

**Cabinet**

**18 September 2024**



**Medium Term Financial Plan(15), 2025/26 –  
2028/29 and Review of the Local Council  
Tax Reduction Scheme and Council Tax  
Discretionary Discounts and Premiums  
Policy**

**CORP/R/2024/001**

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**Report of Corporate Management Team**

**Paul Darby, Corporate Director of Resources**

**Councillor Richard Bell, Deputy Leader and Portfolio Holder for  
Finance**

**Councillor Amanda Hopgood, Leader of the Council**

**Electoral division(s) affected:**

Countywide

**Purpose of the Report**

- 1 To provide an update on the development of the 2025/26 budget and the Medium Term Financial Plan (MTFP(15)) covering the period 2025/26 to 2028/29, plus the initial consultation to be undertaken across the next few months.
- 2 The report also considers a review of the Local Council Tax Reduction Scheme for 2025/26 and makes recommendations to be presented to Council in September 2024 in this regard.

**Executive summary**

- 3 This report provides an overview of the key financial planning assumptions underpinning the fifteenth annual version of the Council's Medium Term Financial Plan (MTFP 15) – which covers a four-year planning period from 2025/26 to 2028/29.
- 4 MTFP 15 has been developed in line with the ambitions and priorities set out in the County Durham Vision 2035 and the Council Plan 2024-

2028, most notably the ambitions relating to Our Economy, Our Communities, Our People, Our Environment and Our Council.

- 5 Plans have also been developed in line with recently updated Best Value standards, and the seven themes:
  - a) Continuous improvement;
  - b) Leadership;
  - c) Governance;
  - d) Culture;
  - e) Use of resources;
  - f) Service delivery; and
  - g) Partnerships and community engagement.
- 6 The Council's medium term financial position remains challenging and uncertain. The recent General Election has ushered in a new Government with a substantial majority, but one which has inherited a range of significant financial challenges.
- 7 The Council has lobbied the new Government as a single council and as a regional group of north-east councils to identify a range of measures / formula changes which could be implemented by the new Government to more effectively target and allocate funding across local government, which would benefit this council. It is not clear at this stage whether any of those proposed changes will be actioned in 2025/26 or beyond.
- 8 A Comprehensive Spending Review and multi-year financial settlement will not be forthcoming this year, with the Government announcing that a Comprehensive Spending Review will be undertaken in 2025. It is likely therefore that there will be a short-term financial settlement for one year for 2025/26, with no indications at this stage that there will any additional investment into the sector. This means that our historic and ongoing low-tax raising capacity due to a relatively low tax base, the significant ongoing financial pressures in children's social care (both in terms of numbers and unit cost price pressures), cost pressures in adult social care due to increases in the National Living Wage and other service provision budgetary pressures for which the Council will need to make additional budgetary provision across the four years of the medium term financial planning period may not be supported through sufficient national funding once again.

- 9 Local government has been under-resourced and faced significant financial uncertainty and challenges for a number of years now, with a series of one-year settlements inhibiting effective medium term financial planning. The last Comprehensive Spending Review was published in November 2015 and covered the period 2016/17 to 2020/21.
- 10 Local Government have previously been promised a “Fair Funding Review”, initially announced in 2016 and proposals consulted on up to 2019, which has not been implemented and has been continually delayed, whilst the financial pressures faced by the sector – particularly in Childrens Social Care, Home to School Transport and Special Educational Needs provision (which were not significant features in the previous Fair Funding Review proposals) - have continued to escalate and outstrip the resources available – with inflation and interest rates being higher and more volatile in recent years also.
- 11 Progress to implement a Fair Funding Review stalled under the outgoing Government, and the Council, along with other North-East Unitary Authorities will lobby for this work to be urgently restarted – but hopefully with the Councils’ concerns over the previous proposals addressed, in a new set of proposals. Significantly, and something that was absent from the initial review in 2016, any future review should assess whether the sector is adequately funded alongside how that funding is allocated between authorities. It would appear highly unlikely that any significant formula changes will be implemented until at least 2026/27 now, and any changes may be gradually phased in to mitigate the impact for councils at risk of losing funding from such a review.
- 12 The new Government has signalled its intentions to abolish Business Rates, but it is not clear what it intends to replace Business Rates with, and what the fiscal implications of this tax change would be. The timescales to implement such a change are anticipated to be well into the new Parliament, therefore it is likely that it will be a number of years before any changes take effect. In the meantime, there is a need for the new Government to undertake a business rate reset as part of any changes to the Business Rate Retention (BRR). This did not progress as planned, due to the delay in the implementation of the FFR and it would appear unlikely that a business rate reset will be implemented until the FFR is progressed. The Council would expect to be a beneficiary of any business rate reset as business rate income growth in the county has been lower than the national average since the implementation of BRR in 2013/14.
- 13 The financial planning position for the Council therefore remains very challenging over the next four financial years, with a significant budget deficit / savings requirement of £64.130 million forecast, unless additional funding is forthcoming. These forecasts are after an assumed

annual 2.99% increase in our council tax charges every year across the MTFP(15) planning period and assume the circa £8.3 million of savings proposals agreed in February 2024 that impact on the MTFP(15) planning period are delivered. The overall position is set out in the Table below, which compares the latest updated forecasts to the position that was set out in February 2024 when the 2024/25 budget and MTFP(14) forecasts were approved.

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

- 14 The MTFP(14) forecasts approved in February 2024 did not extend to 2028/29, so £8.117 million of the increase in the forecast budget deficit / savings requirement relates to year four (2028/29) of the new MTFP planning period. Excluding this year, the forecast shortfall for the three years between 2025/26 and 2027/28 (which represented years 2-4 of the MTFP 14 planning period) have increased by £18.180 million.
- 15 In 2025/26, the forecast budget deficit / savings requirement has increased by £4.931 million. This is primarily due to an increase in Children’s Social Care Pressures of £8.729 million and the inclusion of various additional budgetary growth items totalling £2.630 million, which are detailed in this report and where the most significant element relates to investment into our Early Help, Inclusion and Vulnerable Children service to provide additional resources to deal with Education, Health and Social Care Planning.
- 16 These budget pressures have been partially offset by the reprofiling and delaying of the required increases in capital financing costs - due to the timing of borrowing needing to be drawn down to finance the current capital programme commitments and the recent refinancing of loans - of £5.670 million. Additional funding, whether it be from government grant funding or local taxation, assuming no significant additional investment into the sector by the new Government or any changes to the allocation formula in lieu of a new Fair Funding Review, is simply not keeping pace with these spending demands, and is only forecast to increase in net terms in 2025/26 by £0.549 million when compared to the MTFP(14) forecasts previously reported.

- 17 Savings are required in all years of the MTFP(15) planning period, with 71% of the forecast deficit / savings requirement falling into the next two financial years. This budget gap arises as a combination of unavoidable base budget pressures from expected inflation, demographic changes and other legislative changes, for which there is no immediate sign of these pressures being offset by new government grant funding. These unavoidable spending pressures outstrip the Council's ability to generate additional income locally from business rates and council tax and why, unless there are legislative changes and the underlying funding arrangements are addressed by the new Government, this Council will face continual and increasing challenges in balancing its budget.
- 18 The achievement of an additional £64.130 million of savings over the next four years will be extremely challenging and should not be underestimated. The Council's Corporate Management Team are developing savings proposals to mitigate the budget deficit in 2025/26, however a more fundamental transformative review of the Council's service delivery model will need to take place to ensure the Council's budgets are able to work within a real terms' reduction in funding.
- 19 The emphasis since 2011/12 has been to minimise savings from front line services wherever possible whilst maximising savings in management and support functions and by targeting increased income from charging. It is however becoming much more difficult to continue to achieve significant savings in this way given the delivery of £270 million of savings up to 31 March 2025.
- 20 The total current savings required for 2025/26 to balance the budget next year are forecast to be £21.720 million, although this figure could change depending on government grant announcements for 2025/26 and whether the Council needs to revise upwards the financial pressures it faces relating to demand pressures (most notably in Children Looked After and in Home to School Transport), income losses and inflationary pressures, most notably in the National Living wage from April 2025 (where a 5% increase is currently forecast) or a dampening in the forecast growth in the local tax base.
- 21 The situation could improve also once the Council has some clarity on any New Burdens funding for the implementation of weekly food waste collection from March 2026, with the additional net revenue costs of implementing this change estimated to be £1.6 million in 2026/27.
- 22 The position could also get worse if the pay awards in the current or future years exceed the current budget / MTFP(15) planning assumptions. Across the MTFP(15) planning period it is currently assumed that there will be 2% annual pay awards, building on the 4%

uplift budgeted for in 2024/25. Every 1% of pay award adds circa £2.9 million of costs into the council's base budget.

- 23 The National Living Wage (NLW) increases across the coming four years will be material considerations both in terms of its impact on Adult Social Care fees, but also in terms of the pay award for local government. The MTFP(15) planning assumptions are predicated on a 5% increase in the NLW in April 2026 and 4% increases per annum thereafter. Every 1% increase in the NLW adds circa £1.22 million of costs into the council's base budget for Adult Social Care.
- 24 The updated MTFP(15) forecasts assume a 2.99% increase in Council Tax, in each year of the MTFP planning period. At this stage, the Council has assumed local authorities will not be able to further increase the Adult Social Care Precept, from 2025/26 onwards. Decisions on council tax are ultimately matters which are reserved for County Council at budget setting in February 2025, but have a material impact on the forecasts.
- 25 Every 1% of council tax increase generates additional revenue of £2.836 million, so if the Council ultimately chooses not to maximise its council tax increase in line with government expectations, the funding gap will increase by a further £2.836 million for every 1% it chooses not to levy below the expected level. Without a sustainable strategy to meet the additional challenge, this would not represent prudent fiscal management of the public finances.
- 26 The Council has previously challenged the new Government to seek to comprehensively review the equity and effectiveness of council tax, both as a tax and as a fair method of funding local government. The council will continue to use every opportunity to raise this issue, especially as part of any consultation on the Fair Funding Review.
- 27 The inability to significantly grow the Council's taxbase, due to a highly skewed proportion of Band A-C residential properties, exacerbated by the expansion of the University over the last 10 years which has resulted in a significant increase in student exemptions, further inhibits the ability of the Council to effectively deal with rising demand and price challenges, and to offset the real-term reduction in Government funding allocations. The Government formula funding currently fails to sufficiently compensate for disparities in council tax raising capacity across local authorities with varying economic and demographic characteristics. This has adversely impacted those authorities with low tax bases and low tax raising capacity more acutely – i.e. those authorities with higher demand due to higher levels of deprivation lose out on growth in council tax funding.

