 2023 and 11 October 2023 MTFP(14) Cabinet report and were part of the MTFP(14) consultation process between September and December 2023. These were augmented with further savings totalling £1.029 million that had been developed subsequently and included in the Cabinet reports on 17 January 2024 and 14 February.

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

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

Capital Investment

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

million for 2026/27 taking total additional capital schemes to £92.883 million. This results in total investment from 2024/25 to 2027/28 being £513.656 million.

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

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

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

Council Tax

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

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

40 After considering the impact on the council's budget and on local council taxpayers, the most financially vulnerable of which continue to be fully protected by our Local Council Tax Support Scheme, and the support available through the council's welfare assistance programme, this report

recommends that the council utilises the full 4.99% council tax increase available to it without a referendum.

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

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

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

44 Despite the comments in the Government’s Policy Statement in early December 2023, the council must not rely on reserves to balance the budget over coming years as this is not a sustainable budget strategy to adopt and in any event, the council will not have sufficient reserves to meet the challenges it faces. In this regard CIPFA’s Resilience Index data for the period 2020/21 to 2022/23 highlights the council as seeing one of the highest uses of reserves of any upper tier in the authority over the last three years. This is likely to result in questions being asked of the council by the Office for Local Government (OFLOG), though the level of reserves held is considered sufficient and prudent at this stage. The report includes an analysis of the latest data published under the Resilience Index and highlights the significant implications of the statutory override on the treatment of High Needs deficits being withdrawn without compensatory funding and the cumulative deficit crystalising in the General Fund in future.

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

(a) continued support to protect the over 53,600 households in receipt of low incomes through the continuation of the existing Council Tax Reduction Scheme, where over 81% of eligible households will continue to be awarded 100% relief against their Council Tax payments;

(b) ongoing work with health partners to ensure health and social care funds are maximised for the benefit of vulnerable people through the services we provide; and

(c) significant further investment in capital expenditure including investment in school provision, in our leisure transformation programme, in our town centres and infrastructure, including new transport schemes and maintenance of our highways and pavements. In total new additional MTFP(14) schemes for the period 2024/25 to 2025/26 are included totalling £90.003 million. These proposals also produce a pre commitment of £2.880 million for 2026/27 taking total additional capital schemes to £92.883 million.

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

Dedicated Schools Grant and Schools Funding Formula

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

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

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

50 The significant and increasing HNB deficit position was exemplified in a report to Cabinet in December 2023 and is a very serious concern for the council and many other local authorities. An exceptional accounting override currently allows councils to exclude HNB deficits from their main council

general revenue funding position, however, this is due to end after 2025/26, at which point the HNB deficit may need to be funded by council resources. Crystalising this deficit in the General Fund without additional government funding would likely result in a swathe of Section 114 notices across the sector and is simply unsustainable.

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

Other Considerations

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

Recommendation(s)

53 Detailed below are the recommendations being made by Cabinet to Full Council for approval:

(a) 2024/25 Revenue Budget

(i) note the fiduciary and legal responsibilities on all members to set a balanced budget by 11 March (as set out at Appendix 7);

(ii) approve the identified base budget pressures included in Table 11;

(iii) approve recommending the savings plans detailed in Appendix 4, which total £8.083 million in 2024/25, £3.429 million in 2025/26, £3.694 million in 2026/27 and £1.154 million in 2027/28;

(iv) note that a report will be presented to Cabinet later in the year on the impact of the removal of the council owned car park free after two policy (which will generate £350,000 of additional income) and to consider options in this regard;

(v) approve recommending a 2.99% 2024/25 Council Tax increase and a 2% increase which relates to the Adult Social Care precept, totalling a combined 4.99% overall increase in council tax;

(vi) approve the 2024/25 Net Budget Requirement of £564.871 million.

(b) MTFP(14)

(i) agree the forecast MTFP(14) financial position, as set out at Appendix 3;

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

(iii) aim to maintain the General Reserve in the medium term between 5% and 7.5% of the Net Budget Requirement which in cash terms is between £28.2 million and £42.4 million.

(c) Capital Budget

(i) approve the Capital Strategy at Appendix 9;

(ii) approve the additional capital schemes detailed at Appendix 10, totalling £92.883 million (including a £2.880 million commitment into MTFP(15)). These schemes will be financed from additional capital grants, capital receipts and from prudential borrowing;

(iii) note the option for the council to utilise capital receipts to finance severance costs utilising available flexibilities in this regard. The utilisation of such flexibility would require the approval of Cabinet;

(iv) approve the MTFP(14) Capital Budget of £513.656 million for 2024/25 to 2027/28 as detailed in Table 20.

(d) Savings Proposals

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

(e) Equality Impact Assessment

(i) consider the identified equality impacts and mitigations;

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

(f) Pay Policy

(i) approve the Pay Policy Statement at Appendix 13;

(ii) Delegated authority is sought for the Corporate Director Resources to approve the new scale of fees for individual by-elections, in consultation with the Deputy Leader, when they have been confirmed.

(g) Risk Assessment

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

(h) Dedicated Schools Grant

(i) note the position on the Dedicated Schools Grant;

(ii) approve the local formula for schools set out in Table 22 and authorise the Corporate Director of Resources to approve any amendments required following review by the DfE.

(i) Prudential Code, Treasury Management and Property Investment

(i) agree the Prudential Indicators and Limits for 2024/25 – 2027/28 contained within Appendix 14 of the report, including the Authorised Limit Prudential Indicator;

(ii) agree the Minimum Revenue Provision (MRP) Statement contained within Appendix 14 which sets out the council’s policy on MRP;

(iii) agree the Treasury Management Strategy and the Treasury Prudential Indicators contained within Appendix 14;

(iv) agree the Cash Investment Strategy 2024/25 contained in the Treasury Management Strategy (Appendix 14 including the detailed criteria);

(v) approve the Property Investment Strategy at Appendix 15.

Background

54 The council’s budget and MTFP(14) are aligned to the council plan, which was agreed by County Council on 22 February 2023 setting out the council’s strategic service priorities. The council plan has been refreshed and updated for the period 2024 - 2028 and is being considered separately by Cabinet on the 14 February and, subject to approval, by full Council on 28 February 2024.

55 The MTFP provides a forecast of spending pressures and the resources required to set a balanced budget which will allow the council to deliver its priorities in the context of local and macro-economic conditions. It also reflects how the council responding to and recovering from the impacts of the coronavirus pandemic.

56 Looking back to MTFP(1), the following drivers for the council’s financial strategy were agreed by Cabinet on 28 June 2010, which still largely underpins the council’s strategy in MTFP(14):

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

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

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

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

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

Autumn Statement

57 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.

58 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.

59 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'.

60 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.

61 As part of the AS the Chancellor of the Exchequer announced that the National Living Wage(NLW) 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 and although this was hoped to be a worst-case position the NLW announcement was in line with our financial planning assumptions.

62 The rapid increase in the NLW over recent years has placed significant pressure upon adult social care commissioning and home to school transport costs. It 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 the national local government employers to seek to increase the pay of the bottom pay scales within local government to maintain pay differentials at 1 April each year, given that historically the pay award has not been able to be agreed in advance of the start of the financial year. At this stage a 4% uplift is included in our 2024/25 budget forecasts for the local government pay award in 2024/25.

63 Unfortunately, for the public sector, no new additional funding was made available, over and above the sums previously announced in the 2022 AS. At this time the Government had advised that local government would see an increase in Core Spending Power (CSP) of 6.5% which is higher than the current Consumer Price Index of 4.0%. 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.

64 As part of this the Government had assumed that the authority’s council tax base would increase and 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.

65 A 6.5% increase in CSP for local government would not provide sufficient funding to cover the costs presently being faced.

66 The lack of any new additional funding in the 2023 AS for 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. ‘

67 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 and the councils forecasts of annual council tax increases in the period 2025/26 to 2027/28 are at 2.99%.

68 The following announcements were also set out in the AS:

(a) **Benefits** – all benefits will be uprated 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.

69 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 forecasts:

Table 1 – Movement in CPI Forecasts

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

Local Government Provisional Finance Settlement

70 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. It did not include any much needed new additional funding and the allocations to Durham were lower than what the council had been forecasting. The final settlement is expected to be published in February 2024. The additional funding to be provided to local authorities next year, along with the council's provisional allocations published on 18 December 2023 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 the £2.411 million for the workforce element of the grant will be used on short term measures to support the adult social care market.

(c) **Social Care Grant - £9.413 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 council's 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 would not however fully address the demographic, base budget and pay and price inflationary pressures in Children and Adult Social Care alone of £35.976 million in 2024/25;

(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 and the impact this would have on unprotected government departments;

(e) **Business Rate Local Share, Top Up Grant and Section 31 Grant –** local authorities receive in inflation uplift in line with CPI annually on these income streams.

In the past government have often chosen to cap business rate increases and provide additional Section 31 grant income to local authorities to cover the loss in business rate income.

In the 2023 Autumn Statement the Chancellor confirmed that a 6.7% uplift in business rates would apply to the standard multiplier but that small business rate relief would be frozen. This will result in an increase again in the Section 31 grant received from the Government to recoup the lost business rate income.

The council has now received and completed the National Non-Domestic Rate 1 (NNDR1) return and the additional income the council will receive from the 6.7% uplift in retained business rates, Top Up Grant and Section 31 Grants is forecast to be £11.050 million, an increase of £0.150 million upon previous forecasts.

(f) **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 built in the county over the 12 months October 2022 to September 2023 compared to the same period a year before and in comparison to other areas in the country.

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

(g) **Services Grant –** the council currently receives £5.148 million of services grant. This grant was introduced in 2022/23 as one-off funding, which was retained in 2024/25. It 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 expected, 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.

71 The Government has also announced that the implementation of the Fair Funding Review (FFR) will be delayed until at least 2026/27.

72 Overall, the provisional local government settlement was worse than the council was forecasting with government funding being circa £1.751 million less than expected.

73 The major concern for the council is 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 will 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.

Additional Funding Announcement

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

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

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

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

78 The additional £500 million of Social Care grant is expected to be apportioned based upon the Adult Relative Needs Formula with no element of equalisation. The forecast additional £5.880 million will increase the Social Care Grant we receive from £58.977 million to £64.857 million. The announcement on 24 January 2024 advised that the additional grant should

be ring fenced for investment in Adult and Children's social care although the current grant is non ring fenced and can be invested as the council wishes.

79 In terms of distribution, the additional £600 million of funding for local government will increase the Core Spending Power figures. The increase for the majority of authorities is between 0.9% and 1.1% points, with the national average increase being a 1% point increase to 7.5% and for the council the increase being 1% point to 7.6%.

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

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

Final Local Government Finance Settlement

82 The Final Local Government Finance Settlement was published on 5 February 2024. The final settlement confirmed that the vast majority of the 2024/25 core government grant payments to the council would be in line with the provisional settlement and the additional funding announcement on 24 January 2024, but there was an announcement of an increase in the Services Grant nationally of £10.5 million, with the council receiving an additional £0.078 million. The increase in Services Grant resulted from less funding being required for the Funding Guarantee than the forecast £85 million expected as part of the 24 January announcement.

83 The Government has also confirmed that £100 million will be released from the business rate safety net and levy account in 2023/24 on a one-off basis, distributed using 2013/14 settlement funding assessment shares. This one

off income distribution will be accounted for in 2023/24. Allocations have not been published at this stage, but it is forecast that the council will receive £1.050 million.

84 Alongside the final settlement, the government published allocations for funding in relation to the loss of business rate income related to green plant and machinery exemptions. Nationally the allocations total £21.7 million in respect of 2022/23 and 2023/24. It is forecast that the council will receive £0.088 million for 2022/23 and £0.087 million for 2024/24.

85 The announcement does not confirm the expected payment date for these amounts, but it is anticipated that they will be settled alongside the usual Section 31 grant reconciliation which usually takes place in February or March. The council will be required to account for these sums in 2023/24 as additional Section 31 grant income.

86 It is expected that this arrangement will continue into future years but at this stage this has not been confirmed by government. The uncertainty in this regard is highlighted in that that no sum has been built into Core Spending Power calculations for 2024/25. At this stage therefore, no estimate has been made for a sum to be received for 2024/25.

87 Alongside the final settlement, the Government confirmed that it will require councils to publish local productivity plans, agreed by Council Leaders and members - by 28 July 2024, identifying ways to unlock productivity improvements and setting out the key implementation milestones. The expectation is that they cover the following main areas;

(a) transformation of services to make better use of resources;

(b) opportunities to take advantage of advances in technology and make better use of data to inform decision making and service design;

(c) ways to reduce wasteful spend within systems, including specific consideration of expenditure on consultants and staff Equality, Diversity and Inclusion programmes – this does not include programmes designed to promote integration and civic pride, and counter extremism; and

(d) barriers preventing activity that Government can help to reduce or remove.

88 The Council will have to provide progress updates against these plans. There is no specific guidance on the plans and the Government says it will work

with the local government sector on the approach to producing these plans, but the plans should be short and draw on work councils have already done. Government intends to monitor these plans, and funding settlements in future will be informed by performance against them.

Core Spending Power (CSP)

89 The CSP figures published in the final local government finance settlement 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 published was a 7.5% CSP increase next year, whilst Durham's position is forecast to be 7.6%. 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. This funding uplift should not therefore 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.

90 Taking into account the issues identified above the council's actual CSP increase based on the provisional grant settlement would be much closer to 7% than 7.6%.

91 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 unitary authority in England, has a very similar CSP to Durham.

92 If Durham received a CSP per dwelling equivalent to the national average CSP of £2,541 per dwelling the council would receive an additional £42.3 million of government funding.

Table 2 – 2024/25 Core Spending Power

Area	Core Spending Power Per Dwelling
	£
England	2,541
Durham	2,373
Middlesbrough	2,733
Newcastle	2,544
Northumberland	2,449
Richmond Upon Thames	2,430
Wokingham	2,362

93 Areas with higher levels of deprivation have an increased reliance on government funding. This higher level of funding in deprived areas is required for a range of reasons including:

(a) in affluent areas, significant numbers of service users, especially in adult social care, can afford to contribute to the cost of their service provision. This is especially the case for residential care and home care services for the elderly. In these circumstances, the budget required to provide services in deprived areas is much higher than in affluent areas; and

(b) demand for services such as Children's Social Care in deprived areas is significantly higher than more affluent areas, resulting in deprived areas requiring higher budgets.

94 Considering the levels of deprivation in County Durham, it is concerning that the Government's CSP per dwelling calculation for Durham is £168 (c6.6%) less than the England average. The Index of Multiple Deprivation (IMD) highlights that Durham is the 48th most deprived local authority area in the country out of 151 upper tier authorities, yet the council's CSP is significantly lower than the national average and arguably the council's CSP should we well above the national average to meet the challenges it faces.

Consultation

95 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 proposed savings were included. Comprehensive detail of the consultation outcomes can be found at Appendix 2.

Consultation - Phase One (Sept-Dec 2023)

96 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).

97 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

98 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

Table 3 – Participation in Budget Consultation

Method	Number of people
Survey Online	253
Paper surveys (from Libraries and Cust. 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**

99 The approach enabled the council to engage with 809 people. This included 257 online survey respondents, with 80% of these respondents providing equality data. There is 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.

100 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.

101 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%.

102 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

103 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.

104 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:

105 Comments recognise that - savings have be to 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:

106 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, 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.

107 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

108 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

109 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

110 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

111 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.

112 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

113 Respondents were asked to select three service areas to target for additional savings. 255 respondents selected three service areas each, as detailed below

Table 4 – Budget consultation – Service areas prioritised for savings

	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%
Cust. access and customer services	28	11.0%
Housing services	26	10.2%
Community safety and protection	22	8.6%
Street cleaning and grounds maint.	21	8.2%
Preventative services	16	6.3%
Roads and transport	15	5.9%
Waste coll., disposal and recycling	14	5.5%
TOTAL	**765**	**300.0%**

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

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

Table 5 – Breakdown of Response on Council Tax Increase

	Frequency	Percent
Agree	108	42.5%
Disagree	146	57.5%
TOTAL	**254**	**100.0%**

115 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.

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

Table 6 – Additional Savings Areas if Council Tax Not Raised by 4.99%

	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?

117 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.

118 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, combing 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

Table 7 – Source of Survey Response

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

119 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.

120 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.

121 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

122 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.

123 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.

124 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 significantly changes 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?

125 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

126 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 APPs)

(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

127 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

128 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)

129 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

130 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

131 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

132 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

133 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

134 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

135 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

136 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

137 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.

138 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.

139 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.

140 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

141 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.

142 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

143 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

144 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.

145 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

146 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.

147 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

148 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.

149 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 depravation in the area which places further demand on public services.

Durham Youth Council

150 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.

151 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 is 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)

152 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.

153 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

154 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.

155 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

Table 8 – Source of Consultation Response

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

156 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.

157 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.

158 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).

159 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

160 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.

161 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.

162 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.

163 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

164 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 preferrable. 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 effectives 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

165 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.

166 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.

167 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.

168 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

169 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.

170 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.

171 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

172 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.

173 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.

174 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.

175 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

176 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)

177 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

Table 9 – Source of Consultation Response

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

178 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.

179 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% or organisations and 100% of business respondents disagreed with the Councils savings proposals approach.

180 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

181 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

182 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 council's 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

183 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

184 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

185 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?

186 The feedback focused on the impact of the savings proposals concerning the AAP area budget savings proposals and the car parking charges savings proposals.

187 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.

188 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.

189 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

190 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

191 Believe Hosing'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.

192 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.

193 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

194 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.

195 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

196 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

197 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

198 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

199 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.

200 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.

201 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 2023)

202 Between 23 October and 13 November 2023 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.

203 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.

204 The analysis of the qualitative feedback is in progress however the tables below outline the quantitative feedback:

Table 10 – Car Park Consultation Responses

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

205 Corporate Overview and Scrutiny Management Board (COSMB met on 23 January 2024 to consider the January Cabinet report, with details of their deliberations included in the 14 February Cabinet report. COSMB met again on 15 February 2024 to consider the 14 February Cabinet report and details are included below. The Chair of COSMB will be provided an opportunity to present the views of COSMB to Council as part of the budget setting discussions.

Scrutiny Committee Feedback

206 Detailed scrutiny of the Medium-Term Financial Plan (MTFP) continues to be undertaken by the Corporate Overview and Scrutiny Management Board in accordance with the terms of reference of that Committee as set out in the Council's Constitution.

207 At a meeting of the Corporate Overview and Scrutiny Management Board held on 25 January 2024 members received the report of the Corporate Director of Resources regarding the Medium-Term Financial Plan 2024/25 to 2027/28 and Revenue Budget 2024/25 – as considered by Cabinet on 17 January 2024. Members were invited to consider and comment on the report prior to consideration of the final Medium Term Financial Plan 2024/25 to 2027/28 and Revenue Budget 2024/25 report at Cabinet and Council in February 2024.

208 Members of the Board made the following comments:-

(a) The savings proposals and impacts on the MTFP of the Autumn Statement and the provisional local Government Financial settlement are based upon a Council Tax increase of 4.99 %, this being the maximum increase permitted without cause for a referendum. Given the ongoing cost of living crisis, high levels of inflation, high interest rates and other financial burdens facing communities, members asked whether there were any alternatives to a maximum permissible council tax increase? Members noted that the government expected councils to optimise their income by imposing council tax increases of this level and the Council section 151 officer had also recommended this course of action to the Cabinet at its meeting on 17 January 2024;

(b) Reference was made to the autumn statement and the Chancellor's announcement that the £20 billion fiscal headroom identified by the Office for Budget Responsibility would be utilised to finance tax cuts and provide business incentives. This meant there was no new additional funding announced for local government. The board noted that even a small reduction in these plans could have resulted in a much needed and improved financial settlement across local government. The increasingly precarious state of local Government finance and, in particular the impact on local authorities' ability to set balanced budgets is an issue that has been raised in several representations by the Local Government Association; County Council's Network; SIGOMA; SOLACE and the Office for Budget Responsibilities to the Government but which have been persistently ignored;

(c) The board noted that the announcements within the autumn statement that the national living wage would increase to 9.8%; all benefits would be uplifted by 6.7% from April 2024 and that the pension triple lock would be honoured in full with an 8.5% increase applied to pensions from April 2024. Members expressed concern that the increase to the national living wage would have serious budgetary implications for the council particularly in respect of commissioned services that were already placing financial pressures on the council in areas such as home to school transport, domiciliary care and reablement services. It also raised the prospect of an above budget pay claim being lodged by local government trade unions to maintain the pay differential between the minimum wage and the lowest paid local government workers;

(d) Referencing the potential maximum council tax increases totalling 4.99%, the board welcome the continued local council tax reduction scheme policy in place within County Durham which goes some way to protecting the most vulnerable residents within communities from the impact of such increases;

(e) By levying the maximum council tax increases of 4.99% the board acknowledged that this would reduce the level of savings/efficiencies/reductions in terms of service provision that might be required to balance the budget if this was not the case;

(f) The board expressed its continued concern at the absence of a long term financial settlement for local government within both the Chancellor's autumn statement and the provisional local government settlement. The single year settlement proposed for 2024/25 meant that it was increasingly difficult for the council to make informed choices during the MTFP(14) period in respect of future service provision and served only to continue the need to forecast on a worst case scenario;

(g) Whilst the board acknowledged that the council's grant settlement had increased by the level projected in 2022, this was still insufficient to meet the ongoing pressures being placed on the council in respect of increased costs and demand for services particularly in respect of children and young people services. It was noted that for a local authority like Durham County Council with a lower council tax base and high number of band A and B properties, this reduced its ability to balance its budget by way of council tax increases and associated yield;

(h) Reference was made to the council's core spending power and continued concerns that because this sits below the national average, the council is potentially missing out on some £42.3 million of government funding were this to be increased to that national average.

(i) The Board noted the review of MTFP(14) forecasts that had been made following the Autumn Statement and provisional Local Government Financial Settlement as detailed at Paragraph 65 of the 17 January 2024 Cabinet report and the associated potential savings requirements for 2024/25 and beyond;

(j) In considering the results of the two phases of consultation undertaken in respect of the MTFP(14) proposals, the board acknowledged the extensive consultation activity that had been undertaken and the wide-ranging representations that had been received;

(k) Reference was made to the local council tax reduction grant paid to town and parish councils which had previously been reported was to be reduced by 50% phased in equally over the next two financial years (£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. The Board supported this approach;

(l) The Board noted the number of local authorities that had issued section 114 notices as a result of ongoing financial pressures and the difficulty for some local councils to set a balanced budget. Members commended the work of the Council's Section 151 officer and his team noting that as part of a review of its financial arrangements undertaken by CIPFA, the authority had received an excellent 3* rating. However, members noted that as part of the assessment, a recommendation had been made that the council should have already in place potential savings options commensurate with the identified budget shortfall over the life course of MTFP(14);

(m) The board acknowledged that were existing pressures to continue across the full MTFP period, the council would be faced with making some extremely difficult choices in terms of future levels of service provision, including the ability to deliver those services deemed to be discretionary;

(n) Members also asked whether they council had any discretion or ability to increase its income generated by business rates. It was confirmed however, that business rates were set by government and whilst the October MTFP(14) update report had forecast a £2.8 million increase in the business rate taxbase for 2023/24, this had been reduced by £1 million reflecting delays in forecast business developments in the county and an increase in school academisation which resulted in an increase in mandatory business rate reliefs being applied;

(o) Referencing the importance of employment to the county economy and the work that the council does to support investment, the Board noted the work undertaken to support the development of strategic employment sites to attract and retain employment opportunities within the county;

(p) Members noted the difficult financial position that other local authorities had experience previously in terms of balancing their budgets whilst acknowledging the work undertaken within the council to ensure that difficult and sometimes unpalatable decisions had had to be made during previous MTFP iterations. Members questioned whether any ongoing analysis was undertaken by the section 151 officer and his team in order to establish any MTFP savings/efficiencies/income generation opportunities that had been successful in other local authorities which may be applicable to Durham;

(q) Further reference was made to previous decisions made by the council from 2010 onwards as a result of government austerity which had resulted in a reduction of 3,000 in the workforce;

(r) Concern was expressed by members regarding the loss of council tax income as a result of the conversion of a number of family properties within Durham City to houses of multiple occupation which were often let to the student population which were exempt from council tax whilst generating significant income for landlords.

209 At a meeting of the Corporate Overview and Scrutiny Management Board held on 15 February 2024 members received the report of the Corporate Director of Resources regarding the Medium-Term Financial Plan 2024/25 to 2027/28 and Revenue Budget 2024/25 – as considered by Cabinet on 14 February 2024. Members were invited to consider and comment on the report prior to consideration of the final Medium Term Financial Plan 2024/25 to 2027/28 and Revenue Budget 2024/25 report at Council.

210 Members of the Board made the following comments:-

(a) Members of the Board reiterated their concerns regarding the announcements made within the Chancellor's autumn statement on 22 November 2023 and the provisional local government financial settlement published on 18th December 2023. They disagreed with the decision to utilise £20 billion of ‘fiscal headroom’ to finance tax cuts and provide business incentives to stimulate economic growth rather than provide improved local government financial settlements. This only serves to exacerbate the existing budgetary pressures facing local government which include pay awards; energy costs; high interest rates; additional inflationary cost pressures and increasing demands particularly across children and young people services including children looked after; children with Special Educational Needs on Disabilities and home to school transport.

(b) The Board referenced the additional £600 million funding announced by government on 24 January 2024 following intense lobbying by the whole of local government, the Public Accounts Committee and a number of Members of Parliament who, in a letter sent to the Prime Minister and the Minister for the Department of Levelling Up and Housing expressed concern that no additional funding had been provided to support local government. The Board noted that the additional funding being made available in 2024/25 included an additional £500 million Social Care Grant; £15 million for the Rural Services Delivery Grant and a forecast £85 million for an increase in the Funding Guarantee from 3% to 4%. It was of concern to members that the Council would only benefit from the additional Social Care

Grant element of the increase resulting in an additional £5.880 million to the council.

(c) Despite the aforementioned increase, whilst this additional funding was welcomed it was not sufficient to fully cover the pressures the Council faces nor enable the Council to reduce the need for savings. Upon receipt of the final local government finance settlement on 5 February 2024 an increase in the services grant nationally of £10.5 million was announced, of which the Council's share was £78,000.

(d) The Board noted the government presumption that all local authorities would increase Council tax by the maximum level permitted without a referendum of 4.99% consisting of a 2.99% core Council tax increase and 2% adult social care increase. Members commented that Councils were permitted to increase council tax by more than this rate although this would require a referendum at a considerable cost to local Councils. Such an increase would also place considerable burden on Council taxpayers at a time when many were experiencing financial difficulties.

(e) Members acknowledged the importance of government introducing long term local government financial settlements to provide a degree of certainty to local authorities when considering how best they could balance their budgets. This was dependent upon the outcome of the next general election and the incoming government plans to undertake a comprehensive spending review at that time.

(f) A number of members expressed concern at the choices facing local government to balance budgets and the risk that non-statutory service provision may bear the brunt of savings. Examples of such services providing much needed support to the most vulnerable members of the community included the household support fund, welfare rights, welfare assistance and the Local Council Tax Reduction Scheme.

(g) The Board in referencing the household support fund urged the Council to continue lobbying for the retention of this much needed resource.

(h) In examining the proposals related to the 2024/25 capital programme come on members noted that MTFP(14) contains significant additional investment with new schemes totalling some £92 million. Whilst acknowledging that the current capital programme was the largest in Council history, this came with an acknowledgement that the revenue costs of borrowing to fund the programme added additional pressures to the budget. Members also questioned those schemes within the programme which came in over budget adding additional cost pressures to an already costly programme. It was therefore suggested that more care was needed to ensure effective monitoring of capital programme schemes to bring them in on or under budget.

(i) The Board discussed in detail the cost pressures being placed upon children and young peoples' services with anticipated growth in both demand for and the cost of services in this area including children looked after; children with Special Educational Needs and Disabilities and home to school transport. Reflecting upon the significant and increasing High Needs Block deficit position, the Board noted the reference to the current accounting override which allows Councils to exclude HNB deficits from their main Council general revenue funding position. This provision was due to end after 2025/26 at which point it may need to be funded by Council resources. If this occurred without increasing government funding a swathe of Section 114 notices across local government could be expected.

(j) The Board considered the much anticipated leisure transformation programme noting an additional £10 million capital investment identified in 2025/26 and ring fenced to Seaham and Chester le Street. A number of members express their frustration at the ongoing delay in the leisure transformation programme report being considered by Cabinet and also Overview and Scrutiny. Concerns were also expressed regarding the capital works that were included within the existing leisure transformation programme budget, particularly the order of the proposed capital schemes. Some members expressed concerns at the level of funding applied to some of the earlier schemes to the potential detriment of those earmarked for later delivery in the programme. The Council has recently agreed its joint health and well-being strategy and one of the key priorities within that is the importance of promoting health and well-being and physical activity. Some members questioned how these elements of this strategy could be delivered against given continued delays in the leisure transformation programme.

(k) Reference was also made to the establishment of a Culture Trust and the Board discussed how the operation of this Trust including the benefits to be delivered by way of the availability of increased funding streams could be examined by scrutiny.

(l) The Board examined the implications for future Council finances of the continued academisation of schools across the county. Reference was made to the unique position whereby any schools converting to an Academy carried with them any budget surplus whereas, whereas if they are in a deficit position those costs were borne by the local authority. Members also questioned whether the government would consider changing the home to school transport policy to require academy schools to fund this rather than local authorities. It was acknowledged that this potentially would require changes to primary legislation.

(m) Reference was made to the establishment of a NE mayoral combined authority and what potential funding the County Council might expect to gain from NEMCA. It was noted that capital resources would potentially be received by the County Council as part of the devolved arrangements and that the MTFP(14) capital programme included some funding from the early capital allocations from devolution funding.