- 28 Officers will continue to develop a range of savings plans for 2025/26 and beyond over the coming months, alongside proposals for a Transformation Programme to deliver the service changes that would be required to enable a balanced budget to be set and limit the reliance on reserves to balance the budget.
- 29 The MTFP Support Reserve is available to support the budget and smooth in savings and presently has an unallocated balance of £32.579 million following the review of reserves agreed by Cabinet in July and the application of £3.72 million of the reserve to balance the current years' budget. This balance may also be required to be utilised in part to absorb an anticipated overspend in 2024/25. It is not financially sustainable to place an over-reliance on this reserve to balance the Council's financial position in 2025/26 and in later years and application of the reserve should only be considered a short-term fix whilst more sustainable solutions are developed.
- 30 Cabinet will be aware that the Council is the only local authority in the North East to have retained entitlement levels for Council Tax support within the Local Council Tax Reduction Scheme (LCTRS) in line with that which applied under the national Council Tax Benefit regime prior to 2013/14, although two other authorities (Northumberland CC and Stockton BC) now also provide up to 100% LCTRS reduction, having reviewed their schemes in recent years and increased the level of support they provide.
- 31 This policy has protected vulnerable residents at a time when welfare reform changes and, in recent years, the pressure on household incomes from cost-of-living increases, have had a significant adverse impact.
- 32 This report recommends that the current LCTRS policy is again retained and remains unaltered for a further year into 2025/26. Should Cabinet agree these proposals, the Council will need to formally adopt this policy at Full Council prior to 11 March 2025, with a report scheduled for consideration by Council on 25 September 2024, as decisions on these matters are material to the tax base calculations that underpin the budget setting process.

### **Recommendation(s)**

- 33 Cabinet is recommended to:
  - (a) note the updated MTFP forecasts and the requirement to identify additional savings of £64.130 million for the period 2025/26 to 2028/29 attached at Appendix 2;

- (b) note that these forecasts could change significantly based upon decisions on council tax, tax base growth, the outcome of future government funding settlements, the timing and impact of any future Fair Funding Review and the ongoing impact of demand for services and inflationary pressures upon the Council;
- (c) note that at this stage it is forecast that additional savings of £21.720 million are required to balance the 2025/26 budget (£4.931 million more than the level of additional savings that were forecast as being required in 2025/26 as part of the MTFP (14) planning process);
- (d) note the previously agreed MTFP(14) savings proposals agreed as part of the 2024/25 budget and MTFP(14) at Council in February 2024 and attached at Appendix 3;
- (e) agree the high level MTFP(15) and 2025/26 budget setting timetable contained in the report;
- (f) agree the approach outlined for consultation on the 2025/26 budget and MTFP(15) proposals;
- (g) agree the proposals to continue to build equalities considerations into decision making; and
- (h) agree that Cabinet recommend to Full Council that the Local Council Tax Reduction Scheme should remain unchanged for 2025/26.



## Background

- 34 There remains significant risk and uncertainty over future funding settlements currently and that position remains unaltered since the July 2024 General Election. The new Government has reiterated that it will seek to retain tight fiscal controls, which means that it is unlikely that there will be significant increases in public expenditure in the short to medium term at least.
- 35 There was very little in the King's Speech on 17 July 2024 that had a direct impact on funding in local government. This was not surprising - a King's Speech is not the place for funding announcements, which will come in the Autumn Statement / Budget announcements and associated spending reviews in the coming months.
- 36 Some funding implications could however be inferred from the King's Speech, which related to the commitments in the Labour Party's General Election manifesto. There is potentially a further £20 million for new planning officers; £400 million will be recycled from existing budgets to fund additional police officers; and there are some uncosted proposals that might affect local government (breakfast clubs in primary schools, Children's Wellbeing Bill). In some instances, there might be future cost implications (New Deal for Social Care workers) or possible savings (strengthening of tenants' rights) which could impact on our MTFP planning.
- 37 Other than the future increases in pay, particularly for Social Care Workers, the funding implications for local government in the announcements to date do not amount to very much. The big decisions about overall funding levels are still to be announced so it is not clear whether the Government will find more funding for local government, or whether it will make any changes to the way that local authorities are funded. The Government have announced however that the long overdue and eagerly anticipated Comprehensive Spending Review will now be undertaken and consulted on in 2025.
- 38 It is highly unlikely that there will be any medium-term reform of the Council Tax system, so the council will continue to be challenged by its low tax base and low tax raising capacity – meaning the Council is unable to raise sufficient council tax income locally to meet demographic, inflationary and legislative-change expenditure pressures. The Council will therefore remain reliant on government funding and savings to balance its budget and the medium-term financial plan, even if the Council raise council tax by assumed maximum permitted percentage levels allowed without a referendum (currently 2.99% in all four years of the MTFP).

- 39 During the Summer, headline consumer price index (CPI) inflation has reduced from its highs in October 2022 of 11.1% to 2.0% in June 2024 and slightly increased to 2.2% in July 2024. However, the impact of policies on National Living Wage increases in the future, and the knock-on impact on public sector pay settlements is significant. The National Living Wage for April 2025 will be based on medium average earning increases in the UK – which currently remains around 5.4%. This will directly influence the Low Pay Commissions adjudications, and recommendations to the new Government on the level of National Living Wage from April 2025. Increases in the National Living Wage feed into various supplier costs, particularly in relation to adult social care provider costs and influences the outcome of future local government pay award settlements.
- 40 The Council and the wider sector are facing huge continuing challenges in statutory social care, particularly children’s social care, and these budgets are expected to continue to consume an increasing proportion of our overall spending, placing a squeeze on the resources available for other services, particularly discretionary services across the coming four years. An additional £23.857 million of budgetary growth has been included in the MTFP(15) forecasts for the anticipated cost increases in our Children Looked After placements budgets across the coming years, with £13.729 million (58%) of this falling into 2025/26.
- 41 In line with the approach taken for several years now, which is intrinsic to the strong financial management arrangements in place across the Council, MTFP(15) is set across a four-year planning period. Significant work has been undertaken to forecast future budget pressures and changes to the resource base of the Council, so that we can plan and meet those challenges effectively through the identification of necessary savings measures.
- 42 The medium-term financial forecasts for years three and four are more indicative, with the primary focus placed on the next two years – whilst identifying potential changes in the medium-term. This approach is necessary because of the lead-in times to deliver the necessary change programmes to balance the Council’s annual budget.
- 43 A series of assumptions underpin each element of the forecasts, and the updated assumptions are explained in the next section.

## **MTFP Financial Planning Assumptions**

- 44 **Core Government Funding:** The future core government funding allocations and assumptions remain uncertain, despite the General Election in July. The last Comprehensive Spending Review was

published in November 2015 and covered the period 2016/17 to 2020/21 and since then the Council and the wider sector have received a series of one-off annual settlements. These have generally been published in late December, which is not conducive to effective medium term financial planning.

- 45 The Council is continuing to prudently assume there will be no increase in Revenue Support Grant and Social Care Grant funding across the MTFP(15) planning period (i.e. a cash-flat position), or any changes in the underlying formula and distribution methodology at this stage. This is based on the previous Chancellor of the Exchequer's Budget forecasts and the Office of Budgetary Responsibility's assumptions, released as part of the Chancellor's March 2024 budget, which forecast that unprotected government departments will face tight financial settlements during the next parliament and may potentially face real terms funding cuts. The new Government has offered no indication that additional funding will be forthcoming to local government at this stage, nor has any commitment being made to recommence the Fair Funding Review.
- 46 Despite the fact the General Election has now taken place (previous assumptions were that the Election would be held in the Autumn of 2024), a longer-term settlement for local government will not be received until after a Comprehensive Spending Review (CSR), which is expected to be delayed until the first half of 2025 and therefore would not impact until 2026/27 at the earliest.
- 47 It is hoped that there will be a longer-term settlement for local government in the autumn of 2025. A long-term settlement would likely be for three years, covering the period 2026/27 to 2028/29. The Council would also expect to see a (hopefully revised) Fair Funding Formula Reform to be implemented alongside this to ensure that the funding available is distributed more equitably. Significantly, and something that was absent from the previous review in 2016, any future review should assess whether the sector is adequately funded alongside how that funding is allocated between authorities.
- 48 No assumptions have been built into the medium-term financial modelling at this stage in terms of the impact of future settlements or changes to the funding distribution formula. The impact of the review could (is likely to) be heavily dampened so the benefit of any loss or increase in funding will be smoothed in over many years.
- 49 **Market Sustainability Investment Fund:** In the previous Parliament, the outgoing government sought to increase funding for adult social care in local authorities through targeted intervention funding to promote third party financial and operational sustainability, including the Market

Sustainability Investment Fund. Additional funding was received in 2024/25 to improve and bolster the workforce provision in social care. It has been assumed that this additional workforce grant allocation, of £2.3 million will be continued, and rolled into the Council's baseline 2025/26 funding position, and can be used to fund general adult social care cost rises, rather than on specific one-off social care initiatives, as is the case in 2024/25.

- 50 **Better Care Funding:** The Council currently works in partnership with the NHS to deliver integrated health and social care services using the Better Care Fund (BCF). In recent years, the Council has received inflationary uplifts on its BCF allocations of circa 5%.
- 51 The BCF grant totals £56.089 million in 2024/25 and £37.837 million of this underpins the Council's base budget. There is an ongoing review by the NHS on the allocation of this funding. Due to the ring-fenced nature of this funding, such inflationary uplifts must be allocated to Adult and Health Services to fund specific adult social care activity. It is assumed at this stage that a notional funding increase of £1 million will be provided in 2025/26, however this must be allocated to help fund adult social care service costs.
- 52 **New Homes Bonus and Services Grant** allocations have been noticeable features of recent year's national funding settlements. The New Homes Bonus has been in place since 2011/12, and rewards councils for the rate at which new homes are built in their authority area or empty homes brought back into use, and doubly-rewards councils with buoyant council tax base growth, and indirectly penalises councils with lower levels of tax base growth.
- 53 The Council has in recent years lobbied for the cessation of New Homes Bonus and for the funding allocated to be retained nationally and distributed via core formula grant.
- 54 It is assumed at this stage that both funding streams continue into 2025/26 but that these are withdrawn and potentially redistributed in later years, although the Council's redistributed share is not known at this stage.
- 55 The Services Grant, which was first introduced in 2022/23 to recognise post-Covid cost-pressure challenges in local government has in recent years been heavily cut to fund inflationary uplifts for Business Rates top-up grant and Section 31 Grants relating to Business Rates relief-compensation funding and CPI linked uplifts to Revenue Support Grant. It is therefore a risk for the Council to assume this remaining Service Grant funding allocation would be protected, however, our forecasts do

not assume any CPI uplifts in Revenue Support Grant, in part to recognise this risk.