(n) A number of members of the Board commended the MTFP(14) proposals as a balanced and prudent approach to protecting frontline services, maximising Council tax revenue, investing in the county's infrastructure to attract inward investment and mitigating against the potential increases in financial costs to the most vulnerable members of the community.

(o) There were also concerns expressed by some Board members that the identifiable increases in child poverty; children coming into care and children with SEND could be as a result of years austerity and reductions in local government funding.

(p) Reference was made to the ongoing financial pressures facing local government and Durham County Council particularly as a result of the current funding formula and a perceived government ideology of reducing public sector service provision whilst increasing provision within the private sector.

(q) It was acknowledged by the Board that in delivering a capital programme there would invariably be political choices to be made in terms of priority schemes and associated costs. Some clarity was requested in respect of the choices that had been made in developing the proposed capital programme. Concern was also raised at the high level of consultants costs that had been required to deliver a number of flagship projects and this was particularly important in view of the government requirements for productivity plans being introduced by Councils.

(r) Reference was made to the equality impact assessment included within the MTFP(14) report and in particular the need to ensure that rural areas of County Durham were not proportionately more disadvantaged than others by some of the proposals particularly within the capital programme.

(s) The Board noted the relative strong and positive position in respect of the Councils reserves when compared with other Councils both nationally and regionally but also noted that the drain upon them had increased significantly over the past two to three financial years and agreed that . This was not sustainable in the long term.

Medium Term Financial Plan Strategy

211 The strategy the council deploys has been to prepare prudent forecasts to anticipate and accurately assess the scale of the challenge in terms of balancing its budgets over the medium term and to prioritise savings from management, support services, efficiencies and, where possible, increased income from fees and charges to minimise the impact of reductions on frontline services as far as possible.

212 The benefits of strong financial governance arrangements, maintaining adequate reserves and delivering savings early, if practical to do so, cannot be over emphasised. The utilisation of reserves has been essential in ensuring the smooth delivery of savings and enabled a managed implementation of proposals across financial years.

213 In the past the council has been accurate in forecasting the level of savings required, which has allowed the development of robust plans and has enabled the council to effectively manage the implementation and delivery on time, including meeting extensive consultation and communication requirements. This has put the council in as strong a position as possible to meet the ongoing financial challenges across this MTFP and beyond.

214 Savings proposals are becoming more complex and difficult to deliver and will inevitably require increased utilisation of reserves to offset any delays and ‘smooth in’ reductions across financial years.

215 The council’s existing MTFP strategy aligns with both the Council Plan and the County Durham Together Partnerships key strategic document - County Durham Vision for 2035. This sets out a multi-agency and community strategic direction for what we would like to achieve over the next 15 years. It has three broad ambitions for the people of County Durham: More and better jobs; People live long and independent lives; and Connected communities. The Council Plan and MTFP reflect the council’s role and priorities in helping to deliver the County Durham vision.

216 In addition, the MTFP strategy aligns well with the priorities identified by the public. For example:

(a) **protecting basic needs and support services for vulnerable people** - the council works hard with partners to minimise the impact of budget reductions as far as possible on vulnerable people. In MTFP(14), support has been continued to protect working age people on low incomes through the continuation of the existing Council Tax Reduction Scheme (LCTRS). The council is the only authority in the northeast and one of only a small handful nationally that do not cap support to working age LCTRS claimants and continues to provide support in line with the National Council Tax Benefit scheme that was withdrawn in 2013. Work with health partners continues to help ensure that health and social care funds are maximised and every proposal with the potential to impact on vulnerable people is subject to an assessment to identify likely impacts and mitigate these as far as possible;

(b) **avoid waste and increase efficiency** - the council has a good track record of tacking the required decisions and delivering cashable efficiency savings since local government reorganisation. This includes rationalisation of council buildings and IT systems and investment in digitisation of services. All employees can suggest ideas that could reduce waste and improve efficiency. The council benchmarks itself against other organisations to identify areas for improvement and demonstrate value for money; and

(c) **fees and charges** - the council has addressed some of its financial challenges through increasing fees and charges. Such decisions are carefully considered, and it is acknowledged that it is not appropriate to aim for the highest charges possible, given the disposable income levels of most residents and service users in County Durham.

217 The 2024/25 budget forecasts included in the updated MTFP model attached at Appendix 3 shows a balanced position next year provided the council agrees a 4.99% increase in council tax, agrees the £8.083 million of savings and utilises £3.720 million of the MTFP Support Reserve. Using the MTFP Support Reserve to balance the budget year on year is not a sustainable long-term solution and can only be considered to be a temporary measure to buy time to develop more sustainable / permanent budget solutions or to phase in savings.

218 Further savings are forecast to be required over the three years 2025/26 to 2027/28 as the use of the MTFP Support Reserve in 2024/25 is removed and funding from council tax increases (assuming the council maximises its tax raising powers across the period), forecast tax base growth and government grant fails to keep up with ongoing and unavoidable spending pressures in future years.

219 It is forecast that the council will continue to face significant unavoidable budget pressures from pay and price inflation, the national living wage increases which drive adult social care contract increases, from children's social care, waste disposal and in meeting basic capital investment requirements. The current MTFP(14) forecasts assume a cash flat position in terms of government grant from 2025/26, but there is a risk that there could be funding reductions from 2025/26 based on the Chancellors forecasts published in the Autumn Statement, which if they materialise would worsen the financial outlook in future years.

220 In addition, local government generally is absorbing more financial risks from central government. Increased risk is arising from several sources:

(a) under the Local Council Tax Reduction Scheme, previous national risk arising from any increased numbers of benefits claimants has been transferred to local authorities since April 2013. The risk is greater for authorities like Durham that serve relatively more deprived areas and have relatively weaker economic performance than the national average;

(b) Business Rates Retention was introduced in 2013/14 to incentivise local authorities to focus on economic regeneration by being able to retain 49% of business rates raised locally. Economic regeneration has always been a priority for the council. Unfortunately, the practical consequences of these funding changes shift risks once managed nationally, to local authorities should there be a downturn in the local economy and local business rate yield reduces. In addition, the council also now carries a share in the risk arising from successful rating appeals against the rateable value assigned to a business by the Valuation Office, part of HM Revenues and Customs which can go back many years. Again, the impact of the pandemic upon the business rate taxbase highlights this risk;

(c) whilst the Fair Funding Review has been deferred, consultations are expected to begin again in 2025 in terms of the formula used to allocate government funding to individual authorities. The FFR could result in significant changes to the funding received by the council;

(d) the employment rate is below both the national and regional averages – with youth unemployment continuing to be a particular concern within the county and levels of disposable income below both the regional and national averages – placing pressure on households across the county as they deal with increases in the cost of living due to higher inflation in the economy;

(e) the Government's ongoing Welfare Reforms carry increased financial risk to the council in areas such as the Discretionary Benefits Service, Welfare Rights, homelessness, and housing services. In addition, our inability to recover all housing benefit subsidy is a major budget concern. Similarly, council tax can be more difficult to collect from lower income households, creating increased financial pressure;

(f) risks such as future price and pay inflation and demographic pressures in children's social care services and home to school transport in particular will still apply and are not currently fully recognised in government funding allocations, increasing the real terms cuts required to set a balanced budget;

(g) future settlements are dependent upon the national finances. The 2023 Autumn Statement indicated that the public sector face 1% real terms funding increases from 2025/26 to 2027/28. If local government is not protected, then it is likely that funding reductions could be applied in those years.

221 Savings plans will continue to be developed to ensure options are in place to balance future years budgets. On that basis the council will need to be flexible in terms of planning for future years savings.

Revenue Budget for 2024/25

222 The report to Cabinet on 17 January 2024 provided an overview of the Autumn Statement published on 22 November 2023 and the impact of the provisional local government settlement published on 18 December 2023, which informed updated forecasts of the resources available, budget pressures being faced, and the savings required to balance the budget next year and the following three years. This report builds on that report alongside the additional funding announcement on 24 January 2024 and the Final Local Government Finance Settlement as well as providing details on the final position that will form the basis of the budget setting report to Council on 28 February 2024.

Base Budget Pressures in 2024/25

223 Base budget pressures for inclusion in the 2024/25 base budget can be summarised as follows:

Table 11 – 2024/25 Base Budget Pressures

Pressure	Amount £m
Pay Inflation	14.861
Price Inflation	4.410
Adult Social Care Fee Inflation Uplift including NLW	12.550
Specific Grant related Expenditure	2.885
Energy Reduction	(4.600)
Children's Demographic Pressures	12.000
Housing Benefit Subsidy Shortfall	2.600
Transport including Home to School	2.500
Loss of Sales, Fees and Charges Income	2.184
Loss of Investment Income Short Term	1.100
Other Budget Pressures	2.957
Corporate Budget Reductions	(1.650)
TOTAL	**51.797**

224 In terms of the 2024/25 pay award provision for a 4% increase has been included in the estimates, which seeks to reflect the forecast CPI levels next year and the likely impact of the 2024 NLW increase on the bottom scales of the local government pay scale structure. The budget provision also includes sums to address the shortfall / overspend in 2023/24 where the pay award was higher than the budgeted position, which is producing overspends in the current year. A 2% provision for general price inflation on materials, goods and services procured by the council has been included in estimates next year.

225 The council faces a significant budget pressure in relation to the impact of the 2024/25 National Living Wage (NLW) increase, which was announced as part of the AS. At 9.8%, the increase is in line with the forecast of 9.7% included in MTFP(14) modelling earlier in the year. Contractual arrangements, particularly relating to adult social care services include annual uplifts in contract prices which are linked to the NLW. In addition, general inflation levels are also impacting upon adult social care providers. In this regard a £12.550 million base budget pressure is included in the 2024/25 budget to cover the cost of the NLW uplift and general inflation.

226 The council continues to face significant unavoidable budget pressures in Children and Young People's Services particularly in relation to Children's Social Care placements and Home to School Transport, with further budget uplifts provided to offset current shortfalls in these areas.

227 Cost pressures in the children looked after (CLA) cost placement budget have been experienced for a number of years with these pressures mirrored

in many other authorities, particularly those with higher levels of deprivation. The CLA budget increased from £44.2 million in 2022/23 to £62.3 million in 2023/24, however, the latest forecast is for an overspend of £9.1 million against this budget in 2023/24 and with further future growth in the number of children looked after being anticipated, the growth provided in the base budget next year is £12 million. Detailed tracking is undertaken of demand and expenditure against this budget with a Corporate Sufficiency Strategy implemented to mitigate risk as far as possible. National market intervention is essential to address the ongoing escalation of costs.

228 Expenditure on Home to School Transport has been consistently increasing nationally for several years. The County Council Network published a paper in December 2023 entitled “From Home to the Classroom” which evidenced that national spending on Home to School Transport was £1.5 billion in 2021/22 and the increase in costs over recent years was falling disproportionately falling on Counties, who had 57% of national spend but only 42% of the child population. The research projected that without any national changes that spending would rise to £2.6 billion by 2027/28 and that 75% of spending is currently on SEND transport, which is increasing at the fastest rate. It was estimated that around 129,000 children will be eligible for SEND transport by 2027/28 an increase of 224% from 58,000 over a 10 year period since the full implementation of the national SEND reforms.

229 Accurately budgeting for Home to School Transport costs is difficult as contracts are let on an annual basis in line with the academic year. In County Durham the Home to School Transport costs have increased by £19.253 million, or 194% over the last five years – from £9.933 million in 2018/19 to £29.186 million in 2023/24. These cost / budget increases have arisen as a result of the introduction of increased accessibility and safety requirements on school buses, a significant increase in specialist and individual transport for children with special educational needs, the impact of NLW and fuel price increases and changes in the operator market. A further budget increase of £2.5 million is included in the 2024/25 budget, to reflect the anticipated demand in September 2024 and the outcome of the procurement process later this year.

230 Additional provision has been made to increase the base budget in relation to the cost of lost housing benefit subsidy in relation to temporary accommodation and supported housing, where the council is unable to fully recover the costs of housing benefit it is required to pay on behalf of the Department for Works and Pensions from the subsidy (grant) it can claim from the Department for Works and Pensions.

231 The council expects to incur some double running costs across the MTFP(14) planning period in relation to County Hall and the implementation of the alternative accommodation strategy. Previous Cabinet reports have recognised that double running costs would be incurred. Any costs incurred in 2024/25 will be financed from general contingencies in year.

232 A budget pressure of £600,000 - £300,000 in 2024/25 and a further £300,000 in 2025/26 is included in the MTFP(14) forecasts for the estimated net running costs linked to the reopening of the DLI museum and art gallery. This is in line with the revenue operating model and business case agreed by Cabinet on16 March 2022. On 17 January 2024, Cabinet agreed to the establishment of a County Durham Culture Trust (CDCT) to promote and fund cultural activities across County Durham. The CDCT will have the ability to access funding streams currently not open to the council, including gift aid, and could allocate funding to the DLI in future to help offset the estimated net running costs of this facility. Once established and funding availability becomes clearer there may be an opportunity to reduce the budget growth provided for in the current forecasts. As this becomes clearer the forecasts will be updated as necessary in future reports.

233 The council continues to prioritise capital investment and this budget includes a fully funded capital programme, with significant proposed new additions to the programme to be agreed. A key priority of the capital programme continues to be regeneration and job creation within the local economy.

MTFP(14) Savings

234 The council continues to seek to identify and generate additional savings having a clear focus on implementing efficiency savings, income generation and the protection of front-line services as far as is possible.

235 The MTFP(14) reports considered by Cabinet in July and October 2023 included savings options for consultation. The January 2024 and February MTFP(14) update reports, having considered the MTFP(14) consultation feedback, included additional savings proposals bringing the total value of savings recommended for consideration of £8.083 million in 2024/25 and £16.360 million in total over the MTFP(14) period.

236 The table below provides a summary of the MTFP(14) savings, with the individual savings plans detailed in Appendix 4.

Table 12 – MTFP(14) Savings

Year	Savings £m
2024/25	8.083
2025/26	3.429
2026/27	3.694
2027/28	1.154
TOTAL	**16.360**

237 On 24 January 2024, Council agreed a motion calling on the Cabinet to reconsider the removal of the council run car park free after two policy, which was implemented in January 2024 and is factored into the savings and budget proposals for 2024/25 (£350,000 increased income).

238 The removal of free after two policy is retained in budget plans at this stage, pending completion of an evidence based review of the impacts of this policy change, which brings the council in line with many other areas, and consideration of the options that are available to offset this, should the Cabinet agree to reinstate such a policy later this year. A report will be brought to Cabinet later this year to consider the evidence and options available in this regard.

239 The current MTFP(14) modelling forecasts that £37.833 million of further savings are still required to balance budgets over the medium term, with £16.789 million (44.4%) falling in 2025/26. Over the coming months the council will continue to develop savings plans to ensure savings options are available for consideration should they be required.

2024/25 Net Budget Requirement and Council Tax

240 After considering base budget pressures and additional investment built into the updated forecasts, the council's recommended Net Budget Requirement for 2024/25 is £564.793 million. The financing of the Net Budget Requirement is detailed in the table below.

Table 13 – Financing of the 2024/25 Budget

Funding Stream	**Amount £m**
Revenue Support Grant	35.176
Business Rates – Local Share	59.929
Business Rates – Top Up Grant	78.907
Section 31 Grant	40.149
Council Tax	283.639
Collection Fund Surplus	0.687
New Homes Bonus	0.640
Social Care Pressures Grant	64.857
Services Grant	0.888
NET BUDGET REQUIREMENT	**564.871**

241 The Gross and Net Expenditure Budgets for 2024/25 for each service grouping are detailed in Appendix 5. A summary of the 2024/25 budget by service expenditure type, based upon the CIPFA classification of costs is detailed in Appendix 6.

242 The current “referendum limit” on core council tax is 2.99%. Upper tier councils also have the ability to apply an Adult Social Care precept of up to a maximum of 2% in 2024/25. In total therefore, the council is able to increase council tax by a maximum of 4.99% in 2024/25, with the Government making it clear it expects authorities to do so to help them meet the inflationary and other unavoidable cost pressures they are facing. Council tax increases at this level are built into the Core Spending Power calculations published by government.

243 After considering the impact upon the council’s budget and, importantly upon council taxpayers, this report recommends the council utilises the full flexibility to increase the council tax by 4.99% next year, which will be below the referendum limit. Increases of 2.99% in the period 2025/26 to 2027/28 are included in the MTFP(14) forecasts.

244 Careful consideration has been given in determining the 2024/25 council tax increase to the impact upon the most financially vulnerable who continue to be fully protected by our Local Council Tax Support Scheme and who are also supported through the council’s broader welfare assistance programme.

245 In this regard the council targets welfare investment towards key priority areas. The council is committed to addressing issues presented by poverty through a co-ordinated and multi-faceted approach. This includes delivering a range of policy interventions aimed at supporting vulnerable low-income households. In November 2022 Cabinet agreed an updated and refreshed Poverty Strategy and Action Plan, which set out a comprehensive response to the impact’s poverty and its related issues on our residents across the county.

246 The council has continued to utilise the Welfare Assistance Reserve, which includes both council funding and previous Covid financial support, to deliver initiatives and projects to support those facing financial hardship as communities have recovered from the pandemic and moved into the current cost of living crisis. More than £4.3 million has been committed from this reserve since April 2021 to support overspending on the Welfare Assistance Scheme and poverty related projects as part of the council’s cross service and partnership approach to tackling the issues facing low income and vulnerable households across our county.

247 Over the last year, the council has continued to receive government funding through the Household Support Fund (HSF). DWP grant funding to administer a HSF4 totalled £9.352 million for the period between 1 April 2023 and 31 March 2024. In the AS, no announcement was made on the future of

the Household Support Fund. A decision is not expected to be made until the Spring Budget on 6 March 2024.

248 The council continues to commit £1 million of core budget to support the Welfare Assistance Scheme which has seen significant increases in terms of demand over the last year. The Welfare Assistance Scheme has been supplemented by £0.3 million of Household Support Fund this year to ensure demand can be met for the increased claims for Daily Living Expenses and Settlement Grants. With the uncertainty of the future of the Household Support Fund a review of the Welfare Assistance scheme is taking place as a precaution should the Household Support Fund not continue beyond 31 March 2024.

249 The Household Support Fund is also being utilised to support overspends in relation to Discretionary Housing Payments (DHP), which provides support to eligible households to maintain their tenancy. In line with the national approach, there has been no increase in the funding to this scheme for Durham in 2023/24, with the Department of Work and Pensions (DWP) allocating £0.836 million, a similar amount to the previous year. At the point of preparing this report the 2024/25 allocations had not been announced. The eligibility criteria for this scheme will need to be reviewed if funding remains in line with the 2023/24 levels next year.

250 The council also continues to support council tax exemptions for care leavers, which exempts care leavers from council tax up to the age of 25, to support them to facilitate their transition to independent living. This support is enabling around £0.241 million of council tax reductions in 2023/24. A review of the policy has taken place and no fundamental changes to this policy proposed, therefore this support will continue into 2024/25.

251 In the current year the council supplemented funding received from the DfE to support a wider reach for the holiday activities with food programme (Durham's Fun and Food). The initial funding allocation from the DfE was £2.338 million in 2023/24, to co-ordinate and deliver free holiday activities and healthy food for children and young people eligible for free school meals during the Easter, Summer, and Christmas holiday periods in 2023. This was boosted with an investment of £0.425 million from the Welfare Assistance Reserve to expand the scheme which has had participation from over 35,000 children and young people.

252 There is a forecast £0.686 million surplus on the 2023/24 Collection Fund. This sum will be utilised as a one-off sum to support the council capital programme.

Budget Setting Legal Responsibilities

253 Under section 31A of the Local Government Finance Act 1992, the council has a duty to set a budget before 11 March each year. In setting the budget,

Members jointly and severally (collectively and individually) have a fiduciary duty to council taxpayers. This means that they have a duty to facilitate, rather than obstruct, the setting of a lawful budget.

254 Appendix 7 provides full detail of the responsibilities in this regard and the Monitoring Officer advice and guidance for all members to take into account when considering the budget proposals.

Recommendation(s)

255 It is recommended that Members**:**

(a) note the fiduciary and legal responsibilities on all members to set a balanced budget by 11 March and the Monitoring Officers advice in this regard (as set out at Appendix 7);

(b) approve the identified base budget pressures included in Table 11;

(c) approve the savings plans detailed in Appendix 4, which total £8.083 million in 2024/25, £3.429 million in 2025/26, £3.694 million in 2026/27 and £1.154 million in 2027/28;

(d) note that a report will be presented to Cabinet later in the year on the impact of the removal of the council owned car park free after two policy (which will generate £350,000 of additional income) and to consider options in this regard;

(e) approve a 2.99% 2024/25 Council Tax increase and a 2% increase which relates to the Adult Social Care precept, totalling a combined 4.99% overall increase in council tax;

(f) approve the 2024/25 Net Budget Requirement of £564.871 million.

How the Medium-Term Financial Plan 2024/25 to 2027/28 (MTFP(14)) has been developed

256 The following financial planning assumptions have been utilised in developing the MTFP(14) budget model, which is set out in Appendix 3:

(a) it is assumed that the council will receive cash flat funding settlements for the period 2025/26 to 2027/28. The November 2023 Autumn Statement indicated that public sector expenditure would only increase in real terms by 1% for the three years 2025/26 to 2027/28. If health, education, and defence were protected this could result in funding cuts for unprotected departments. It is felt prudent at this stage to assume that local government funding is cash flat for the final three years of the MTFP(14) period;

(b) it is assumed that the New Homes Bonus will cease to exist from 2025/26 onwards and that the Government will utilise the funds available to finance growth in other funding streams leading to a reduction in grant of £0.640 million;

(c) It is assumed, in line with the 2024/25 local government finance settlement, that the Services Grant of £0.888 million will cease to exist from 2025/26 onwards and that the Government will utilise the funds available to finance growth in other funding streams;

(d) It is assumed that the Market Sustainability and Improvement Grant and all additional Social Care Grant funding will continue to be received beyond 2024/25;

(e) forecast pay and price inflation levels assumptions are detailed in the table below. Service groupings will be expected to manage budgets within set cash limits although some additional allowance is recognised for major contracts.

Table 14 – Pay and Price Inflation Assumptions

Year	Pay Inflation	Price Inflation	NLW Inflation
	%	**%**	**%**
2024/25	4.0	2.0	9.8
2025/26	1.75	1.5	4.0
2026/27	1.5	1.5	4.0
2027/28	1.5	1.5	4.0

(f) in 2024/25 the MTFP makes provision for the shortfall in the 2023/24 pay provision, where a 5% increase was budgeted for but pay costs increased by an average of 6.6%, resulting in an in year overspend in 2023/24 and requiring additional budget provision of £3.711 million in 2024/25;

(g) forecasts have also been included in relation to the impact of the National Living Wage (NLW) over and above the price inflation allowance. The NLW has now reached the Government target of 66% of national median wages. Under normal circumstances therefore the NLW should increase annually by the increase in national median wages. However, the government have asked the Low Pay Commission to review the future trajectory of the NLW which could result in a change in approach. At this point future increases in the NLW are forecast to be circa 4% per annum;

(h) continuing forecast budget pressures in relation to Children and Adults demographics. These pressures are forecast to continue to increase annually although by decreasing amounts as the council Sufficiency

Strategy seeks to control costs. Across Children and Adults services over the three years 2025/26 to 2027/28 further demographic budget pressures are included of £6 million, £5.9 million and £4.7 million respectively;

(i) continuing to support the capital programme – with £7.870 million of new prudential borrowing cost provision built into 2025/26 (to fund existing capital programme commitments), £3.144 million in 2026/27 and £1.686 million in 2027/28 (to fund new capital commitments in MTFP(14) and MTFP(15)).

The prudential borrowing figures across MTFP(14) are lower than the previous sums included in our modelling of £3 million for 2026/27 and 2027/28. The 2026/27 £3.144 million reflects the budget required to fund the additional MTFP(14) capital schemes with £1.686 million available in 2027/28 to fund MTFP(15) capital bids. The reduction in provision for additional prudential borrowing reflects the challenging financial position which the council finds itself in after the announcements in the AS and the provisional local government finance settlement alongside the ever-increasing base budget pressures and challenges that leads to in terms of balancing the budget;

(j) it is assumed that the council will increase council tax by 4.99% in 2024/25 utilising the full referendum and adult social care precepts with increases of 2.99% applied in 2025/26, 2026/27 and 2027/28 in line with the new referendum limits;

(k) beyond next year it is assumed that the council tax base and business rate tax bases will continue to grow. Growth of the council tax taxbase is expected to be modest in 2025/26 due to the impact of ongoing higher levels of interest rate upon the housing market, moving back to growth of circa 0.7% in 2026/27 and 2027/28. Business Rate taxbase growth of a forecast £1.250 million is expected in 2025/26 based upon known developments with more modest increases of £0.5 million in both 2026/27 and 2027/28.

257 Based upon the assumptions built into MTFP(14), the following shortfall in savings will be required to balance the budget in 2025/26 to 2027/28.

Table 15 – Savings to be Identified

Year	Savings Target
	£m
2025/26	16.789
2026/27	11.915

Year	Savings Target
	£m
2027/28	9.130
TOTAL	**37.833**

258 In total, assuming the council increases the council tax in future years line with the updated MTFP(14) forecasts and based on the updated spending pressures across that period, additional savings of £37.833 million are required to balance the budget over the 2025/26 to 2027/28 period. To support the MTFP over this period there will be a forecast balance in the MTFP Support Reserve of £23.248 million after the utilisation of £3.720 million to support the 2024/25 budget.

259 The updated MTFP(14) forecasts are attached at Appendix 3. This financial model is considered prudent taking account of the latest intelligence relating to future funding settlements, though there remains significant uncertainty over these estimates, particularly beyond 2025/26. Actual outcomes will be dependent on government’s decisions on the formulae for allocating future grant funding as well as the details of overall level of government funding that is available for local government from 2025/26.

Financial Reserves

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

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

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

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

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

261 The council’s current reserves policy is to:

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

(b) aim to maintain General Reserves in the medium term of between 5% and 7.5% of the Net Budget Requirement which in cash terms equates to a reserve of between £26 million up to £39 million.

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

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

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

265 CIPFA recently published details of their Resilience Index information. This provides comparisons across local government for a range of financial indices or measures of financial resilience. The council has always had a strong position in these comparators but the most recent published information for the period to March 2023 highlights the relatively high level use of reserves by the council in recent years compared with other local authorities.

266 The Resilience Index highlights change in reserves levels over the previous three years with this comparator expected to show local authorities in distress as they utilise high levels of reserves. The updated Resilience Index information covers the period 2020/21 to 2022/23. Local authority reserve levels were inflated in 2020/21 and 2021/22 due to additional one off grant funding received during the pandemic. Regardless of this over the three year period 2020/21 to 2022/23 the council has had a 3% reduction in reserves

whereas our nearest neighbour group of authorities and a unitary council comparator group have both seen increase in reserves of circa 30%.

267 It is important to note that the use of reserves within the council over this period has been focussed upon the utilisation of earmarked reserves rather than any reduction in the General Reserve or the quantum available in the MTFP Support Reserve.

268 The council's overall level of reserve is still slightly above the national average when compared with the net revenue budget but the 2023/24 Quarter 2 Forecast of Outturn report to Cabinet on 15 November 2023 highlighted a further reduction in reserves of £30 million (13.5%) during 2023/24. The quarter 3 position will be considered by Cabinet in March and the position remains largely as previously forecast. It is likely therefore that the CIPFA Resilience Index when published for the three year period ending March 2024 will highlight a continuing trend of high utilisation of reserves and a further reduction in overall reserves available to the council – most likely in excess of the reductions being experienced elsewhere.

269 The forecast balance on all reserves is reported to Cabinet every quarter as part of the Forecast of Outturn reports and Cabinet received the latest report on 15 November 2023 based on the position as of 30 September 2023. The Quarter 3 forecast of outturn will be considered by Cabinet in March 2024.

270 On 13 December 2023, Cabinet considered a report setting out updated forecasts for High Needs Special Educational Needs spending, which showed an increasing in-year deficit of spending over High Needs Block grant income received. That report highlighted a forecast cumulative deficit of £67.5 million by the end of 2027/28, an increase of £56.8 million from the forecast cumulative deficit of £10.8 million at the end of the current year forecast at quarter 2.

271 The significant and increasing HNB deficit position is a serious concern for the Council and many other local authorities. The exceptional accounting override that allows councils to exclude HNB deficits from their main council general revenue funding position is due to end in 2025/26, at which point the HNB deficit may need to be funded by council resources requiring a significant (and unaffordable / unsustainable) call on reserves and further annual budget pressures that are not factored into the current MTFP(14) forecasts. Should this accounting override be removed and additional funding is not provided then many authorities will be forced into a s114 position as the cumulative deficits accrued in some authorities already runs well into the tens of millions.

272 It is recommended at this stage that the current Reserve Policy of maintaining the General Reserve of between 5% and 7.5% of the Net Budget Requirement is retained. This will result in an increased General Reserve

range due to the increase in the Net Budget Requirement, of between £28.2 million and up to £42.4 million in 2024/25.

273 The updated MTFP forecasts are summarised below. It should be noted that there is a shortfall over the MTFP(14) period of £37.833 million, with around 44.4% of this falling into 2025/26, which will pose a significant challenge.

Table 16 – MTFP(14) Model Summary

	2024/25	**2025/26**	**2026/27**	**2027/28**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
Variance in Resource Base					
Pressures/Investments	(50.022)	(13.272)	(12.726)	(13.178)	**(89.198)**
Use of MTFP Support	51.797	29.770	28.335	23.461	**131.363**
Reserve	(3.720)	0.000	0.000	0.000	**(3.720)**
Previous use of one-off funds	10.028	3.720	0.000	0.000	**13.748**
Savings Required	8.083	18.218	15.609	10.283	**52.193**
Savings Identified	(8.083)	(3.429)	(3.694)	(1.154)	**(16.360)**
Savings Shortfall	**0.000**	**16.789**	**11.915**	**9.130**	**37.833**

Recommendations

274 It is recommended that Members:

(a) agree the forecast MTFP(14) financial position set out at Appendix 3;

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

(c) aim to maintain the General Reserve in the medium term between 5% and 7.5% of the Net Budget Requirement which in cash terms is between £28.2 million and £42.4 million.