- 56 **Housing Benefits Administration:** In 2024/25, the Council is receiving £1.814 million of Housing Benefit Administration Grant. This grant has steadily reduced in recent years, and we assume this grant will continue to be reduced by £0.100 million per year across the MTFP(15) period, due to the gradual migration of housing benefit claimants to Universal Credit continues.
- 57 It is worth noting however that the administrative burden on the Council's benefit processing teams has in recent years increased despite the reduction in directly managed housing benefit caseload due to an increased volume of changes in circumstances within the Universal Credit system, and the fact that the Council are still responsible for processing Local Council Tax Reduction Scheme (LCTRS) claims and amendment requests.
- 58 **Council Tax:** A series of assumptions have been made at this stage regarding the level of Council Tax funding which will be available to underpin the Council's budgets during the MTFP(15) planning period.
- 59 It continues to be assumed that annual council tax increases will be applied in line with previously set referendum levels of 2.99% per annum, across each of the next four years. Any increase below this assumed level will add to the significant level of savings already highlighted in this report.
- 60 Every 1% of council tax increase generates additional revenue of circa £2.836 million, so if the Council ultimately chooses not to maximise its council tax increase in line with government expectations, the funding gap will increase by a further £2.836 million for every 1% it is below the expected level. Without a sustainable strategy to meet the additional challenge this would result in would not represent prudent fiscal management of the public finances.
- 61 The Council is assuming at this stage that it will not be permitted to increase Council Tax by a further 2% for the Adult Social Care Precept element, as has been the case in the last two years (adult social care as an element of the Council Tax bill has now been in place for eight years in total), however, if this option were to be permitted by the new Government, it could potentially generate an additional £5.6 million in increased council tax income in the base budget for 2025/26 and for later years and would need to be given serious consideration should that be the case.
- 62 The Tax Base growth forecast for 2025/26 is a modest increase of £0.500 million, which represents a 0.2% increase on the current council

tax base. The lower-than-average increase for 2025/26 is due to higher interest rates impacting on new housebuilding, the affordability of new homes currently and a slight rise in the level of council tax exemptions and discounts awarded to residents.

- 63 The Council Tax Base assumptions are forecast to improve for the financial years 2026/27 to 2028/29. A more detailed assessment of later years assumptions will be required as part of future MTFP reports, to consider the increased income which could be generated from any uptick in house building arising from national house building initiatives.
- 64 In 2025/26, the Council is introducing an additional 100% Council Tax premium, chargeable on Second Homes, from 1 April 2025. The assumptions on income generation factored into the decision making that underpinned that policy choice will be closely monitored to assess whether the imposition of this premium triggers any noticeable changes in status of such properties. A £0.650 million tax base growth assumption remains in place for 2025/26 at this stage, with a review underway in preparation for the introduction of these changes.
- 65 **Business Rates:** The business rate retention (BRR) system was introduced in 2013/14, with local authorities retaining 49% of business rates collected locally from that point forward. The Council receives various funding streams to support the complex Business Rates funding arrangements. As part of its manifesto, the new Government indicated they will be seeking to replace Business Rates, but a reform of these longstanding arrangements was not included in the Kings Speech on 18 July 2024, so it is assumed that such a change would take some years to implement.
- 66 Business Rate precept funding, Top-Up Grant, and Section 31 Grant funding (to compensate for business rate relief awards in line with national legislation) have been uplifted in line with forecasts of Consumer Price Index (CPI) inflationary assumptions for the next four years of the MTFP forecasts. The CPI assumption for 2025/26 is 2.5%, with the indexation linked to the forecast CPI rate in September 2024. Our assumptions for 2026/27 and the latter two years have been uplifted to 1.75% in line with assumptions produced by the OBR that CPI is forecast to be in the range 1.75% to 2% across this period.
- 67 For Business Rates tax base growth, a £1.250 million increase has been retained in the forecast for 2025/26, with the analysis of the current Business Rates baseline and appeals provision suggesting that the assumptions made when setting the 2024/25 Business Rates tax base are robust.

- 68 The Business Rates Team have identified a comprehensive list of new business premises which are expected to come into rating over the next 18 months, which indicates that the £1.250m growth assumption in 2025/26 is achievable.
- 69 Forecasts for 2026/27 have also been slightly uplifted to reflect a wide-ranging list of business rated premises expected to be brought into the Business Rates tax base over the medium term. However, the timing of these is less certain and remain at risk. There could be improvements in this regard if the further developments at strategically important locations such as NETPark, Jade and Integra 61 progress well, and the complex issues at Milburngate site were to be resolved. The forecasts will be updated at a future date once this position becomes clearer and more certain.
- 70 **Pay Award Costs:** The Council is assuming a 2% per annum pay award increase for all four years of the MTFP(15) forecasts. There remains a risk these assumptions could be understated, particularly if the National Living Wage increases exceed CPI and track the much higher level of average growth in medium earnings, the latter of which has been used by the Low Pay Commission to recommend a suitable level of National Living Wage increase for the year ahead. Further risks to this assumption include the announcement on 29 July 2024 that the new Government is minded to accept the relevant pay review bodies' latest recommendations for teachers and nurses' pay awards, which represent above-inflation increases to reflect recruitment and retention issues in these parts of the public sector. Such increases may be replicated in other parts of the public sector, including local government in future.
- 71 The current local government pay award offer for 2024/25 remains subject to Trade Union approval. As things stand, the 2024/25 pay offer can be afforded within the growth provision allocated for 2024/25, however, if the pay offer were to be increased to resolve any dispute, additional budgetary growth would be required which would necessitate more savings in MTFP(15). Every 1% of pay award adds circa £2.9 million of costs into the councils base budget.
- 72 **General Inflation:** As in previous years, a modest allocation of 1.5% per annum for general price inflation, which excludes adult social care fees and waste disposal contract inflation, has been earmarked to allocate to Service Groupings. This provision is allocated to net budgets – on the assumption that services use this to offset any core inflationary pressures on non-staffing and other budgets and to increase income budgets too.

- 73 **National Living Wage:** Increases in the National Living Wage feed into various supplier costs, particularly in relation to adult social care provider costs and influences the outcome of future local government pay award settlements.
- 74 The Council is assuming that the National Living Wage will rise by 5% in 2025/26, and then increase by 4% in each of the following three years. A notional sum has also been set aside for Home to School Transport to cover this increase.
- 75 The National Living Wage for April 2025 will be based on median average earning increases in the UK – which at July 2024 were around 5.4% - slightly above the current estimates included in the MTFP forecasts. The Low Pay Commission have previously used the median average earnings increases position as at October each year to make recommendations to Government.
- 76 **Adult Social Care:** The Council has set aside additional budget for adult social care fee increases which assumes a 5% increase in National Living Wage and 2.5% rise in CPI in 2025/26.
- 77 The additional budgetary growth required to meet the cost of fee uplifts in line with the current formula is £9.130 million, a noticeable difference compared to the assumptions made in MTFP(14) of a £4.330 million budget uplift and reflects continued rising wage inflation due to recent and projected future above-inflation rises in the National Living Wage. Every 1% increase in the NLW adds circa £1.22 million of costs into the council's base budget for Adult Social Care.
- 78 **Adult Demographic Growth:** Adult and Health Services has worked effectively to manage demand and ensure adults receive care which supports their ability to live independently in their own homes for as long as possible and therefore minimising the number of expensive residential care packages, directly as a result of the success of our reablement service and home care services.
- 79 Based upon latest data for activity and income recovery, no budgetary uplift is included for 2025/26, but £1 million per annum has been retained for each of the three subsequent years of the MTFP.
- 80 The Council continues to face challenges in terms of the relatively high costs of some learning disabilities and mental health care packages and these budgets will require careful monitoring going forward.
- 81 **Childrens Social Care:** The budgetary shortfalls presented in this report relate in large part to substantial demographic and price pressures in the Children's Looked After placements budgets.



- 82 Over the last six years – the budgets for Children Looked After placements budgets have increased from £24.218 million in 2018/19 to £76.574 million in 2024/25. Further significant uplifts will be required in 2025/26, in part to accommodate a forecast overspend in the current year of £6.033 million, despite the budget uplift of £12 million factored into the 2024/25 budget.
- 83 At 31 March 2024, there were 1,085 children in care. By 31 March 2025, the number of children in care is projected to rise to 1,191, with further increases in cases expected in 2025/26 and beyond. Based on current projections, there will be 1,320 children in care by 31 March 2026, an increase of 235 or 22% over the two financial years.
- 84 There also remains significant challenges in terms of the level of affordable placements and the complexity of some of the children’s needs, means that placement requirements and costs are increasing too, which is driving the need to allocate additional budgetary growth of £13.729 million for 2025/26 and a total of £23.857 million across the full four-year period of MTFP(15).
- 85 In February 2024 MTFP(14), the Council had set aside £5 million of budgetary growth for 2025/26, and an estimated £7.60 million of required growth in 2026/27 and 2027/28. The updated forecasts represent an increase of £9.556 million on the previous estimates and are a significant causal factor in the increased savings gap which the Council must now address as part of the MTFP(15).
- 86 Of particular note, is the fact that around 12% of the children who are placed in external residential placements account for 61% of the costs of the Children Looked After residential placements. This is exacerbated by shortages in the availability of external residential placements, rising complexity of caseload for this cohort and prolonged challenges in seeking to return children to family or foster-care based home settings.
- 87 The council continues to successfully develop a Placement Sufficiency Strategy, to increase in-house children’s home residential capacity within county and to reduce reliance on external out of county placements, which are generally more expensive. The strategy also continues to focus on increasing in-house fostering capacity, and to reduce the reliance on more costly external Independent Fostering Agency placements. There remains however a continued trend towards rising numbers of children placed in independent fostering agencies as a proportion of all children in care.
- 88 To provide some independent scrutiny of the forecasts included in MTFP(15), the council has engaged the services of external consultants

/ data analysts, who specialise in analysing operational improvements in large complex environments. Work is underway to validate the various assumptions and test against national and regional trends. As part of this review, the effectiveness of the Children Looked After Sufficiency Strategy will be stress tested and recommendations will be made on options the Council could consider in tackling this issue.

- 89 The work underway will assess the potential impact of the expansion of in-house residential children's homes and any potential cost reductions from other workstreams of the Sufficiency Strategy (such as expansion of in-house fostering capacity).
- 90 There remains a risk that our MTFP assumptions could be understated, and the work commissioned will help inform improved modelling and forecasting of the impact of placement mix changes and the impact of the sufficiency strategy. The outcome of this work will be assessed and factored into the next updated MTFP forecasts later this year.
- 91 In addition to the increased budget uplifts for Children Looked After placements costs, additional professional expert fee costs, which are required to ensure the Council can conduct prompt assessment of child's placement options is required. In undertaking a more-prompt analysis, it may then be possible for children looked after to be found a more suitable and cost-effective placement.
- 92 Additional legal and barrister fees to reflect the increased volume of care proceedings must also be provided for, linked to rising complexity and numbers of looked after children and therefore £0.200 million of budget growth has also been included as part of the 2025/26 budgetary growth for Children Looked After.
- 93 The increase to the 2025/26 Children Looked After budget also incorporates additional budgetary allocations to enhance the Home-Finder Team to match Looked After Children with suitable placements (£0.085 million); the resource associated with Independent Visitors which needs to be enhanced to reflect the number of CLA children who require this type of oversight (£0.053 million); and an augmentation of the budgets for facilitating supported & supervised family time arrangements (where looked after children can maintain contact with family members in a safe and supervised environment) to reflect rising activity levels (£0.300 million).
- 94 A number of budget adjustments have been provided, which were included or referenced as part of MTFP(14), some of which have been revised to reflect the latest assumptions, and these are all detailed below:

- (a) **Secure Aycliffe** – In 2024/25 the income budgets for Aycliffe Secure were reduced by £0.500 million. Additional work undertaken subsequently has meant that an element of this (£0.25 million) can be unwound and built back into the base budget from 2025/26.
- (b) **Vehicle Fleet** – a budgeted provision for the additional net costs of electrification of vehicles relating to the additional costs of transferring leased vehicle fleet to electric vehicles net of savings on fuel has been included in the updated MTFP(15) forecasts.
- (c) **Community Protection** – Budget reductions in the MTFP(15) reflect the pre-planned clawback of the £1.304 million of temporary budgeted growth provided to Neighbourhoods and Climate Change allocated in MTFP(12) in February 2022,, due to concerns around succession planning and the need to augment staffing resource in the short term. The growth allocations were for £0.890 million in 2022/23, £0.218 million in 2023/24 and £0.196 million in 2024/25.
- (d) **DLI** – The initial net running costs of reopening the facility is still estimated to be £0.6 million at this stage, with further work underway to stress test the business plan that was prepared previously. Growth of £0.3 million was included in 2024/25 with the additional £0.3 million provided for in 2025/26. No changes have been made to the underlying assumptions at this stage, with work underway to seek opportunities to maximise commercial income and external grants and contributions to reduce the net running costs.
- (e) **Park and ride income shortfall** – Budget growth (to reduce the income targets) of £0.240 million was factored into the 2024/25 budgets, due to reduced uptake after the pandemic. The MTFP forecasts include the recovery of this growth over a four year period, with the income target gradually increased by £60,000 each year across the MTFP(15) planning period.
- (f) **Park and Ride extension** – In 2024/25 budget growth of £0.257 million was provided to Regeneration, Economy and Growth, in order to extend the park and ride service to cover the north of Aykley Heads.

That extension is not going ahead at present as previously planned so the budget will be taken back into contingencies at Quarter 1 of 2024/25 and has been removed from the base budget in 2025/26.

Consideration will be given as to whether and when the extension will happen, which may necessitate a budget growth item at that point.

- (g) **Waste Collection : Simpler Recycling** – The new Government has signalled an intention to continue the previous Government's plans to implement a range of changes to recycling arrangements which could have a material impact on our current arrangements.

An initial assessment of these changes indicates that additional revenue budgetary growth of £1.541 million will be required in 2026/27 in terms of the proposals to introduce weekly food waste collections from March 2026. There is a separate report on the September Cabinet Agenda which outlines the assumptions made at arriving at this forecast cost.

The MTFP(15) forecasts include budget growth of £1.600 million at this stage, to also reflect the additional costs to the Council for Trade Waste disposal costs relating to council activity. This estimate will be refined over the coming months.

It remains unclear however, whether all, or an element, of these additional costs will be funded from New Burdens revenue funding.

Based on the work undertaken to date, the capital allocations received falls about £1.2 million short of what would be required to implement weekly food waste collection.

The MTFP(15) forecasts are an initial estimate, but the reimbursement of these costs is uncertain, and this is a key risk.

- (h) **Waste Disposal Contract** – £3 million has been included in 2026/27 to reflect expected contract uplift costs when the existing contract ends. The allocation will cover the expected costs of waste treatment measures in lieu of the delayed Teesside Energy from Waste plant development. At this stage £3 million continues to be a reasonable assumption based on known market conditions.
- (i) **Home to School Transport** – The MTFP(15) forecasts include modest budget growth of £1 million per annum, in addition to forecast inflationary uplifts, to reflect recent trends in terms of increases in the number of children with high needs who will require additional bespoke transport provision to placements outside of their mainstream educational location.

Further work is required to more accurately determine and forecast future demand and cost pressures on Home to School Transport budgets. The inclusion of growth in each year is prudent at this stage given that this budget has trebled over the last 6 years – from £9.933 million in 2018/19 to £31.736 million in 2024/25. A revised forecast of future transport requirements of pupils in later years is being prepared and will be included in the next MTFP(15) update report. There is a real risk that the budget provision may need to be increased following the conclusion of the work that is being undertaken currently.

- (j) **School Income loss of Service Level Agreements** – The Council provides a range of services to local schools. However, the level of income generated from selling services to schools has reduced in recent years.

A simple and incremental estimate of the likely gradual loss of SLA income arising from ongoing conversion of mainstream schools to Academies has been included.

From April 2024 any service losing school SLA income will be provided with 50% cover from this provision.

This allocation will be kept under review during quarterly outturns, with plans ready to reduce associated staffing costs and an accelerated drawdown of this incremental allocation if income losses are higher than expected.

- (k) **Corporate Pension Fund Revaluation** – the financial impact of the next triennial pension fund revaluation will be in 2026/27. The Council has previously included a forecast cost increase of £1 million in its budget plans and this remains valid at this stage.

The fund valuation will be based upon the value of the fund at 31 March 2025. It is expected that during the MTFP(16) updates to Cabinet, a firmer estimate will be available.

- (l) **Unfunded Superannuation** – A £0.100 million annual reduction from 2026/27 has been assumed against the c£3 million annual budget as historic pension liabilities gradually reduce.

- (m) **Investment Income** – the updated forecast of investment income returns, factoring in the latest cash flow projections, including the impact of the escalating High Needs DSG Deficit, and interest rate forecasts shows that there will be a reduction in investment income in 2025/26 of £5 million.

The 2024/25 investment income budget is £8.8 million, and this was increased to reflect the higher returns generated in recent years whilst interest rates have remained high and to reflect the higher cash balances have been held as a result of the capital receipt from the sale of the Sands building.

It is forecast that investment income returns will reduce in the future as interest rates reduce and our cash balances deplete as we spend reserves, the negative High Needs DSG deficit increases, and the capital budget accelerates. This includes updated assumptions on cash flow factoring in the revised capital programme and on interest rates.

There is a close inter-play with the timing of future borrowing and the capital financing budget requirements that impact on the investment income that can be generated from surplus balances.

The £8.8 million budget for investment income has been reduced over the next three years by £5.0 million (25/26), £2.1 million (26/27) and £0.5 million (27/28). Compared to our MTFP 14 forecasts for investment income, this represents a worsened forecast of £1.6 million in 2025/26, £0.5 million in 2026/27 and £0.5 million in 2027/28.

The reductions in investment income are offset by reprofiling of capital financing costs from new loans, which assume the Council will use its cash balances in 2024/25, to delay as far as possible the required need to borrow c. £300 million, to meet the Council's Capital Financing Requirement over the next two years.

- (n) **Prudential Borrowing** – the 2024/25 capital financing budget is £39.470 million. This is predominantly made up of costs associated with servicing debt associated with the Council's current and historic capital investment programme (through a combination of interest payable on debt and amounts set aside to repay debt – known as the Minimum Revenue Provision (MRP)).

The increases in the MTFP (14) forecasts linked to the current capital programme funding commitments were as follows:

- (i) 2025/26 - £7.870 million
- (ii) 2026/27 - £3.144 million

In total the increase in the MTFP(14) capital financing budget required to finance the current capital programme was £11.014 million.

The updated forecasts factor in £200 million of new borrowing during 2025/26 at an average interest rate of 4.5% and £100 million of new borrowing in 2026/27 at an average rate of 4.00%.

This will still leave the Council under borrowed by circa £154 million in 2027/28.

The level of cash balances and the ability to retain cash will determine whether there is a need to borrow more to ensure the Council has sufficient liquid funds to meet its liabilities. This may require increases in future updates to the MTFP for prudential borrowing, to maintain an adequate level of cash balances.

Because of the planned delays in the need to borrow, in part as a result of the capital receipts generated from the sale of the Sands building, and the expected potential under-borrowed position, the profiling of capital financing costs has changed between 2025/26 and 2026/27.

In terms of budget uplift for MTFP(15), it is forecast at this stage that a budget increase of just £1 million is required for 2025/26, which is £6.9 million less than the £7.870 million included in the MTFP (14) forecasts for that year.

The forecast for capital financing budget uplift for 2026/27 has been increased to £10.014 million from the MTFP(14) assumption of £3.144 million.

The total budget uplift of £11.014 million is still required, and is in line with the overall quantum included in MTFP(14), however this has been reprofiled largely into 2026/27 now.

The capital financing budget uplift included in 2027/28 was £1.686 million and has remained unchanged in the latest MTFP(15) forecasts. This reflects the bringing forward of capital expenditure commitments / funding into MTFP(14) to increase spending capacity for the MTFP(14) capital programme at the expense of the resource availability in MTFP(15).

At this stage a sum of £2 million has been included in 2028/29 for capital financing of MTFP(16) capital programme commitments.

- (o) **Phoenix Loans Refinancing:** A recently achieved saving is included in the MTFP(15) forecasts relating to the refinancing of £58 million of loans held with Phoenix Loans. Working closely with our Treasury Management Advisers we have secured interest rate savings of more than 0.6% on the loans, at no premium refinancing costs, on the basis that these loans will now

be repaid on an Equal Instalment basis rather than Annuity basis. This refinancing will save £0.410 million from 2025/26, with further small interest savings accruing in the last three years of the MTFP(15) planning period.

- (p) **Reductions in Minimum Revenue Provision contributions:** in line with the MRP policy review undertaken last year, based on our revised policy for not charging MRP on assets under contribution, and waiting until the first full year when they are operational, this is expected to save £0.7 million 2024/25, £0.5 million 2025/26 and £0.4 million 2026/27.

This saving unwinds with a budgetary increase of £1.6 million in 2027/28 being required, when the assets under construction are operational and the full MRP charge becomes payable.

This reprofiling of previous budget commitments has delayed the impact of required budget adjustments and uplifts. Work is underway to undertake a further review of potential MRP policy changes.

95 As part of planning for MTFP(15), a small number of additional budget growth items not previously factored in the MTFP(14) forecasts have been accommodated, which are summarised below:

- (a) **CEO - Coroners Support (G1): Additional budget of £0.030 million** is required to fund additional administrative support to the Coroners Service to maximise efficiency.
- (b) **CYPS - Early Help, Inclusion and Vulnerable Children SEND (G2): Additional budget of £1.127 million** is required to ensure the Council maintains the level of support required to manage high caseload volumes associated with Special Educational Needs and the rising volume of Education Healthcare Plans (EHCPs) required.

The Council has a legal duty to ensure it completes EHCPs within statutorily defined timescales. Additional costs have been incurred in recent years to seek to meet increased demand for such plans following the Covid-19 Pandemic, utilising external contractors and agency workers, however, demand is not abating or returning to pre-pandemic levels and the reliance on external contractors and agency workers has not been wholly successful. These costs have been met from central contingencies to date, but this is not a sustainable position to continue with, and additional base budget must now be set aside.



Additional Educational Psychologists, SEND Case workers and Business Support resources are required to ensure the performance in this area maintains an upward trajectory. The commitment to doing this was a key feature of the recent SEND Inspection.

It is not possible for these extra costs to be charged to the Dedicated Schools Grant (High Needs Block), and these costs remain a responsibility of the Council in its statutory role as the Local Education Authority.

- (c) **RES - Centralised Training Budget – Health & Safety for REG/NCC (G3):** Additional budget of £0.100 million is required to ensure the Council can continue to deliver essential Health & Safety Training to front line services in Neighbourhoods and Climate Change and in Regeneration, Economy and Growth. These services require bespoke and specialist Health & Safety training to safely conduct their activities and the current budget is insufficient to meet this demand, with costs exceeding the budget currently.
- (d) **RES - Civica System Licensing / Cloud Solution (G4):** Additional budget growth of £0.086 million in 2025/26 and £0.110 million in 2027/28 is required to fund unavoidable contract uplift costs for the Council's Civica Revenues & Benefits and Civica Pay systems.