Capital Budget 2023/24 to 2027/28

275 The council's Capital Member Officer Working Group (MOWG) closely monitors the capital programme. The (MTFP(13)) capital programme was agreed by Council in February 2023 and has been subject to amendments / reprofiling through various budgetary control reports considered by Cabinet during the year. The current capital budget was approved by Cabinet on 14 February 2024, factoring in a range of additions, deletions and reprofiling of capital schemes.

276 The table below details the latest revised capital budget for the period 2023/24 to 2026/27 including the details of the financing of this capital expenditure. Further details of the current capital programme can be found at Appendix 8.

Table 17 – Current Capital Budget 2023/24 to 2026/27

Service Grouping	2023/24	2024/25	2025/26	2026/27	Total
	£m	£m	£m	£m	£m
AHS	2.246	0.325	0.000	0.000	2.571
CYPS	59.193	69.067	12.014	1.795	142.069
NCC	56.603	68.811	1.640	1.206	128.260
REG	134.507	177.797	79.463	7.768	399.535
RES	6.638	5.792	0.095	0.000	12.525
TOTAL	**259.187**	**321.793**	**93.212**	**10.769**	**684.960**
Financed by					
Grants and Contributions	117.007	71.927	25.553	3.266	217.753
Revenue and Reserves	7.071	0.824	0.629	0.438	8.963
Capital Receipts	34.609	3.012	4.542	0.000	42.163
Borrowing	100.500	246.030	62.487	7.064	416.081
TOTAL	**259.187**	**321.793**	**93.212**	**10.769**	**684.960**

Capital Considerations in the MTFP(14) Process

277 As part of the development of the new additional capital spending commitments that will form part of the capital programme for MTFP(14), service groupings developed capital bid submissions during the summer 2023 alongside the development of revenue MTFP(14) proposals. Bids were submitted in the main for 2025/26 to maintain the two-year rolling programme

approach to the capital budget. Bids were also submitted for 2024/25 which were deemed to be priority and for later years where major schemes were being submitted which could span multiple years and which created a pre-commitment into future MTFP capital bidding rounds. The Capital Member Officer Working Group (MOWG) considered the capital bid submissions taking the following into account.

(a) the Corporate Plan priorities and the content of the Capital Strategy. The updated Capital Strategy is attached at Appendix 9 for approval;

(b) service grouping assessment of priority and need;

(c) affordability based upon the availability of capital financing and impact on the revenue budget from any new facilities. This process considers the impact of borrowing upon the revenue budget and any other revenue liabilities or impacts in terms of running costs. The MTFP(14) assessment in this regard has very much had to consider the ongoing financial uncertainty facing the council and local government and the ongoing demographic and inflationary budget pressures the council is facing. This will need to be a more significant consideration in MTFP(15) if the current uncertainty persists or if there is a return to austerity; and

(d) whether schemes could be self-financing i.e., capital investment would generate either revenue savings or additional income to offset the borrowing costs either in full or in part to fund the schemes.

278 Whilst considering capital bid proposals, the capital MOWG has continued to recognise the benefits of committing to a longer-term capital programme to aid effective planning and programming of investment and to contribute to economic growth. At the same time, the capital MOWG also recognised the need for caution in committing the council to high levels of prudential borrowing at this stage and into future years given the significant financial challenges the council faces in balancing its budgets across the coming years. It is recognised that the ability to invest further in the capital programme requires the council and local government, to have received a long-term financial settlement to enable the affordability of an extended capital programme to be assessed against forecast future revenue savings requirements.

Available Capital Financing

Capital Grants

279 Capital grants for 2025/26 are yet to be confirmed but have been assumed to be in line with the forecasts built into MTFP(13).

280 The table below provides details of the indicative 2025/26 capital grant allocations included in the capital planning. If the actual allocations for

individual capital grants vary from the forecast position, then the capital budget is usually adjusted accordingly to mirror the difference in the allocations actually received. An additional £10.7 million capital grant for 2024/25 has been confirmed from the North East Mayoral Combined Authority (NEMCA) to support the NETPark 3 development. It is expected also that additional pothole funding will be forthcoming with agreement with the NEMCA.

Table 18 – Forecast Capital Grants Utilised in Support of the MTFP(14) Capital Programme

Capital Grant	Amount
	£m
Disabled Facilities	6.988
NEMCA - NETPark	10.700
LTP – Highways	14.841
LTP - Integrated Transport	2.748
School Maintenance/Basic Need	8.500
School Devolved Capital	1.100
TOTAL	**44.877**

Capital Receipt Forecast

281 In most cases, capital receipts received are utilised to support the overall council capital programme. Capital receipts are generated in the main from land sales which arise from the council's Asset Disposal Programme.

282 Across MTFP(13) and MTFP(14) period, the capital programme resources availability has been increased by the net surplus receipt generated from the sale of the Sands building, which after the revised forecast alternative accommodation strategy is funded has totalled £26 million.

283 In the 2015 Autumn Statement, the Chancellor of the Exchequer announced that local authorities would be given flexibility under certain circumstances to utilise capital receipts to finance one off revenue costs associated with service transformation and reform.

284 The Government identified that revenue expenditure would qualify to be financed from capital receipts in the following circumstances:

(a) qualifying expenditure is expenditure on any project designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs or to improve the quality-of-service delivery in future years;

(b) the key criteria to use when deciding whether expenditure can be funded by the capital receipts flexibility is that it is forecast to generate ongoing savings to an authority's, or several authorities', and/or to another public sector body's net current expenditure;

(c) within this definition, it is for individual local authorities to decide whether a project qualifies for the flexibility – the Secretary of State believes that individual local authorities or groups of authorities are best placed to decide which projects will be most effective for their areas;

(d) set up and implementation costs of any new processes or arrangements can be counted as qualifying expenditure. However, the ongoing revenue costs of the new processes or arrangements cannot be classified as qualifying expenditure.

285 At the present time a number of local authorities facing financial distress are implementing or considering this option as a short-term budget balancing measure and this is being supported by government. It has to be recognised however that this is only a short-term measure and often results in local authorities selling high value assets to balance budgets on an annual basis, often foregoing revenue income.

286 The Government believed that it was important that individual authorities demonstrate the highest standard of accountability and transparency in such decisions. It is required that each authority should prepare a strategy that includes separate disclosure of the individual projects that will be funded, or part funded through capital receipts flexibility and that the strategy is approved by full council or the equivalent. This strategy can be included as part of the annual budget documentation and approved by full council or the equivalent at the same time as the annual budget.

287 At this stage, it is not considered that there are a large range of opportunities for the council to utilise this flexibility. Careful consideration also needs to be given to the other options of funding such expenditure as identified above e.g., from contingencies or from reserves.

288 On that basis, to ensure that the council has this option available, it will be recommended that it be noted that capital receipts could be utilised to finance severance costs.

289 A review of the current forecast capital receipts for the period to the end of 2025/26 has indicated that there will still only be sufficient capital receipts to meet the revised budget requirement for the current capital programme. It is recommended that no additional capital receipt targets be included in MTFP(14).

Prudential Borrowing

290 The council continues to sensibly utilise prudential borrowing to fund capital investment. The current budget available for prudential borrowing alongside additional growth across the MTFP(14) period will enable the council to fully fund the capital programme. Where capital expenditure is funded through prudential borrowing the capital financing requirements impact on the budget the following year.

291 A key consideration in MTFP(14) capital programme is the very disappointing provisional local government finance settlement and the continuing additional unfunded demographic and inflationary pressures being faced by the council. For the future, the ability to invest significantly further in the capital programme requires the council and local government to have received a long-term financial settlement to enable the affordability of an extended capital programme to be assessed against forecast future revenue savings requirements.

292 A key consideration with any additional prudential borrowing is assumptions on the interest rates that can be secured under any future prudential borrowing. Over the last twelve months interest rates have continued to increase significantly although it is felt that rates have now peaked (PWLB borrowing rates are currently in excess of 5%) and will slowly fall from late 2024. For MTFP planning purposes it has been assumed that future borrowing will be at 4.5%. This means that every £1 million of prudential borrowing included in the MTFP(14) revenue budgets can finance circa £20 million of additional capital expenditure.

293 The prudential borrowing sum of £3.144 million included in the MTFP(14) budget plan for 2026/27 is sufficient to finance the MTFP(14) additional capital schemes included in this report. The inclusion of £3.144 million for prudential borrowing in 2026/27 is contributing to the £11.915 million budget shortfall in that financial year – representing around 26% of the budget shortfall that year. Provision for a modest £1.686 million of additional prudential borrowing commitment in 2027/28 is included to fund new capital spending commitments in MTFP(15) – this will require only modest additions and a lower levels of capital commitments being made next year.

Approval of Additional Capital Schemes

294 A comprehensive 2024/25 capital programme was approved as part of MTFP(13) in line with the council policy of developing a two-year rolling capital programme. The need to continue to invest in capital infrastructure is seen as an essential means of maintaining and regenerating the local economy whilst supporting job creation. Additional investment will maintain and improve infrastructure across the county, help retain existing jobs, create new jobs, and ensure the performance of key council services are maintained and improved.

295 There were three investments agreed in MTFP(13) which are already in the current capital programme which were a pre commitment against available MTFP(14) capital funding. The three investments approved in MTFP(13) that had a pre commitment being as detailed below:

	2025/26 £m
Greenfield School	10.000
County Hall Demolition	2.500
Care Connect Digital Upgrade	0.747
TOTAL PRE-COMMITMENT	**13.247**

296 After considering all factors, including the availability of capital finance, to supplement the £13.247 million of pre committed schemes detailed above, £90.003 million of new additional capital investment are proposed for inclusion in the MTFP(14) capital programme period 2024/25 to 2025/26. In addition, a budget total of £2.880 million is recommended for 2026/27, which would be a pre commitment against MTFP(15) and relates to the demolition of County Hall. This sum reduces scope for consideration of other capital investments.

297 The table below provides a summary of the bids that will be presented to Council for approval on 28 February, supplementing the £13.247 million of schemes already in the current capital programme. Further detail of the additional schemes can be found in Appendix 10.

Table 19 – Additional Capital Schemes for 2024/25 to 2027/28

Service	2024/25	2025/26	2026/27	2027/28	TOTAL
	£m	£m	£m	£m	£m
CYPS	3.150	9.850	0.000	0.000	13.000
NCC	8.952	23.973	0.000	0.000	32.925
REG	6.600	31.397	2.880	0.000	40.877

Service	2024/25	2025/26	2026/27	2027/28	TOTAL
	£m	£m	£m	£m	£m
RES	1.299	4.782	0.000	0.000	6.081
TOTAL	**20.001**	**70.002**	**2.880**	**0.000**	**92.883**

298 The new schemes detailed in Appendix 10 will ensure that the council continues to invest in priority projects and essential maintenance programmes. Examples of additional investments that are being proposed to Council to agree are detailed below:

(a) **Greenfield School Refurbishment (2025/26 - £10 million)** – The additional investment will bring total investment at the school to over £20 million. The new investment will have a positive impact for pupils, their families, and the wider community. It will enhance the quality of educational provision and help make the school more sustainable in the long term. This investment was a pre commitment from MTFP(13);

(b) **Net Zero Investment (2024/25 £1 million 2025/26 £1 million)** – significant capital investment will be required to enable the council to reach its net zero carbon target by 2030 especially in relation to the heating of buildings. This new investment is in addition to the £7 million of initial capital investment agreed in MTFP(12) and MTFP(13). This investment will continue to be focussed upon buildings and electrical upgrades and will enable match funding opportunities to be considered for any government funding to augment the programme spend;

(c) **Middleton in Teesdale Primary (2024/25 £2 million) –** there is an opportunity for a significant investment in a new build school by the Department for Education. It is forecast that a match funding contribution of up to £2 million from the council could secure such investment;

(d) **Crakehill Landslip (2024/25 £1 million 2025/26 £1 million)** – a sum of £0.5 million has been made available in the current capital programme to fund a full feasibility for addressing the landslip and reopening this road. This additional investment will ensure the remedial works can be completed once the scheme details are determined;

(e) **Highways Maintenance (2024/25 £2.5 million 2025/26 £2.5 million) –** the council expects to receive Local Transport Plan capital grant of £14.841 million in 2025/26. The additional investment of £5 million over the next two years will enable the investment to be enhanced to ensure additional repairs can be carried out;

(f) **Leazes Footbridge (2024/25 £1 million) –** the bridge has been closed for health and safety reasons and this investment will enable the bridge to be demolished and alternative safe crossings to be established;

(g) **Leisure Transformation (2025/26 £10 million)** - a 23% increase in the Leisure Transformation Programme, with a further £10 million of capital investment added to the £43.2 million of budget already made available. The additional £10 million of investment will be ring fenced to enhancing customer experience and facilities at Chester-le-Street LC and at Seaham LC;

(h) **Bridges and Structures (2024/25 £2.5 million 2025/26 £2.5 million) –** in addition to the need to maintain the road network major repairs are also required on a range of bridges and structures across the county. This specific investment will enable a prioritised programme of repair to be developed and implemented, with opportunities to leverage additional capital grants to match wherever possible.

299 In addition to the new schemes above, additional budget uplifts have been required for current schemes in the capital programme where costs are forecast to exceed the original budget. In this regard a budget uplift of £3.2 million is required for Durham Bus Station, taking the overall scheme budget to £15.663 million, and a £2.4 million budget uplift is required for The Story, taking the overall scheme budget to £24.170 million – though £1.828 million of this will be funded from external grant.

300 After considering the adjustments detailed in this report and the additional schemes proposed as part of MTFP(14), the new capital budget for the period 2024/25 to 2026/27 should Full Council approve the plans together with its financing arrangements will be as follows:

Table 20 – New MTFP(14) Capital Programme

Service	2024/25	2025/26	2026/27	TOTAL
	£m	**£m**	**£m**	**£m**
AHS	0.325	0.000	0.000	0.325
CYPS	72.217	21.864	1.795	95.876
NCC	77.763	25.613	1.206	104.582
REG	184.397	105.860	10.648	300.905
RES	7.091	4.877	0.000	11.968
TOTAL	**341.794**	**158.214**	**13.649**	**513.656**
Financed by				
Grants and Contributions	82.627	59.730	3.266	145.623

Service	2024/25	2025/26	2026/27	TOTAL
	£m	£m	£m	£m
Revenue and Reserves	0.824	0.629	0.438	1.892
Capital Receipts	3.012	4.542	0.000	7.554
New Prudential Borrowing	255.331	93.312	9.944	358.587
TOTAL	**341.794**	**158.214**	**13.649**	**513.656**

Recommendation(s)

301 It is recommended that Members:

(a) approve the Capital Strategy at Appendix 9;

(b) approve the additional capital schemes detailed at Appendix 10 – totalling £92.883 million (including a £2.880 million commitment into MTFP(15)). These schemes will be financed from additional capital grants, capital receipts, one off revenue funding and from prudential borrowing;

(c) note the option for the council to utilise capital receipts to finance severance costs utilising the available flexibilities in this regard. The utilisation of such flexibility would require the approval of Cabinet;

(d) approve the MTFP(14) Capital Budget of £513.656 million for the period 2024/25 to 2027/28 as detailed in Table 20.