As part of the recent re-procurement of these systems, the council is required to upgrade to a Cloud-based support status as part of the re-negotiated contract, which will incur additional revenue costs in later years.

These additional costs are common when systems migrate to cloud-based solutions, but a cloud based application provides additional cyber-resilience for the Council and is in line with the Digital Strategy and direction of travel for most corporate tier one systems.

On the basis that this system is critical to the delivery of the Council's income collection processes (including income associated with Business Rates and Council Tax collections), it is considered that this is an unavoidable base budget pressure which must be accommodated.

- (e) **RES - Resourcelink Licensing / Cloud Solution (G5):** Additional growth budget of £0.328 million is required in 2026/27 in anticipation that the Council will continue to use Resourcelink as its Human Resources and Payroll IT System, and that it will

migrate to a cloud-based solution in advance of the 2026/27 financial year – although this decision will be subject to a detailed business case. The budget uplift is included in anticipation of the current system being retained rather than implement a different solution, given the costs and risks that would be associated with such a move.

- (f) **NCC - Tree Maintenance and Woodland Management (G6):** Additional budget of £0.156 million is included to fund the costs of providing additional tree inspections and to address issues arising from these inspections following an increased incidence of Ash Die Back in trees and the increased litigious activity faced by neighbouring councils following failures to identify dangerous trees on council property and act to deal with such hazards in a timely manner.
- (g) **NCC - Parks & countryside staffing (G7): Mainstream budgeting of currently temporary funded staff:** Growth of £0.109 million enables the service to continue to fund, on a permanent ongoing basis, Parks and Countryside Staff who are required to ensure County Durham continues to provide access to well-maintained pathways and outdoor areas.

This team has been highly successful in leveraging volunteer support, and it is considered necessary to fund these posts on a permanent basis to ensure the council and its communities continue to benefit from the volunteering hours that are attracted as a result.

- (h) **NCC - Depot National Non-Domestic Rating Costs (G8):** Additional growth of £0.102 million is required following a recent revaluation of Council Land and Property, has seen an increase in the ratable value and rates liabilities for the council's depots and waste transfer stations.

These increases are currently being treated as outside of the Cash Limit budgets and need to be funded from growth.

- (i) **NCC - Gully Cleansing (G9):** Budget Growth of £0.250 million has been included in MTFP(15), to increase the council's operational capacity in response climate change impacts and an increase in the number of gullies requiring more periodic cleansing on a pre-determined and risk-assessed basis.

Over 100,000 gullies exist in County Durham, which the Council is responsible for overseeing, and the volume of gullies has increased over the years due to housing building developments.

The maintenance of these gullies is of importance to ensuring public safety and to reduce the risk of flooding.

- (j) **REG - Building Repairs and Maintenance (G10):** An additional £0.400 million of budget growth is required to fund essential building repair and maintenance budgetary pressures, which reflect increased building standards' compliance requirements, the increase in children's social care homes, and additional ongoing costs at County Hall whilst the building remains operational for a prolonged period, leisure centre property cost pressures and increased costs of maintaining green heating technologies.

## Overall Position

96 Based upon the revised assumptions detailed in this report, the updated MTFP(15) forecasts – which are detailed in Appendix 2, can be summarised as follows:

	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	Total £'000
Pay Inflation (2% p.a.)	5,800	5,900	6,000	6,100	23,800
General Inflationary Pressures	2,550	2,425	2,500	2,600	10,075
Adult Social Care (incl NLW)	9,130	8,423	8,652	8,550	34,755
Childrens Social Care	13,729	5,798	2,629	1,701	23,857
Home to School Transport	1,000	1,000	1,000	1,000	4,000
Investment in EHCP Capacity	1,127	0	0	0	1,127
Investment in DLI Reopening	300	0	0	0	300
Waste Collection - Simpler Recycling	0	1,600	0	0	1,600
Waste Disposal - New Contract	0	3,000	0	0	3,000
Electrification of Vehicle Fleet	0	411	1,235	422	2,068
Capital Financing / TM Issues	5,090	11,687	3,761	1,978	22,516
Pension Fund Revaluation	0	1,000	0	0	1,000
Other	501	58	50	140	749
<b>Total Budget Pressures</b>	<b>39,227</b>	<b>41,302</b>	<b>25,827</b>	<b>22,491</b>	<b>128,847</b>
C. Tax Increases / Taxbase Growth	(8,900)	(10,150)	(10,500)	(10,850)	(40,400)
C. Tax Second Homes Premium	(650)	0	0	0	(650)
B. Rates Increases / Taxbase Growth	(3,348)	(2,383)	(2,163)	(2,206)	(10,100)

	<b>2025/26 £'000</b>	<b>2026/27 £'000</b>	<b>2027/28 £'000</b>	<b>2028/29 £'000</b>	<b>Total £'000</b>
Govt. Grant – RSG / Social Care Grant	0	0	0	0	0
Govt. Grant – CPI Top Up (SFA)	(1,900)	(1,388)	(1,405)	(1,418)	(6,111)
Govt. Grant – Other Specific Grants	(3,200)	100	100	100	(2,900)
Use of Reserves to Balance 2024/25	3,720	0	0	0	3,720
Savings Already Agreed	(3,229)	(3,811)	(1,237)	0	(8,277)
<b>Budget / MTFP Gap (Savings Req.)</b>	<b>21,720</b>	<b>23,671</b>	<b>10,622</b>	<b>8,117</b>	<b>64,130</b>

97 This overall position can be compared to the position that was set out in February 2024 when the 2024/25 budget and MTFP(14) forecasts were approved:

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

98 The budget gap / savings requirement for 2025/26 is forecast to be £21.720 million, which is £4.931 million higher than the MTFP(14) forecast position of a £16.789 million budget deficit. The adjusted position reflects a significant increase in the forecast for pressures in children's social care costs, local taxbase increases, reprofiling of capital financing and investment income budgets and the inclusion of a variety of new and unavoidable additional base budget pressures that were not factored into the MTFP(14) forecasts.

99 Savings of £3.429 million for 2025/26 were set out in the report to Council in February and were approved as part of the 2024/25 budget and MTFP(14). Since these savings were approved however, Cabinet have agreed to delay the implementation of £0.200 million of savings relating to the provision of subsidised transport routes for school children travelling on routes which fall outside of the eligibility scope of free home to school transport. The updated profile for savings agreed

at MTFP(14) is as follows, and the proposals previously agreed and still factored into the MTFP(15) forecasts are set out at Appendix 3:

Year	MTFP(14) Savings Plans £000	MTFP(14) Savings Plans Updated £'000	Difference : Reprofiling £'000
2025/26	3,429	3.229	(0.200)
2026/27	3.694	3.811	0.117
2027/28	1.154	1.237	0.083
2028/29	n/a	n/a	n/a
<b>Total</b>	<b>8.277</b>	<b>8.277</b>	<b>0.000</b>

- 100 To ensure the forecast 2025/26 budget deficit / savings requirement can be addressed, officers have been working on a range of prospective savings. The focus has been to seek to protect front line service provision wherever possible. Based on the work to date there are some options available which will meet a significant element of the £21.720 million shortfall next year, with further work required and underway also to develop a Transformation Programme to deliver the service changes that would be required to deliver financial and operational sustainability and a balanced budget that would set and limit the reliance on reserves to balance the budget to consider. It is anticipated that some drawdown from the MTFP Reserve will be required to set a balanced budget in 2025/26. The savings will be set out in the next MTFP(15) update report to Cabinet on 4 December 2024.
- 101 Cabinet will also note the significant shortfalls in the budget in 2026/27 where the forecasts indicate a need to find additional savings of £23.671 million that year. To meet this shortfall, the Council is pursuing a range of themes to drive Transformational Changes in the way in which the Council delivers its services to customers and residents and tackles / manages demand which we have defined as;
- (a) **Demand which is preventable** – Doing things earlier which would have prevented the need arising in the first place. This means changing our business model to focus and invest in prevention. This may best be achieved by communities or other organisations rather than the council.
  - (b) **Demand which is avoidable** – shifting customers/citizens/partners from high cost to low-cost ways of contacting the council. As with commercial organisations, this

means a single front door to access services, channel shift to low cost and digital access, proactive customer messaging.

- (c) **Demand which arises from failure** – getting things right first time, avoiding repeated contact or remedial activity. This means a focus on joined up ways of working, technology and structures.
- (d) **Demand which is unavoidable.** This is when demand is caused by structural factors, such as demographic, economic, or global environmental factors. For instance, changes driven by an aging population, generational social-economic factors, global economic slowdown, or climate change. Therefore, our focus needs to be on the most efficient and effective way of managing this.

102 If unmitigated by additional central government funding our Transformation Programme will also be seeking to cut costs by redesigning some services to a new lower fixed price and we will be unable to directly deliver services in traditional ways going forwards.

103 Harnessing technology and innovation may mitigate some aspects of budget reductions, but in effect the council will be doing less with less and will be seeking to work with communities who will need to do more in order to sustain some services. We will also work with partners to align services and spend to deliver greater value for money.

104 These proposals will be developed in line with the ambitions and priorities set out in the council plan and our approach to wellbeing

- (a) **Empowering communities** - working with communities to support their development and empowerment.
- (b) **Being asset focused** - acknowledging the different needs of communities and the potential of their assets.
- (c) **Building resilience** - helping the most disadvantaged and vulnerable and building up their future resilience.
- (d) **Working better together** - working together across sectors to reduce duplication and ensure greater impact.
- (e) **Sharing decision making** - designing and developing services and initiatives with the people who need them.
- (f) **Doing 'with', not 'to'** - making our interventions empowering and centred around you as an individual.

- (g) **Strong evidence base** - everything we do is supported by evidence informed by local conversations.

- 105 The ability to generate these savings will be challenging as they will require changes to long-standing and traditional approaches to directly delivered services. Where it makes sense to do so, the council will seek alternative delivery models and providers, from communities, Voluntary Community Services, or others. Changes on this scale may also require significant upfront investment to redesign services. Changes will require buy-in from a range of stakeholders and communities to ensure effective delivery. The scope and broad budgetary target savings which could be achieved are still being worked up. More details on the proposals, and the potential value of savings which could be achieved, will be provided in future Cabinet reports.
- 106 The MTFP Support Reserve is available to support the budget and smooth in savings and presently has an unallocated balance of £32.579 million following the review of reserves agreed by Cabinet in July and the application of £3.72 million of the reserve to balance the current year's budget. It is not financially sustainable to place an over-reliance on this reserve to balance the Council's financial position in 2025/26 and in later years and application of the reserve should only be considered a short term fix whilst more sustainable solutions are developed.

## **Risk Assessment**

- 107 As in previous years, 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(15) planning period. Some of the key risks identified include:
- (a) **General Election:** The timing of the General Election on 4 July 2024 was earlier than expected. From a local government funding perspective, this should allow for a more ordered set of decisions before the provisional local government settlement in December 2024. Local authorities should therefore have more advanced warning about overall funding for 2025-26, however, the new government will not have sufficient time to make any significant changes to local government funding allocations, nor commit to a longer-term funding settlement this year. The Council has lobbied the new Government as a single council and as a regional group of north-east councils to identify a range of measures / formula changes which could be implemented by the new Government to more effectively target and allocate funding

across local government, which would benefit this council. It is not clear at this stage whether any of those proposed changes will be actioned in 2025/26 or beyond, therefore, at this stage, no changes to funding assumptions have been made and it is highly likely that there will be a one-year settlement in 2025/26.