2023/24 Savings Proposals

302 A sum of £16.360 million of additional savings have been identified to support MTFP(14) with £8.083 million of savings available to support 2024/25 budget setting

303 Additional detail on a service grouping basis can be found below with a full savings list set out in Appendix 4.

Adult and Health Services

304 In total, across the four years of MTFP(14), £1.883 million of savings are included with £1.029 million in 2024/25. The service continues to be faced with a significant amount of challenge, including continuing demographic pressures arising from an ageing population and seeing adults with increasingly complex needs and support requirements. The service continues to focus on maintaining independence and keeping people in their own homes for as long as possible.

305 MTFP savings in previous years have been implemented to ensure that direct services to vulnerable service users are protected, wherever possible, whilst required budget savings are achieved. In keeping with this principle, the majority, £0.659 million, of the AHS savings planned for 2024/25 relate to savings from commissioning and contract reviews. A further £0.210 million is from an ongoing review of specialist/high-cost care provision across learning disability services. An additional £50,000 saving in respect of market shaping focuses upon maximising the use of reablement and direct payments to promote the independence of individuals. £43,000 has been identified in respect of the removal of an historic contribution towards community alarms within in-house extra care schemes. A targeted 3.75% staff turnover assumption to be extended to further service areas accounts for the remaining £67,000 savings for 2024/25.

306 Future years' savings are in respect of a continuation of commissioning and contract reviews, the review of learning disability specialist/high-cost care provision and maximising the use of reablement and direct payments to promote independence for service users.

Children and Young Peoples Service

307 Across the MTFP period savings of £3.290 million are proposed, of which £1.131 million is included in revenue budgets in 2024/25.

308 The most significant element of savings, totalling £1 million, will be achieved via a review of systems and policies in relation to Home to School Transport costs which were consulted upon during 2023. The review is seeking to make savings in a number of areas of spend but as described elsewhere in this report this is against a background of increasing demand and far higher costs for the service – much of which is driven by SEND. There will also be rationalisation and reshaping of structures across CYPS (£0.999 million) and efficiencies delivered via greater automation of tasks and improved use of technology to deliver services, along with streamlining the use of staff accommodation (£0.631 million).

309 Other savings include reduced costs relating to historic pension liabilities (£0.410 million), a review of the delivery of council-run nursery provision (£0.150 million) and increased income from fees and charges (£100,000).

Corporate Affairs

310 Proposals amounting to £0.335 million are included for 2024/25. The service continues to be faced with a significant amount of change and has sought to

protect front-line services as much as possible in developing its savings proposals.

311 A saving of £0.235 million will be achieved through restructuring activity and £0.100 million from moving Durham County News online with only one printed version per annum.

312 Whilst every effort has been made to minimise the impact on frontline services in previous years and this remains the case in 2024/25, this is becoming increasingly difficult to sustain.

Neighbourhoods and Climate Change

313 In total, across the four years of MTFP(14), £3.479 million of savings are included with £1.739 million factored into 2024/25. The service continues to seek to protect front-line services as much as possible in developing its savings proposals.

314 The 2024/25 proposals include increased income of £0.972 million from introducing car parking charges at coastal destinations (in line with the arrangements in place in other local authorities), and increases in bulky waste, crematoria fees, and Highways. The service will also generate additional fee income of £0.200 million from the management of the LTP Capital Programme.

315 Areas where further efficiency reviews will be carried out in 2024/25 include implementing revised arrangements within our Community Networks (£0.285 million), and reviews of delivery models and arrangements within Clean & Green (£79,000), Community Protection (£110,000) and Partnerships and Community Engagement (£75,000).

316 Beyond 2024/25 there are further savings of £1.740 million planned, associated with initiatives to increase income, and reviews of Neighbourhood Protection, Clean & Green, and Community Networks (Area Action Partnerships).

317 Whilst every effort has been made to minimise the impact on frontline services in previous years and this remains the case in 2024/25, this is becoming increasingly difficult to sustain.

Regeneration, Economy and Growth (REG)

318 In total across the four years of MTFP(14) £2.823 million of savings are included with £2.185 million in 2024/25. The service continues to seek to protect front-line services as much as possible in developing its savings proposals.

319 The 2024/25 proposals include a strategic review of Car Parking in Durham City, including on and off street parking tariffs and Park and Ride charges and provision on Sundays to address air quality and promote sustainable travel (£0.421 million), a review of parking arrangements and tariffs across the county to allow a more equitable charging regime (£0.205 million), the removal of the Free after 2pm Car Parking Initiative for Off Street Parking in Durham City (£0.350 million), increased income from Moving Traffic Offences and Advertising (£50,000) and additional Planning Fees (£0.200 million). The service will also generate additional fee income from the management of the Towns & Villages Capital Programme (£50,000).

320 Areas where further efficiency reviews will be carried out in 2024/25 include Theatre Marketing and Ticketing (£37,000), a review of the Catering Service (£0.100 million) and Library Transformation (£0.305 million). In addition, a saving of (£0.309 million) will be achieved through a review of the staffing budgets within the Planning and Housing Team.

321 A further savings of £0.145 million will be achieved from a zero-based review of non-staffing service budgets in Planning & Housing and (£13,000) from an Asset Transfer.

Resources

322 In total, across the four years of MTFP(14), £3.100 million of savings are included with £0.914 million in 2024/25. The service continues to seek to protect front-line services as much as possible in developing its savings proposals.

323 A saving of £0.765 million will be achieved through restructuring activity and non-staffing budget reductions and £80,000 from a review of the current charging methodology within Transactional and Customer Services for those that are supported through the Financial Deputee process – where policy changes were implemented from October 2023.

324 A further £69,000 will be achieved from a review of Customer Access Point (CAP) provision and service model in line with changing customer demands, with revised opening hours implemented across a number of CAPs in October 2023.

325 Beyond 2024/25 there are further savings of £2.186 million planned, associated with restructuring activities, non-staffing budget reductions and a further review of Customer Access Point provision.

326 Whilst every effort has been made to minimise the impact on frontline services in previous years and this remains the case in 2024/25, though the proposals do seek to review Customer Access Point provision where foot fall and usage is very low and where customers are choosing to engage

electronically post Covid. The ability to limit impact on front line service delivery is becoming increasingly difficult to sustain.

Corporate Savings

327 Total corporate savings across the MTFP(14) period of £1.450 million are included. A reduction in the Local Council Tax Reduction grant to Town and Parish Councils of £0.750 million is included in these proposals. After consultation this saving has been phased equally over the three years 2024/25 to 2026/27 rather than equally over the two year period 2024/25 to 2025/26.

328 In addition, the general contingency budget is to be reduced by £0.5 million and a £0.2 million saving from members budgets is included over the period 2025/26 and 2026/27 as the number of members reduces from 126 to 98 after the May 2025 local government elections. There are no savings planned against members basic and special responsibility allowances at this stage, pending a report from the Independent Remuneration Panel later this year to inform options from 2025 onwards.

Recommendation(s)

329 It is recommended that Members:

(a) note the approach taken to achieve the required saving.

Equality Impact Assessment of the Medium-Term Financial Plan

330 Consideration of equality analysis and impacts is an essential element that members must consider in approving the savings plans for MTFP(14) and this section updates Members on the outcomes of the equality analysis of the MTFP (14) savings proposals.

331 The aim of the equality analysis process is to;

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

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

(c) ensure that we avoid unlawful discrimination as a result of MTFP decisions;

(d) ensure the effective discharge of the public sector equality duty.

332 As in previous years, equality analysis is considered throughout the decision-making process, alongside the development of MTFP(14). This is required to ensure MTFP process decisions are both fair and lawful. The process is in line with the Equality Act 2010 which, amongst other things, makes discrimination unlawful in relation to the protected characteristics listed above and requires us to make reasonable adjustments for disabled people.

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

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

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

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

334 A number of successful judicial reviews has reinforced the need for robust consideration of the public sector equality duty and the impact on protected characteristics in the decision-making process. Members must take full account of the duty and accompanying evidence when considering the MTFP proposals.

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

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

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

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

(d) are closely linked to the wider MTFP decision-making process;

(e) build on previous assessments to provide an ongoing picture of cumulative impact.

Impact Assessments for 2024/25 Savings Proposals

336 Consideration of equality analysis and impacts is an essential element that members must consider in approving the savings plans, a summary equality analysis and mitigations for new savings proposals can be found at Appendix

11. This section updates Members on the outcomes of the equality analysis of the MTFP (14) savings proposals. Where savings proposals are developed further, then analysis of impacts will be updated and included in relevant final decision-making reports.

Adult and Health Services (AHS)

337 There is a new proposal for the removal of a historic contribution towards community alarms in in-house extra care schemes which could potentially impact older and/or disabled residents with an additional small charge. Tenants have been informed of the proposed change as part of their annual budget packs via Anchor Hanover. Commissioning and Anchor Hanover have sent tenants a joint letter to explain the new charges. Anchor Hanover will liaise with the council on any actions arising from tenant concerns, should any be expressed. It should be noted the proposed change in arrangement would address an existing inequity by bringing the arrangements for the community alarm charges in line with the other three extra care sites in County Durham.

338 In terms of the savings agreed in MTFP(13) for 2024/25, these are progressing as planned and equality impact assessments have been updated where relevant. Negative impact is not expected for the following savings; reablement and direct payments and high-cost learning disability packages, as both aim to promote independence of service users and provide less restrictive models of care.

339 Remaining proposals for AHS include; a review of commissioned services in view of efficiencies, staffing turnover assumptions and a review of contractual arrangements, for which there is no expected disproportionate equality impact.

Children and Young People’s Services (CYPS)

340 In terms of Home to School Transport, there are potential negative and beneficial impacts in relation to the protected characteristics of disability (SEND), age (younger and working age) and sex (women). A full impact assessment was prepared as part of Cabinet reporting and decision-making processes for this proposal which has been subject to full public consultation. An increase in fare charges for the Standard and Maintained Concessionary scheme aligns with the Bus Service Improvement Plan offer and is 80p lower than the fare proposed as part of the consultation. This should mitigate some of the financial impact for working age families and potentially (disproportionately) women. Programmes of review have been established for the remaining aspects of home to school transport changes to ensure children and young people have access to safe and sustainable transport and routes.

341 The review of the early help model involves the removal of vacant posts which could potentially lead to an increased workload for remaining staff who are delivering services for families and young people. However, new approaches and working practices have evolved to adapt to efficiencies and minimise any adverse impact. The equality impact assessment will be updated as the proposal progresses to fully assess and monitor impact.

342 The review of council nursery provision is a long-term review which will minimise impact and allow for careful planning towards a sustainable future which is potentially positive for young children and their families. The Government plans for the expansion of free childcare will be phased in over the period from April 2024 to September 2025. The extension of the free (30 hour) childcare support for working parents of children over the age of nine months, will allow opportunities for all four council nurseries to remodel their provision. It is expected that increased volumes of potential children requiring places along with increased funding rates will allow for a financially sustainable model. HR processes will be followed to ensure fair treatment where there is any impact on staff and the equality impact assessment will be updated to reflect this.

343 In terms of savings agreed in MTFP(13) for 2024/25, these are progressing as planned and equality impact assessments have been updated where relevant. In terms of the adult learning service restructure there will be a re-focus of service delivery, however, opportunities and support will continue to be provided for people who meet the new eligibility criteria which includes those with protected characteristics, in particular, younger age groups and people with a disability. The council will continue to fully meet its statutory requirements.

344 Remaining proposals for CYPS have no expected disproportionate impact on the protected characteristics or have a minimal impact which will be monitored where proposals are implemented.

Corporate Affairs

345 There is a proposal to move Durham County News to an online publication which will affect how we communicate with residents who do not have digital access. Digital exclusion disproportionately impacts the following groups: older residents, people with disabilities and people on low incomes (possibly more women and minority ethnic). Reasonable adjustments will be made for people with disabilities where necessary. Adjustments could include hard copies and/or alternative formats (large print, audio) distributed to those residents who request this as an adjustment. Equality impacts will be reviewed and updated as the proposal progresses.

346 The second proposal in corporate affairs involves a structure review which does not adversely impact our ability to provide high quality intelligence and

communications. Any staff reductions will be managed through agreed HR procedures, and progression of ER/VR.

Neighbourhoods and Climate Change (NCC)

347 Increases in fees and charging in community protection will potentially affect licensed trade, landlords, food, beauty and hospitality industry. As these are business related impacts no direct equality impact is expected. A review of pricing for domestic treatments will lead to increased charging for pest control. However, retention of support for households on the council tax relief scheme provides continued support for the most vulnerable households.

348 A fee increase for bulky waste collection is proposed which although impacts all customers, may have a disproportionate impact for disabled and older residents who may not be able to easily use alternative means of disposing of bulky waste, such as visiting household waste recycling centres (tips). The service will continue to provide assisted bulky goods collections (e.g., from yard/garden rather than kerbside) for those that require support and/or reasonable adjustments due to a disability.

349 An adjustment to funding of Area Action Partnership (AAP)) area budgets with a reduction in revenue budget, will be partially offset by an increase in capital budget. As projects are broad in focus there is likely to be some impact on protected characteristics in terms of a reduced capacity to support projects which support older/younger people, people with disabilities, for example. An increase in capital funding is positive and will better support improvements to community infrastructure and equipment. The AAPs will work closely with a range of internal and external partners and funders to potentially mitigate in full shortfalls in revenue funding.

350 A review of the Local Network model will take account of the ongoing Boundary Commission review of the County Council's Elected Member boundaries which will potentially lead to fewer local networks in comparison to the current AAP model which has the potential to achieve more consistent Network populations and release savings. The proposal is in the early stages of development, and it is unclear if there would be an impact on communities and/or staff. The impact assessment will be reviewed and updated as these proposals progress.

351 There are proposals to introduce parking charges at Seaham Coast and Crimdon beach which will impact all car park users with no disproportionate equality impact as it will impact all motorists. The approach supports car park sustainability via improved management of parking space turnover which will increase access for all. It may minimise environmental impact by encouraging alternative modes of transport for some which will have positive and lasting impacts for all. All Pay and Display tickets will be valid for an

additional period (to be determined) after expiration when accompanied by a valid blue badge. On street dedicated blue badge bays will remain free of charge and on street pay and display bays and time limited bays will remain free of charge and without limit of stay for blue badge holders. The proposal has been subject to public consultation, brings arrangements in County Durham in line with arrangements in other coastal destinations in other authorities and the equality impact assessment will be updated with the analysis of feedback.

352 In terms of the achievement of savings agreed in MTFP(13) for 2024/25, these are progressing as planned and equality impact assessments have been updated where relevant.