- (b) King's Speech: The King's Speech took place on 17 July 2024; however, this did not provide any significant indication of the likelihood of any additional funding for existing statutory responsibilities or any change to the methodology by which funding is allocated across local government. The Government have announced that the Autumn Statement / Budget will take place on 31 October 2024 and that a Comprehensive Spending review will take place in 2025.
- (c) Balanced Budget: There remains a significant challenge to ensure a balanced budget and financial position is achieved across the MTFP(15) period – including balancing the Council's appetite to take decisions to increase council tax, alongside the likely need to still have to reduce service provision given the council inherent low tax raising capacity, high and increasing unavoidable demand / cost pressures and its reliance on Government grant funding;
- (d) Savings Plans & Transformation: Savings plans produced and published will need to be risk assessed across a range of factors e.g., impact upon customers, stakeholders, partners, and employees. There will need to be suitable levels of management oversight on the delivery of those savings to ensure they are delivered and realise the financial returns expected;
- (e) Fair Funding Review: There is a risk that a Fair Funding Review is delayed further or de-prioritised. If such a review takes place, the earliest it could be implemented would be for 2026/27, however such a review would conceivably need to commence before the end of 2024/25 financial year and could be heavily dampened to protect local authorities who could be adversely affected. Any implementation could result in significant changes to the distribution of government funding. The delay to this review also potentially delays the prospect of a Business Rates Reset as part of the Business Rate Retention (BRR). Whilst it would appear unlikely that a business rate reset will be implemented until the FFR is progressed, the Council has lobbied Government to suggest this reset could and should take place in advance of this. 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, and the Council could as a result of this review expect to review increased Top-up Grant funding as a Council which does not collect Business Rates income up to the national average;

- (f) The Council retaining 49% of all business rates collected locally but also being 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(15);
- (g) 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 Council's local council tax scheme is very generous compared to other neighbouring local authorities, and therefore any increase in uptake in this scheme has a compounding effect on the Council's income-generating tax base and is susceptible to any adverse economic fluctuations;
- (h) The impact of future increases in inflationary factors such as the National Living Wage and Local Government pay awards, which will need to be closely monitored. Of particular concern is whether the current 2% assumed pay award across the lifetime of MTFP(15) will be sufficient and will depend on how inflation and wage increases are kept under control. As the year progresses there may be a need to increase the pay award pay inflation forecast next year. Every 1% adds circa £2.9 million to the Council's pay bill, whereas every 1% increase in the NLW adds circa £1.2 million of costs into the council's base budget for Adult Social Care – increasing the funding gap that needs to be bridged to balance the Council's budget;
- (i) The Council continues to experience significant increases in demand for social care services – particularly children's social. Significant budget allocations have been set aside in MTFP(15) for these areas, especially Children's Social Care. These allocations are being closely assessed, as in recent years the Council has seen the eventual outturn forecasts in these areas exceed the budget allocations set aside to fund these pressures. The Council has appointed external consultants to provide detailed scrutiny of children social care budget pressures, review existing mitigation measures and to suggest other measures that could be taken to offset an estimated rising trend of volumes of looked after children and overall costs per case;

- (j) High Needs Dedicated Schools Grant: the Council have reported to Schools Forum and lobbied the new Government regarding its projections for the current and future High Needs Deficit Shortfall. At the end of 2023/24, this cumulative deficit was £10.595 million, and this is forecast to rise to £64.335 million by the end of 2027/28.

Local Education Authorities are required, using a statutory override, to charge the cumulative high needs deficit to an Unusable Reserve on the council's balance sheet. This statutory override is due to end on 31 March 2026, and as things stand, the value of the high needs deficit the following year (31 March 2027) would need to be charged to the General Fund Reserves.

The value of the deficit at that point (March 2027) is estimated to be £44 million and would place significant financial strain on the Council's depleted reserves levels at this point. This level of deficit will also place additional challenges on the Council's cash-flow planning arrangements.

The local authority sector is lobbying Government to highlight that a large number of authorities are at risk of issuing s114 notices due to the emerging substantial high needs deficit balances. It is hoped that the new government fully recognises this pressure as part of its inaugural financial settlement, and that the cumulative deficits are fully funded and that costs can be contained within the grant provided going forward;

- (k) Prudential Borrowing: The Council's current Capital Programme / Investment Plans are predicated on high levels of future borrowing, with the Council currently managing a highly under-borrowed position, whereby the actual level of debt held is significantly below the levels of debt required to be held by the Council in line with its underlying Capital Financing Requirement.

The Council will need to borrow c.£300 million over the next two-years from the date of this report to fund the existing programme and remain sufficiently solvent.

The MTFP(15) forecasts assumes that borrowing will be from the Public Works Loan Board at rates of between 4.0% to 4.5%, in the anticipation that rates will drop from their current levels of around 5.2% (for forty-year borrowing) between September 2024 and April 2025. This drop in interest rates may not happen, and therefore if PWLB rates were 1 percentage point higher, the borrowing costs for this additional necessary debt would be £3 million.

108 The financial forecasts will continue to be reviewed and refined, and further updates will be provided across the coming months in advance of reporting the updated position to the Cabinet meeting on 4 December 2024.

### **MTFP(15) Timetable**

109 A high-level timetable up to Budget setting in February 2025 is detailed below:

<b>Date</b>	<b>Action</b>
18 September 2024	MTFP(15) update and LCTRS Review report to Cabinet
3 October 2024	Corporate Overview and Scrutiny Management Board consider 18 September Cabinet Report
25 September 2024	Council Tax Reduction Scheme 2025/26 considered by Full Council
13 November 2024	Taxbase report considered by Cabinet
04 December 2024	MTFP(15) update report to Cabinet – outcome of Ph1 Budget Consultation and consideration of all savings plans and Transformation proposals for MTFP(15)
09 December 2024	Corporate Overview and Scrutiny Management Board consider 4 December Cabinet Report
15 January 2025	MTFP report to Cabinet – analysis of provisional local government settlement published in December.
21 January 2025	Corporate Overview and Scrutiny Management Board consider 15 January 2025 Cabinet Report
12 February 2025	Budget Report to Cabinet – outcome of Ph2 Budget Consultation and finalising of savings plans and Transformation proposals for MTFP(15) + Consideration of Capital Programme

Date	Action
13 February 2025	Corporate Overview and Scrutiny Management Board consider 12 February 2025 Cabinet Report
19 February 2025	Council Budget and MTFP(15) report and Council Tax Setting Report

## Proposed Consultation Programme

- 110 Based on the best practice that has developed over previous consultations, it is once again proposed that we consult using our existing County Durham Partnership networks between September and November. This will include the fourteen Area Action Partnerships (AAPs) and the thematic partnerships that support the County Durham Partnership. Additional work will be undertaken with special interest groups and there will be an opportunity for residents to respond electronically via the council's website which will be promoted through the council's presence on various social media platforms.
- 111 The consultation process will be split into two parts. The first stage will be to consider the scale of the savings gap presented in this report, and to gauge views on the saving proposals previously agreed that will be taken forward and on the potential for any additional council tax raising powers. The second stage of the consultation process would commence following the publication of the 4 December Cabinet report, between December 2024 and January 2025, and will consider the savings options set out in the December Cabinet Report in more detail, together with any further changes to the underlying MTFP forecasts.
- 112 The consultations will set out the Council's proposed approach to the MTFP(15) process and the proposed council tax levels across the MTFP(15) period but focus particularly on 2025/26.
- 113 As outlined in the Budget Setting Timetable above, the Corporate Overview and Scrutiny Management Board will provide scrutiny of the MTFP(15), and budget setting process and their deliberations will be summarised and presented to Cabinet for consideration as the budget setting process progresses.

## **Workforce Implications**

- 114 The savings agreed as part of MTFP(14) which impact on the MTFP(15) planning period are set out at Appendix 3. These savings are forecast to see a reduction of 95 posts across the coming three years.
- 115 If savings of the magnitude detailed in the report over the MTFP(15) period are ultimately required, it is forecast that the number of post reductions will increase significantly over the coming four years, as savings plans are developed, agreed and delivered to achieve the MTFP(15) require additional savings (over and above the ones agreed in MTFP(14) of £64.130 million. The exact number will not be known until proposals are fully developed, assessed, published and consulted.
- 116 The Council will continue to take all possible steps to avoid compulsory redundancies and minimise the impact upon the workforce. This will require a continued focus on forward planning, careful monitoring of employee turnover, only undertaking recruitment where absolutely necessary and retaining vacant posts in anticipation of any required service changes, seeking volunteers for early retirement and/or voluntary redundancy and maximising redeployment opportunities for the workforce wherever possible.
- 117 In addition, the way that work is organised, and jobs designed will continue to be reviewed by service groupings, with the support of Human Resources, to ensure that changes that are made to maximise the use of the workforce numbers and skills and introduce flexibility into the way work is organised to maximise the capacity of the remaining workforce.
- 118 These actions will ensure that, wherever possible, service reductions continue to be planned well in advance of commencing the exercises, employees are able to consider their personal positions and volunteer for ER/VR prior to the start of the exercise should they wish to, thereby enabling, in a number of situations, the retention of sustainable employment in the County for those who wish to remain in the workplace.

## **Equality Impact Assessment of the MTFP**

- 119 Consideration of equality analysis and impacts is an essential element that members must take into account when considering the savings plans which will be reported on 4 December 2024.
- 120 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.
- 121 As in previous years, equality analysis will be considered throughout the decision-making process, alongside the development of MTFP(15). 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.
- 122 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.
- 123 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 will need to take full account of the duty and accompanying evidence when considering the MTFP proposals.
- 124 In terms of the ongoing programme of budget decisions the Council will take 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;