353 Remaining NCC savings proposals have minimal or no disproportionate impact on the protected characteristics. Any potential staff reductions in relation to NCC proposals will be managed through agreed HR procedures, and progression of ER/VR to minimise impact.

Regeneration, Economy and Growth (REG)

354 There are several proposals in relation to the car parking review, some of which have already been implemented (i.e. the withdrawal of the council run car park free after two policy in January 2024). There is no disproportionate impact on any particular group as the changes will impact across the board, however, mitigations, exemptions and concessions exist for disabled people in particular circumstances. On-street dedicated blue badge bays will remain free and on-street pay and display bays and time limited bays will remain free of charge and without limit of stay for blue badge holders. Some of the proposals may provide a nudge towards more sustainable travel which could be of potential benefit to all in terms of improved health and air quality. The proposal has been subject to public consultation and the equality impact assessment will be updated with the analysis of feedback.

355 In terms of progress in delivering savings agreed in MTFP(13) for 2024/25, these are progressing as planned and equality impact assessments have been updated where relevant. Dynamic pricing at our theatres has been introduced with the implementation supported by clear customer messaging. The council continues to meet access requirements for disabled theatre goers and accompanying carers are allowed to book for free where they meet the policy criteria established.

356 Remaining REG savings proposals have minimal or no equality impact. Any potential staff reductions in relation to NCC proposals will be managed through agreed HR procedures, and progression of ER/VR to minimise impact.

Resources (RES)

357 There are a range of proposals for Resources, most in relation to service reviews where it is anticipated that process improvements and insight will lead to more innovative service delivery solutions. Mitigations exist where new delivery methods impact certain staff groups such as those with a disability or pregnancy. Fair treatment of staff involved in service reviews will be ensured through agreed corporate HR change management procedures, and progression of ER/VR to minimise impact.

358 The review of transactional and customer services aims to provide better insight and potentially lead to the delivery of more innovative solutions and service improvements. However, there is potential for impact on some key front-line services which provide support for financially vulnerable households. This would impact across protected characteristics, especially age and disability and potentially a disproportionate impact for women. A reduction in support for vulnerable residents could affect physical, mental, and emotional health and wellbeing as residents experience fuel poverty, food insecurity, child poverty, economic inactivity, and low pay. The review is still underway but potential mitigations include; more efficient processes to release capacity to support customers, further channel shift to self-service and digital pathways, reduction in duplication and new models of partnership working.

359 In terms of achieving savings agreed in MTFP(13) for 2024/25, these are progressing as planned and equality impact assessments have been updated where relevant. Charging for deputy and appointee services has been implemented after consultation with affected service users. This brings the council into line with other authorities, however we will continue to monitor and are responsive to any negative impacts. Consultation on the review of customer access points (CAPs) has taken place and reduced opening hours, which reflect consultation feedback, have been implemented. A second review of CAPs will take place in 2024 to further assess usage across all CAPs. Regarding service restructures, it has been noted that an overall reduction in staffing could lead to additional pressures and capacity issues for wider teams. New ways of working and prioritisation should minimise any negative impact. Ongoing impacts, post re-structure implementations, will be monitored and any emerging issues appropriately addressed.

Corporate (COR)

360 There is potential equality impact across the protected groups for two of corporate savings proposals.

361 The 50% reduction in funding over three years for Town and Parish Councils is likely to adversely impact across the protected characteristics as it restricts investment and / or could lead to increased Town and Parish precepts. However, the impact of the grant reduction on individual authorities will be

very much determined by the decisions individual authorities make upon increasing council tax. There is an expectation that normal taxbase growth of circa 1% alongside additional tax base income growth from utilising council tax additional flexibilities for empty and second homes will mitigate the impact of the grant loss.

362 An overall reduction in Member Budgets will reduce the total investment. This will result in investment being spread across larger populations as the overall number of members reduce and wards become larger. Member budgets cover a broad range of activity therefore there is likely to be some impact on protected characteristics in terms of a reduced capacity to support projects and/or individuals which will impact across the population age. Although there is potential impact, the level of investment will still remain high with the council Member budgets being higher than the average across the country.

Cumulative Impacts

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

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

365 Generally previous changes to universal services such as street lighting, bin collection or parking charges are less likely to have a disproportionate impact on any one specific group. However, there are exceptions, such as reductions in contracted public bus services, changes to libraries' opening hours, changes to the operation of customer access points and changes to

leisure centres. Dedicated services such as social care, day care and home to school transport sometimes have disproportionate impacts for particular groups such as people with a disability and women, and those with a caring responsibility, and we have taken steps to monitor the impact and mitigate where possible.

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

Key Findings and Next Steps

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

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

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

Health Impact Assessment

370 In addition to the EIA process the council has carried out a Health Impact Assessment upon the MTFP(14) savings. The outcome of the HIA process is attached at Appendix 12 to the report.

371 Health Impact Assessments are used to produce an objective evaluation of the potential health effects of a project/policy/decision. They seek to maximise the benefits of any such decisions (increasing positive health outcomes) or minimise any negative impact (adverse health outcomes).

372 Proposed MTFP(14) savings (by service) have been screened and assessed by Public Health. Those with no obvious population level health impact were screened out but 21 savings proposals were assessed as having a potential population health impact and the findings are set out at Appendix 12, which

details the potential impact and recommendations/potential options to mitigate any assessed negative impact.

373 In summary, the findings from the assessments highlight potential concerns on matters relating to health inequality/inequity, cost of living/financial pressures, mitigating against impact on vulnerable populations, unintended consequences relating to pressures upon the wider system and general health. Suggestions have been made as to how potential impact can be mitigated and these suggestions will be factored into the implementation planning.

Recommendation(s)

374 It is recommended that Members:

(a) consider the identified equality and health impacts and mitigations;

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

Workforce Considerations

375 The £16.360 million of savings included in the report are expected to require the reduction in full time equivalent posts of circa 100 Full Time Equivalents. In addition, it is forecast that further savings of £37.833 million are required to balance the budget over the period 2025/26 to 2027/28, which would most likely result in further significant reductions in posts across that period.

376 The council will continue the approach of forward planning, retaining vacant posts where required in anticipation of any required change. If required in the future, the council will seek volunteers for early retirement and/or voluntary redundancy and maximise redeployment opportunities for the workforce wherever possible reducing the necessity for compulsory redundancies in the process.

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

Pay Policy

378 The Localism Act 2011 requires the council to prepare and publish a Pay Policy Statement annually which sets out the authority’s policy relating to the

remuneration of its Chief Officers and how this compares with the policy on the remuneration of its lowest paid employees.

379 The first policy document was required to be approved by a resolution of the council prior to 31 March 2012 and the policy must then be updated and published by the end of March for each subsequent year, although the policy can be amended by a resolution of the council during the year.

380 The Act requires that in relation to Chief Officers the policy must set out the authority's arrangements relating to:

(a) the level and elements of remuneration for each Chief Officer;

(b) remuneration of Chief Officers on recruitment;

(c) increases and additions to remuneration for each Chief Officer;

(d) the use of performance-related pay for Chief Officers;

(e) the use of bonuses for Chief Officers;

(f) the approach to the payment of Chief Officers on their ceasing to hold office under or to be employed by the authority;

(g) the publication of and access to information relating to remuneration of Chief Officers.

381 The Pay Policy Statement, as updated, is set out at Appendix 13 which will be for council consideration and outlines the details for the authority in line with the above requirement.

382 In addition, the Pay Policy includes at Annex 1 the scale of fees payable during by elections. The council is minded to bring the fees for individual by-elections in line with a national scale of fees being introduced by DLUHC. At the time of writing these fees are not yet confirmed and the suggested fees have been taken from figures contained in the final consultation document. The new scale of fees is not expected to be significantly higher than rates previously paid by the council. Increases in remuneration of polling station staff can be seen, which result from their additional responsibilities arising from the introduction of the Elections Act 2022. Delegated authority is sought for the Corporate Director Resources to approve the new scale of fees in consultation with the Deputy Leader when they have been confirmed.

Recommendation(s)

383 It is recommended that Members:

(a) approve the Pay Policy Statement at Appendix 13.

(b) delegated authority is sought for the Corporate Director Resources to approve the new scale of fees for individual by-elections, in consultation with the Deputy Leader, when they have been confirmed.

Risk Assessment

384 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 council's 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 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) Forecasts assume that the additional non ring fenced social care funding received by the council as part of the 2024/25 settlement will be recurrent. This is a balanced risk as it is felt the provision of this additional funding by the Government is in recognition of the ongoing social care pressures being faced by local government.

(e) 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;

(f) 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;

(g) 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);

(h) 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;

(i) 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;

(j) 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 provided 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;

(k) 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;

(l) 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.

(m) the impact of requirements associated with the health and social care reforms if and when they are resurrected post the General Election.

Recommendation(s)

385 It is recommended that Members:

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

Dedicated Schools Grant (DSG) and School Funding 2024/25

386 The DSG is a specific earmarked grant provided by the Government which provides the major source of direct funding for schools and funding for the support provided to them by the council.

387 The DSG is split into four 'funding blocks': Schools, Central School Services, High Needs and Early Years. The school's block is ring-fenced, but local authorities retain limited flexibility to transfer up to 0.5% of their Schools Block funding into another block, with the approval of the Schools Forum. Movements from the Central School Services Block to the Schools Block or from the High Needs Block to any other block are not subject to any statutory limits and can be made in consultation with the Schools Forum. Movement from the Early Years Block can be made in compliance with the early years pass through rate conditions and in consultation with the Schools Forum.

Schools Block

388 The Schools Block funds the funding formula for mainstream primary and secondary schools in respect of the education of pupils from Reception to Year 11. Funding for these schools is currently distributed according to a local formula determined by the council, after consultation with the Schools Forum and schools.

389 The local formula must comply with statutory regulations and there are limitations over what factors can be applied in the local formula, which significantly limits the discretion of local authorities in determining their local formulas and currently requires that at least 80% of funding is distributed through factors related to pupil numbers and needs.

390 The local formula set by the council is consistently applied to all mainstream schools (maintained and academy) and is primarily driven by their pupil numbers and profiles. DSG funding is provided to academies on an academic year basis whereas maintained schools receive their DSG funding on a financial year basis and is provided on a lagged basis, with pupil numbers in the October census each year informing funding levels provided the following year.

391 It is expected that local formulas will be replaced by a National Funding Formula (NFF) by no later than April 2027. This is a long-standing DfE aim, with the intention that all mainstream schools will be funded in the same way across the country. In Durham, the local formula is already aligned to the NFF.

392 The Government has encouraged local authorities to move their local formulas towards the NFF and since 2018/19 DSG allocations to local authorities' Schools Blocks have been based on notional NFF allocations for individual schools. These notional allocations cannot be fully replicated in local formulas because the notional allocations are set in advance of the availability of the pupil numbers and other data that are used in the actual formula.

393 Initial information in relation to funding levels for 2024/25 was published by the Department for Education (DfE) in July 2023, but was revised in October 2023, to correct an error in the pupil numbers used in the original funding announcements.

394 The DfE adjusted for this error by continuing with the same funding envelope, but reducing funding per pupil, so that the increased (correct) pupil numbers could be funded from within the funding envelope originally announced.

395 Had the DfE corrected this error by adding missing pupils to the DfE's original estimate of per pupil funding for 2024/25, the revised cost would have exceeded the available funding envelope by £370 million. This is why the DfE chose to retain the original funding envelope, which means that funding per

pupil has reduced compared to that announced in July 2023. This has been put into effect by reducing the amounts per pupil and per school in the NFF formula factor values

396 Nationally, core school funding, which includes the Schools Block and High Needs Block is due to increase in 2024/25 to £59.6 billion, representing a 2.7% (£1.6 billion) increase on the funding made available in 2023/24.

397 The increase in funding per pupil announced in July was 2.4%, which has reduced to 1.4% following the revision in October.

398 The DfE has continued its practice in recent years of supplementing the funding in the Schools Block with a separate grant, which is subsequently rolled into the Schools Block. Rolling grants into the Schools Block means that they become part of the baseline for future years, against which changes in funding are measured.

399 For 2024/25, the Schools Block includes the funding used in 2023/24 for the Mainstream Schools Additional Grant (MSAG). The increase in funding for 2024/25 includes funding that was provided through the MSAG in 2023/24. Without this, the general increase in funding would be 2.4%.

400 Schools will also receive a Teachers Pay Additional Grant (TPAG) in 2024/25 (circa £1.3 billion of additional funding), which will be incorporated into the Schools Block from 2025/26. When grants that were provided separately are incorporated into the Schools Block, they become part of the baseline funding that it rolled forward each year; separate grants are subject to decisions about whether they should continue.

401 The change in the Schools Block allocation between 2023/24 and 2024/25 is summarised in the table below:

Table 21 – Changes in Schools Block Allocation

Reason for change	£ million
Pupil numbers	(2.249)
Units of Funding / pupil	20.418
Premises factors	0.194
Growth	(0.563)
TOTAL	**17.801**

402 In terms of funding changes as a result of the changes to the NFF, which affect the Units of Funding, the values used in the NFF increased by between 1 and 2% compared to 2023/24. Much of the increase in the Units of Funding is a result of the inclusion of funding that was distributed as a separate grant

in 2023/24. The total supplementary funding was £12.989 million and therefore the net increase on a like-for-like basis is £4.812 million.

403 In 2024/25 there will be further supplementary funding provided to schools through the TPAG, which is estimated to be £6.6 million for schools and academies in Durham.

404 Funding is also provided to recognise that it is sometimes necessary to adjust funding to individual schools to take account of significant growth in pupil numbers at the start of the following academic year, which is not reflected in formula funding because pupil numbers are based on the School Census from the previous October.

405 Growth funding can be provided to meet basic need but cannot be used to support schools whose numbers are increasing via parental choice. Growth funding is formula based. The council has made an adjustment to the funding for one school (Framwellgate Moor Primary) in respect 2024/25 growth.

406 In response to the original timetable for the planned replacement of local formulas, the council considered its approach to setting a local formula and after consultation with the Schools Forum, schools and the Children and Young People's Overview and Scrutiny Committee, Cabinet decided in December 2017 to adopt a transitional formula from 2018/19.

407 From 2019/20 to 2021/22 the council continued to set a transitional formula, with the formula being fully aligned, within the limits of affordability, from 2021/22. At its meeting on 13 December 2023, the council's Cabinet agreed to continue to align the formula as closely as possible in 2024/25.

408 The formula to be applied in 2024/25, which is subject to approval from the DfE, is summarised in the table below:

Table 22 – Mainstream Primary and Secondary Funding Formula 2024/25

	Element (P = Primary, S = Secondary)	**2024/25 Mainstream School Funding formula**			
		Pupils / eligible pupils	**Factor values £**	**Allocation**	
				£ million	
Basic funding per pupil	KS1 & 2 (P)	37,229.75	3,560.60	132,560,068	34.00%
	KS3 (S)	16,578.00	5,020.02	83,221,881	21.35%
	KS4 (S)	10,359.00	5,658.77	58,619,171	15.04%
Deprivation	Free School Meals (P)	12,561.68	489.81	6,152,795	1.58%
	Free School Meals (S)	8,556.00	489.81	4,190,787	1.07%
	FSM6 (P)	12,651.71	819.68	10,370,310	2.66%

	Element (P = Primary, S = Secondary)	2024/25 Mainstream School Funding formula			
		Pupils / eligible pupils	Factor values £	Allocation	
				£ million	
	FSM6 (S)	8,891.00	1,199.53	10,664,992	2.74%
	IDACI Band F (P)	5,135.08	234.91	1,206,267	0.31%
	IDACI Band E (P)	6,153.20	284.89	1,752,970	0.45%
	IDACI Band D (P)	3,915.69	444.82	1,741,793	0.45%
	IDACI Band C (P)	3,115.17	484.81	1,510,261	0.39%
	IDACI Band B (P)	3,516.30	514.80	1,810,179	0.46%
	IDACI Band A (P)	2,373.30	679.73	1,613,205	0.41%
	IDACI Band F (S)	3,710.92	339.87	1,261,214	0.32%
	IDACI Band E (S)	4,324.97	449.82	1,945,470	0.50%
	IDACI Band D (S)	2,848.66	629.75	1,793,949	0.46%
	IDACI Band C (S)	2,069.06	689.73	1,427,089	0.37%
	IDACI Band B (S)	2,392.35	739.71	1,769,641	0.45%
	IDACI Band A (S)	1,587.97	944.63	1,500,035	0.38%
English as an Additional Language	Primary	1,053.31	589.77	621,207	0.16%
	Secondary	253.35	1,584.37	401,405	0.10%
Mobility	Primary	270.83	959.62	259,890	0.07%
	Secondary	52.82	1,379.46	72,863	0.02%
Low Prior Attainment	Primary	11,346.01	1,169.54	13,269,592	3.40%
	Secondary	5,697.88	1,774.30	10,109,742	2.59%
Minimum per-pupil funding					262,333
Total for pupil-led factors					**350,109,109**
Lump sum	Primary			28,358,400	7.27%
	Secondary			4,032,000	1.03%
Sparsity					1,129,730
Total for school-led factors					**33,520,130**
Total for premises factors					**6,231,156**
Total funding					**389,860,395**

409 Pupil numbers and the numbers of pupils who attract additional needs funding are taken from the October 2023 schools census and are provided by the DfE.

410 Further information relating to the factors included in the table above is outlined below:

(a) free School Meals provides funding based on the number of pupils recorded as eligible for a free meal in the preceding October's school census;

(b) FSM6 is a measure of deprivation and provides funding based on the number of pupils who have been recorded as eligible for Free School Meals on any school census in the last six years;

(c) IDACI (Income Deprivation Affecting Children Index) is a subset of the Index of Multiple Deprivation. In accordance with statutory regulation there are seven bands in the formula, with Band A being for the pupils most likely to suffer deprivation and Band G being the lowest band. Regulations do not allow funding for Band G;

(d) English as an Additional Language funding is provided where pupils have been recorded as having English as an Additional Language in any of the last three years;

(e) mobility funding is provided where schools have had significant pupil movements during the academic year, based on data from the last three years' school censuses;

(f) low Prior Attainment funding is provided where pupils have not met the expected standard of attainment in their previous phase of education;

(g) minimum per pupil funding provides additional funding where the total of pupil-led funding plus the lump sum and sparsity funding falls below a minimum value, which has been set at £4,610 for primary schools and £5,995 for secondary schools. These values are mandatory for all local formulas and are of concern to the council because they favour larger schools with relatively low numbers of pupils with additional needs;

(h) sparsity funding is provided for small schools in sparsely populated areas; and

(i) premises-led factors provide funding for rates, split-site schools and, the PFI contract affordability gap. Split-site funding was determined locally in previous years but is now allocated according to a formula set by the DfE, which is the same as the formula in the NFF; the schools that were formerly eligible for split-site funding are still eligible.

High Needs Block (HNB)

411 There are enduring pressures on High Needs Block (HNB) of the Dedicated Schools Grant (DSG), which provides funding for SEND and inclusion support services for children and young people in County Durham.

412 The HNB provides funding for pupils with high-cost Special Educational Needs (SEN), i.e., those pupils requiring provision in specialist settings

costing more than £10,000 per year or those pupils in mainstream primary and secondary schools whose provision costs more than £6,000 per year. The SEN provision that is funded from the High Needs Block is as follows:

(a) specialist placements in out-of-county settings;

(b) place based funding for special schools;

(c) targeted and top-up funding to reflect additional costs for individual pupil support in both special and mainstream schools; and

(d) SEN support services.

413 For 2024/25 the HNB allocation is £93.977 million, which is £4.060 million (or 4.5%, higher than the 2023/24 allocation of £89.917 million.

414 This level of increase is significantly below the average increase of 15% that has been applied over the previous four financial years. As pressures on the HNB are anticipated to continue at closer to 10% per annum, it is forecast that the cumulative HNB deficit will continue to grow from the anticipated £11.0 million at the end of 2023/24.

415 The significant and increasing HNB deficit position is a serious concern for the council and many other local authorities. The exceptional accounting override that allows councils to exclude HNB deficits from their main council general revenue funding position is due to end after 2025/26, at which point the HNB deficit may need to be funded by council resources.

Early Years

416 The Early Years Block provides funding for universal provision for three- and four-year-old children (up to 570 hours per annum) and extended provision for children from eligible working families (up to a further 570 hours per annum). The services are delivered by maintained nursery schools, nursery units in primary schools and academies, and Private, Voluntary, and Independent (PVI) sector providers.

417 The Government consultation on the expanded entitlements for Early Years has now been concluded. The outcome will result in changes to the funding formula, including further provision for new entitlements for eligible working parents of 2-year-old children (from 1 April 2024) and for eligible working parents of children aged 9 months to 2 years old (from 1st September 2024).

418 On 19 December 2023 the DfE announced details of how an additional £288 million funding for Early Years will be distributed to local authorities. For County Durham this equates to the rate for disadvantaged two-year olds

being increased by £2.10 per hour (a 37% increase) and the rate for three and four-year olds being increased by 59p per hour (a 12% increase).

419 The authority will also receive a new rate for working parents of 2-year-olds matching the existing rate for disadvantaged 2-year-olds and also a new rate for children aged 9 months to 2 years old. This will mean an increase of £15.9 million (46%) to funding for County Durham in 2024/25 compared with 2023/24 allocations.

420 The outcomes from a consultation with early years providers will inform how funding is allocated.

421 Early Years Pupil Premium (EYPP) is also funded through the Early Years Block and a provisional allocation has been provided by the DfE, based on the 2023/24 allocations for 3–4-year-olds and estimated allocations for 2-year-olds and under 2's. As with the other elements of the Early Years funding, the 2024/25 final allocation will not be announced until the summer, based on the number of eligible children recorded in the January 2024 pupil census.

422 The EYPP funding rate of £0.62 per hour in 2023/24 increases to £0.68 per hour in 2024/25 (a 9.7% increase), which equates to £388 for each eligible child taking up the full 570 hours of state funded early education.

423 As part of the Early Years National Funding Formula, the council is required to implement a universal base rate for all providers. This has been of concern to maintained nursery schools, which have higher costs than other providers, (e.g., the cost of employing a head teacher) and which currently receive additional funding through a formula; the formula includes a deprivation element, a lump sum, and an allowance for rates.

424 The DfE have recognised that maintained nursery schools provide a high-quality provision, often in deprived areas and has allocated supplementary funding in addition to National Funding Formula to ensure that authorities can continue to provide funding to these schools through a formula in 2024/25.

Central School Services Block (CSSB)

425 The CSSB funds local authorities for the statutory duties that they hold for both maintained schools and academies. The CSSB brings together:

(a) funding previously allocated through the retained duties element of the Education Services Grant (ESG);

(b) funding for ongoing central functions, such as admissions, previously top-sliced from the school's block; and

(c) residual funding for historic commitments, previously top-sliced from the school's block.

426 For 2024/25 the CSSB is £2.981 million, which is £83,000 (or 2.8%) higher than the 2023/24 CSSB allocation of £2.898 million.

Pupil Premium

427 Pupil Premium for pupils older than early years, is provided for a number of categories of need. For schools and academies in Durham the funding for 2023/24 is £32.278 million. Pupil Premium rates per pupil for 2024/25 have increased and are shown in the following table:

Table 23 – Pupil Premium Rates

	£ / eligible pupil, 2023/24	£ / eligible pupil, 2024/25	Increase / (Decrease) in £ / eligible pupil
Deprivation Pupil Premium – Primary	£1,455	£1,480	£25
Deprivation Pupil Premium – Secondary	£1,035	£1,050	£15
Looked After Children	£2,530	£2,570	£40
Children adopted from care or who have left care	£2,530	£2,570	£40
Service Children	£335	£340	£5

428 The numbers of pupils eligible for pupil premium for 2024/25 will be provided by the DfE later in the year (in the summer term). Pupils eligible in the current year are:

Table 24 – Pupil Premium Numbers

	Number of eligible pupils

	2023/24
Deprivation Pupil Premium – Primary	12,342
Deprivation Pupil Premium – Secondary	9,245
Looked After Children	817
Children adopted from care or who have left care	963
Service Children	743

Total Dedicated Schools Grant (DSG)

429 DSG and Pupil Premium funding for 2024/25 is shown in the following table:

Table 25 – DSG and Pupil Premium Funding

DSG Block	Allocation £ million
Early Years Block	55.518
Schools Block	389.860
High Needs Block	93.977
Central School Services Block	2.981
Total DSG	**542.337**
Pupil Premium (Based on 2023/24 pupil numbers)	32.801
TOTAL	**575.137**

430 It should be noted that the total funded through the mainstream primary and secondary formula in Table 25 above is different to the total shown in Table 22 because of adjustments in respect of funding set aside in previous years for estimated non-domestic rates that was not required.

431 Schools Block funding allocated to academies through formula funding will be recouped by the Education and Skills Funding Agency which provides this funding to academy trusts as part of the General Annual Grant. The total recouped will be adjusted during the year for subsequent academy conversions.

Recommendation(s)

432 It is recommended that Members:

(a) note the position on the Dedicated Schools Grant;

(b) approve the formula set out in Table 22 and authorise the Corporate Director of Resources to approve any amendments required following review by the DfE.

Prudential Code, Treasury Management and Property Investment

433 This section outlines the council's prudential indicators for 2024/25 to 2026/27, sets out the expected treasury operations for this period and provides details on the council's Property Investment Strategy. The content fulfils five legislative requirements:

(a) the **reporting of the prudential indicators**, setting out the expected capital activities as required by the CIPFA Prudential Code for Capital Finance in Local Authorities as shown at Appendix 14;

(b) the **cash investment strategy** which sets out the council's criteria for choosing investment counterparties and limiting exposure to the risk of loss. This strategy is in accordance with the DHLUC Investment Guidance and is also shown in Appendix 14;

(c) the **Treasury Management Strategy Statement** which sets out how the council's treasury service will support the capital decisions taken above, the day-to-day treasury management and the limitations on activity through treasury prudential indicators. The key indicator is the 'Authorised Limit', the maximum amount of debt the council could afford in the short term, but which would not be sustainable in the longer term. This is the Affordable Borrowing Limit required by section 3 of the Local Government Act 2003. This is in accordance with the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code and shown at Appendix 14;

(d) the council's **Minimum Revenue Provision (MRP) Policy**, which sets out how the council will pay for capital assets through revenue each year (as required by Regulation under the Local Government and Public Involvement in Health Act 2007) as shown at Appendix 14;

(e) the **Property Investment Strategy** seeks to ensure that the council only enters into investments which provide a reasonable level of return for the council after considering all risks as part of a robust business case and due diligence process. The Property Investment Strategy is appended at Appendix 15.

Recommendation(s)

434 It is recommended that Members:

(a) agree the Prudential Indications and Limits for 2024/25 – 2026/27 contained within Appendix 14 of the report, including the Authorised Limit Prudential Indicator;

(b) agree the Minimum Revenue Provision (MRP) Statement contained within Appendix 14 which sets out the council's policy on MRP;

(c) agree the Treasury Management Strategy and the treasury Prudential Indicators contained within Appendix 14;

(d) agree the Cash Investment Strategy 2024/25 contained in the Treasury Management Strategy (Appendix 14 including the detailed criteria);

(e) approve the Property Investment Strategy at Appendix 15.

Background papers

- Autumn Statement, published 22 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
- Local Council Tax Reduction Scheme 2024/25 – Report to Council 18 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
- Forecast of Revenue and capital Outturn 2022/23 – Period to 30 September 2022 and Update on Progress towards achieving MTFP(12) savings – Report to Cabinet 16 November 2022

- Medium Term Financial Plan (13), 2023/24 to 2026/27 – Report to Cabinet 18 January 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.

All members have a fiduciary responsibility for managing public finances and for facilitating the setting of a balanced budget. These responsibilities are set out at Appendix 7.

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.

Statutory guidance states that any discretionary rate relief or local council tax discount scheme must be in the interests of the wider council taxpayer.

The proposals set out in this report seek to ensure that the council's policy is in line with legislative requirements. Any changes to the Discretionary Rate Relief and Hardship Relief Policies or the Discretionary Council Tax Discount and Hardship Relief Schemes need to be approved by Cabinet.

Finance

The report sets out various recommendations on the 2024/25 Budget and for the MTFP(14) period 2024/25 – 2027/28.

Consultation

Full information on the MTFP(14) consultation process are contained in the report.

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 Cabinet reports contained summary details of the impact assessment on the proposed savings that were subject to consultation. An updated Equality Impact Assessment factoring in the consultation feedback and further work undertaken since the initial screening was undertaken in July and October is included at Appendix 10 and summarised in the body of the report.

Savings proposals for MTFP(14) are considered to have some equality implications. Impact assessments for saving proposals which involve staff restructures have been carried out where relevant and a summary provided in the body of the report which confirms there are no equality impacts in terms of service delivery. Mitigation has been identified where savings proposals could potentially adversely impact on people with protected characteristics.

Savings plans have also been assessed from a Health Impact Assessment viewpoint. The outcome from the review is attached at Appendix 11.

Climate Change

The report details additional revenue and capital investments to support the council in achieving its net zero targets. This investment is in addition to the financial investment 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 forwards. There are no human right implications from the information within the report.

Crime and Disorder

It is recognised that the changes proposed in this report could have a negative impact on crime and disorder in the county. However, the council will continue to work with the Police and others through the Safe Durham Partnership on strategic crime and disorder and to identify local problems and target resources to them.

Staffing

The impact of the MTFP upon staffing is detailed within the report.

It is estimated that there will be a 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 £37.833 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. It is likely that these will have significant staffing implications.

Accommodation

The council's Corporate Asset Management Plan is aligned to the corporate priorities contained within the Council Plan. Financing for capital investment priorities is reflected in the MTFP Model.

Risk

A robust approach to Risk Assessment across the MTFP process has been followed including individual risk assessment of savings plans.

Procurement

Wherever possible procurement savings are reflected in service groupings' savings plans.