## **Local Council Tax Reduction Scheme for 2025/26**

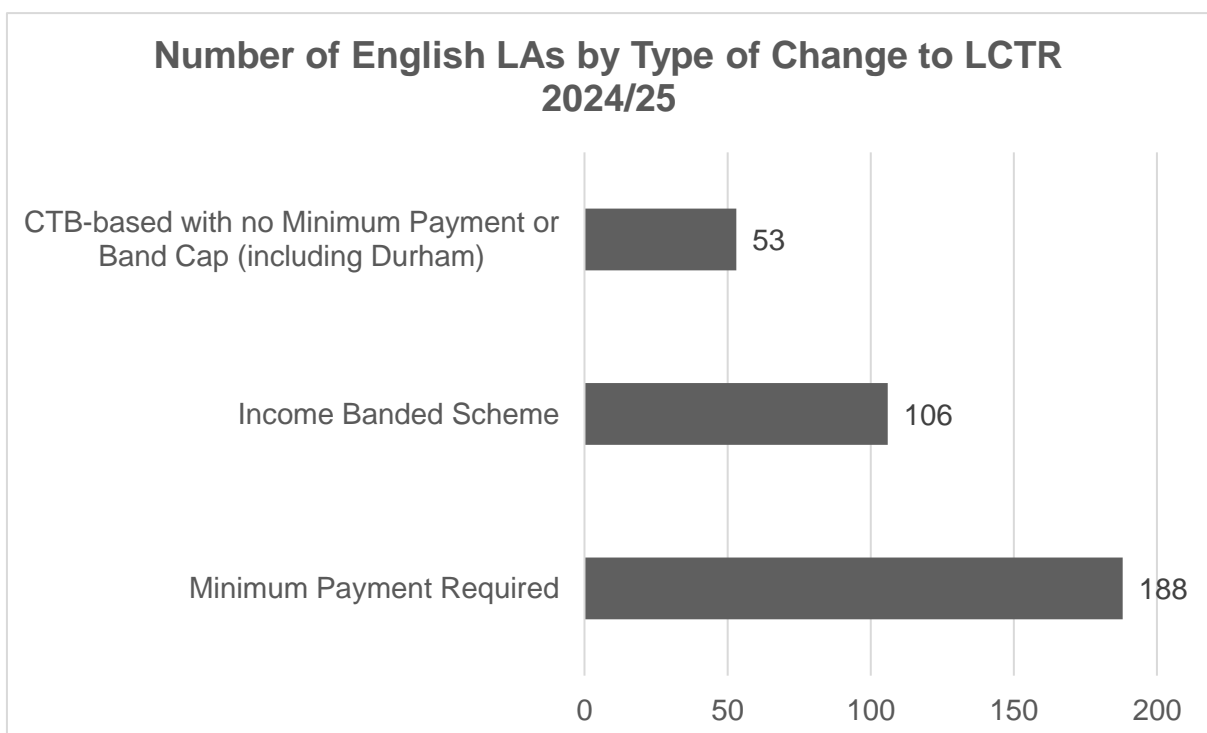
- 125 Following the abolition of the national Council Tax Benefit (CTB) system on 31 March 2013, Local Authorities have been required to work with their precepting bodies to establish a Local Council Tax Reduction scheme (LCTRS); reviewed on an annual basis. The LCTRS provides a 'discount' against the council tax charge, rather than a benefit entitlement.
- 126 A Council Tax Reduction Scheme Grant to offset the impact of the reduction in tax raising capacity was initially paid directly to the council and the major precepting bodies (Police and Fire) but now forms part of the council's formula funding arrangements.
- 127 As this Government grant was technically a fixed amount, when there is growth in the numbers of council taxpayers becoming eligible for support with their council tax, there is a resulting risk to the Local Authority; this was seen in the early months of the pandemic in April/May 2020.
- 128 In reality, the council's formula grant is not exemplified in a way that allows the Council to identify what element of its funding currently relates to LCTRS grant. What is clear is that post 2013/14 and up until 2019/20 formula grant was reduced in successive years.
- 129 The council's formula grant includes an element of funding relating to Town and Parish (T&P) Councils and whilst the council has previously passed the notional LCTRS grant on to the Town and Parish Councils, there was no statutory requirement to do so, with most other councils no longer doing so.
- 130 As part of the 2024/25 budget and MTFP(14) proposals, it was agreed that there would be a 50% reduction in the quantum of grant provided to Town and Parish Councils, phased in over three years from 2024/25. At this stage it is assumed that payment to Town and Parish Councils in 2025/26 will total £1.0 million, a reduction of £0.250 million on the payments being made in 2024/25, of £1.25 million. The payments to

Town and Parish Councils will reduce again by £0.25 million to £0.75 million in 2026/27, as part of the proposals agreed last year.

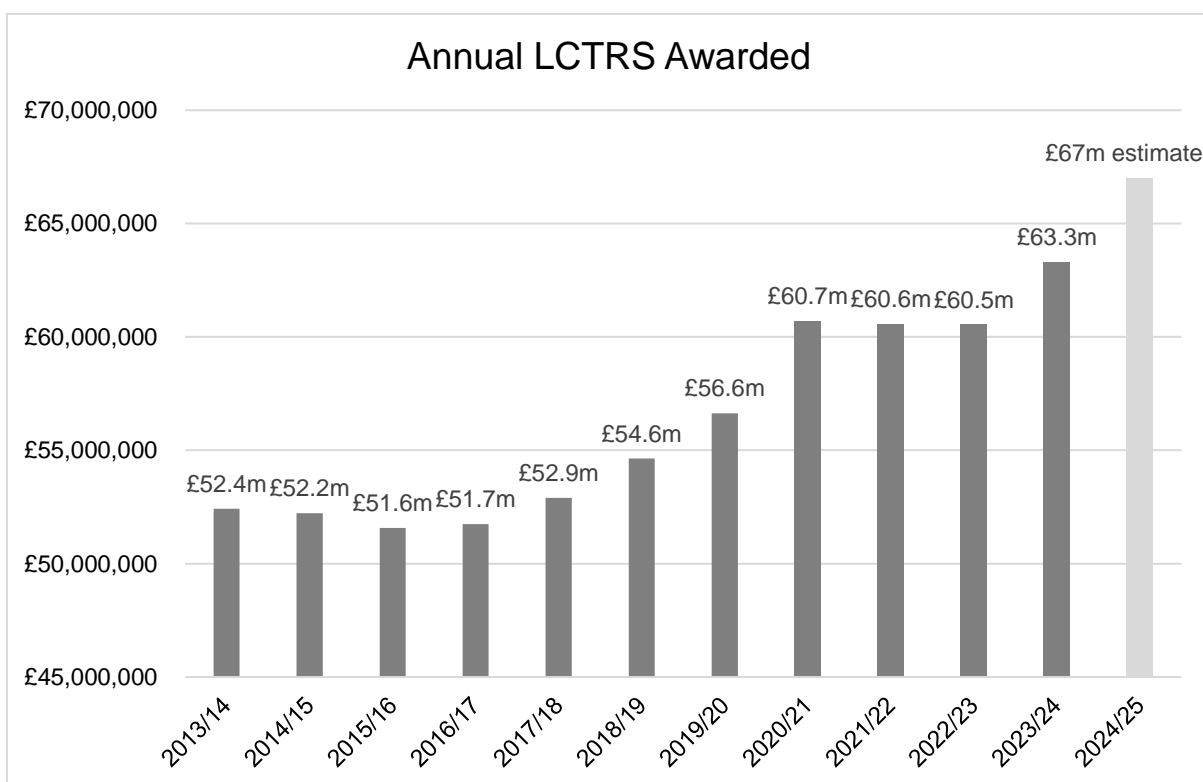
- 131 LCTR provides a 'discount' against the council tax charge, rather than crediting the account with a benefit payment and as such, the award of LCTR impacts (dampens) the council tax base and therefore the tax raising capacity of the Council and its precepting bodies.
- 132 All local authorities are required to follow a national LCTR scheme for pension age applicants, which protects their entitlement at the same level as under the former national CTB regime. The pension age scheme can only be altered locally in ways which make it more generous to applicants.
- 133 There are no such restrictions on the level of support that can be given via working age LCTR schemes.
- 134 In the North East region, Durham is the only authority whose scheme continues to mirror entitlement under the former CTB system for all claimants. The other eleven councils have schemes which offer an overall lower level of support to working age claimants, although two (Northumberland CC and Stockton BC), have in recent years changed their scheme so that they can provide up to 100% to some working age claimants.
- 135 The majority of councils who made changes to their schemes in the first few years of LCTR, did so to cap the overall amount that could be paid to working age households. Lots of these, including authorities in our region have sought to relax their initial schemes over time.
- 136 The most recent comprehensive national data was published in 2018/19 by the Joseph Rowntree Foundation, so is a little dated, but some basic national data was recently published by Entitled To concerning the 2024/25 schemes in place across the country.
- 137 National data shows that over 80% of councils have made at least one significant change to their scheme since the original schemes were adopted in 2013/14.
- 138 Different councils have set their schemes at very different levels across the country. Combined with different choices about other aspects of scheme design, this means that similar households are treated very differently according to where they live.
- 139 More recently, local authorities have started to focus on making changes to simplify administration and reduce the number of award changes for in-work Universal Credit (UC) claimants, while maintaining a cap on the total amount that an applicant can receive.



- 140 The Council will need to continue to track the impact of UC and consider how LCTR can best support residents who claim the benefit. Analysis of cases in Durham shows that, on average, in-work households receiving UC and LCTR receive more than 12 council tax bills each year, as their UC entitlement is continually reassessed and their LCTR entitlement revised in response. This results in delayed direct debits, reminders not being issued, and residents delaying payments as they are unsure what to pay. Evidence suggests approximately only 35% of in-work UC households receiving LCTR manage to pay all of their council tax in-year, in part due to the multiple and changed bills they receive.
- 141 The cost-of-living crisis has in recent years prompted some local authorities to restore higher levels of maximum support for their poorest households.
- 142 Since 2018 there has been a trend towards councils making their LCTR schemes more generous. In part this trend has continued into 2024/25, with 15 councils increasing the maximum support available, including 6 that moved to 100% support. However, while in 2022/23 and 2023/24 only 1 council each year reduced the maximum support available under their schemes, in 2024/25, 9 councils made cuts to the level of support offered.
- 143 In England, 188 of 296 local authorities (64%) do not offer 100% reductions in liability to any working age residents and require a minimum payment instead, regardless of the personal circumstances of the claimant and the impact of the cost-of-living crisis:

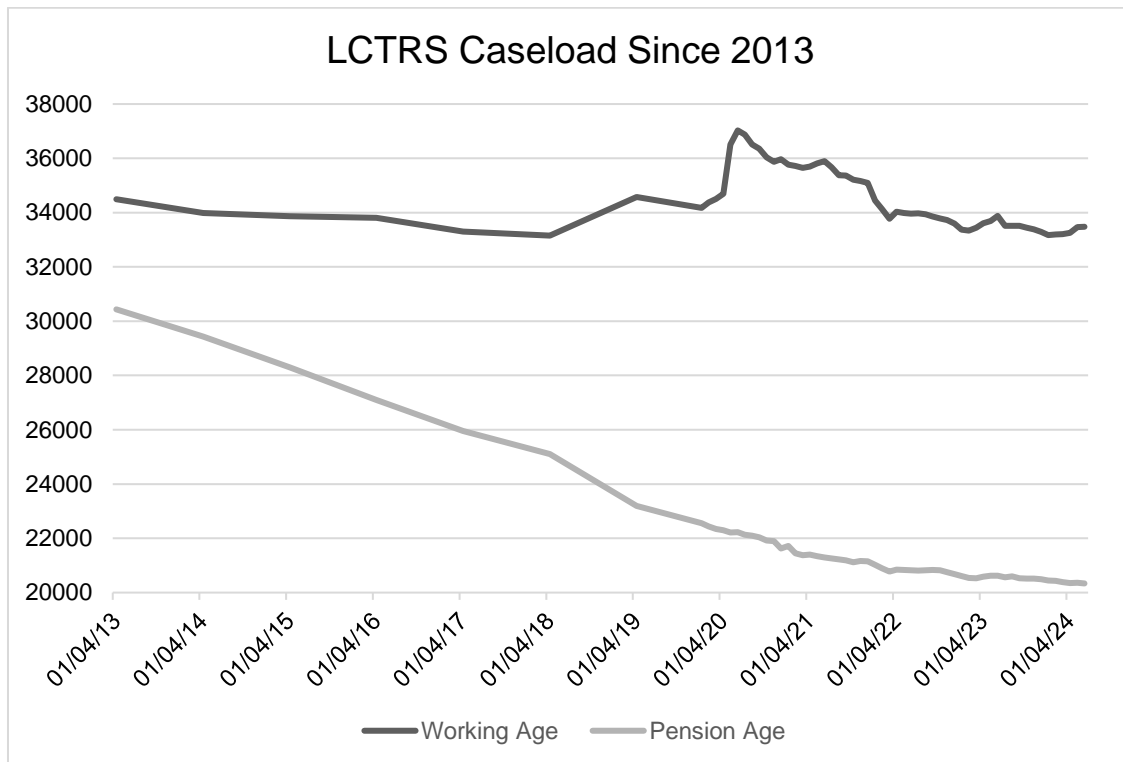


- 144 The roll-out of Universal Credit is currently scheduled to be completed by March 2026. As at May 2024, there were circa 20,700 LCTR applicants in County Durham receiving UC, around 62% of the current working age LCTR caseload.
- 145 There are currently just over 53,800 LCTR cases in County Durham, of which 20,350 (38%) are of pension age and 33,450 (62%) are of working age. Almost 83% of all working age applicants currently receive maximum LCTR, leaving them with no council tax to pay. Approximately 85% of working age LCTR applicants live in rented accommodation and 88% occupy Band A properties. Total LCTRS support is forecast to be circa £67 million in 2024/25 - £25 million of this relates to claimants of pensionable age and £42 million of this relates to claimants of working age.
- 146 The table below shows the year-on-year differences in LCTR scheme costs over the last ten years. It is important to note that the council tax charges have increased across this period and directly results in increased LCTR costs. There was a significant increase in caseload in 2020/21 that continued into 2021/22.

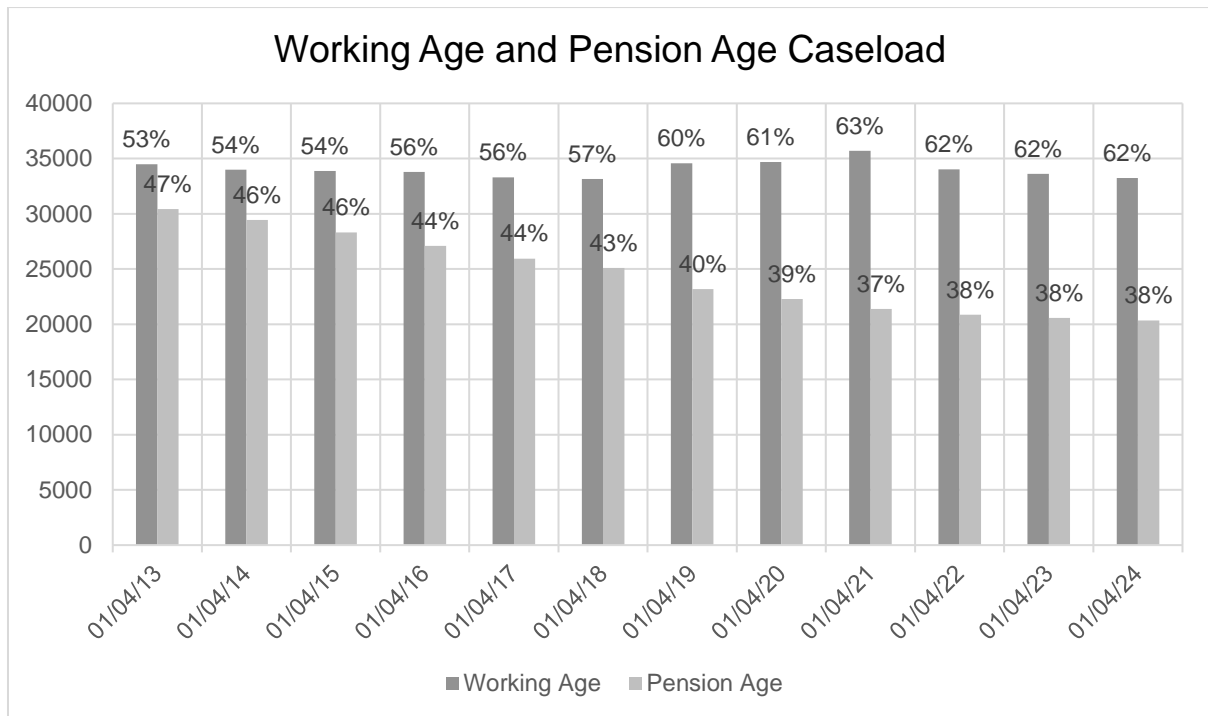


- 147 The pension age caseload has continued a trend of year-on-year reductions, although this rate of reduction has started to slow. The working age caseload increased dramatically in the first quarter of 2020/21, as an unprecedented number of new claims were received from households adversely affected by the Covid-19 pandemic. At its peak, in May 2020, the working age LCTRS caseload was almost 3,000

higher than in January of the same year. By March 2022 the number of working age LCTR claims had returned to pre-pandemic levels and have remained stable since then:



- 148 In Durham, there are now over 4,300 LCTR claimants currently classed as working age that would have been treated as pensionable age claimants prior to 2010, when the process of moving eligibility to state pension credit age from 60 to 66 began. There will then be a further move up to 67 between 2026 and 2028, then to 68 between 2044 and 2046.
- 149 Over the last twelve years there has been a nine-percentage point increase in the proportion of working age caseload in County Durham. This means a higher proportion of our caseload is coming under the part of the LCTR scheme that the Council has control over. Working age claimants, particularly those on UC, carry a much greater administrative burden as they have more frequent changes in their circumstances that need to be processed, producing multiple bills across the year.



- 150 It is important to consider any impact on the collection rate for council tax, that changes to the LCTRS can have. In a 2021 presentation, The Institute for Fiscal Studies (IFS) estimated that a quarter of the additional council tax liability created by cuts to LCTR since 2013 has not been collected in year. They stated that this rate of non-collection was ten times higher than normal collection rates, and that it did not appear to be improving over time.
- 151 UC changes result in multiple reworking and changes to LCTRS entitlement throughout the year and multiple bills being issued to individual households resulting in numerous changes to their net liability and instalment plans for any council tax balance they are responsible for. After many years of continued improvement, our in-year council tax collection rate reduced slightly in 2018/19 to 96.65%, and further still in 2019/20 to 96.37%. Performance in 2020/21 (93.43%) was impacted significantly by the pandemic with recovery action largely suspended for the whole of the year. By 2023/24 the in-year recovery rate had improved to 95.37%, however this is still almost one and half percentage points below the 2017/18 rate of 96.83%, in part reflecting the ongoing impact of the expanding UC rollout on LCTRS and in part due to the ongoing impact of the pandemic and the subsequent cost of living squeeze that has impacted in year council tax collection rates.
- 152 The regional picture in terms of the schemes currently in operation and comparison of in-year collection rates with that which existed pre LCTRS is shown below for the position to 31 March 2024. It is notable that Durham is one of only two councils to have improved its collection rate since council tax support was first localised:

<b>Local Authority</b>	<b>Basis of Scheme</b>	<b>Minimum Payment</b>	<b>Second Adult Reduction Offered?</b>	<b>In Year Recovery Rate 2023/24</b>	<b>Change in in-year council tax collection rate between 2012/13 and 2023/24</b>
Durham	CTB	No	Yes	95.37	+0.37%points
Darlington	CTB	20%	No	96.39	+0.49%points
Gateshead	CTB	8.5%	No	93.84	-2.76%points
Hartlepool	CTB	12%	No	92.48	-4.52%points
Middlesbrough	Income Banded – since 2022/23	10%	No	92.84	-3.16%points
Newcastle	Income Banded – since 2018/19	No (was 15% but removed for 2022/23)	No	97.09	-0.01%points
North Tyneside	CTB	15%	No	94.84	-2.06%points
Northumberland	CTB	8%	Yes	96.69	-1.01%points
Redcar and Cleveland	CTB	17.5%	No	92.73	-4.7%points
South Tyneside	Income Banded since 2024/25	10% (was 30% before 2024/25)	Yes	93.87	-3.23%points
Stockton	Income Banded – since 2022/23	No (was 20% but removed for 2022/23)	No	95.09	-3.11%points
Sunderland	CTB	8.5%	No	92.74	-4.46%points

- 153 If any changes are to be made to the Councils LCTRS scheme, these must be consulted on and be subject to an equality impact assessment. Councils are required to review and approve their schemes annually and have this agreed by a Full Council meeting before 11 March each year. In reality, decisions are needed much earlier than this given the impact on tax base calculations and the need to firm up the tax base forecasts much earlier in the budget planning cycle.
- 154 Pensioners must be protected from any changes, with any reductions applied to working age claimants only.
- 155 Twelve years after the government abolished the national CTB system the council continues to have a LCTR scheme which mirrors the previous entitlement under the national CTB system for all claimants. No LCTR claimants have therefore been financially worse off in the last twelve years (including the current year) than they would have been under the previous national scheme.
- 156 In retaining this level of support, the council has been mindful of the continuing impacts of the wider welfare reforms and from the squeeze on household incomes from cost-of-living increases in recent years which are having a detrimental impact on many low-income households. Additional council tax liabilities for working age households could have a significant impact on low-income household budgets by around £100 to £350 a year based on a scheme whereby entitlement for working age claimants is set at a maximum of 90% entitlement. If the council were to cap the level of support available, it would make collection of council tax more difficult and costly to recover from these low-income households.
- 157 In approving the scheme for 2024/25, the council gave a commitment to review the scheme on the grounds of medium-term financial plan (MTFP) affordability.
- 158 The reduction in Government Grant support towards maintaining these schemes in the first year (2013/14) was £5.1 million, after which the Local Council Tax Support Grant was subsumed into general formula grant, which was subjected to annual reductions up to 2019/20. To recover the full initial £5.1 million cost by reducing the benefit awarded to working age claimants, and factoring in a prudent collection rate of 80%, would require the maximum entitlement to be reduced from 100% to 86% based on current caseloads.
- 159 Should the Council review its scheme and reduce maximum entitlement to working age claimants, depending on the forecasted council tax collection from affected low income households, there would be scope to increase Council Tax revenues by between £3.7 million (based on a scheme that awarded maximum entitlement to working age households

of 90% with a prudent collection rate of 80%) and £5.1 million (based on a scheme that awarded maximum entitlement of 86% with a prudent collection rate of 80%). This would impact circa 33,450 working age households across County Durham, where 6,050 (18%) are in low paid jobs rather than being unemployed.

- 160 Following careful consideration of the current financial position of the council and in light of the continuing impact of welfare reforms including the continued roll out of Universal Credit, which commenced in October 2017 in County Durham; and the cost-of-living impacts it is proposed that Cabinet recommend to Council that the current scheme should be extended for a further year into 2025/26 and, therefore, that no additional council tax revenues or pressures are built into the MTFP projections from a review of the LCTRS at this stage.
- 161 The reasons for extending the current scheme are due to the current scheme remaining within existing cost parameters for the Council. In addition, whilst the full impacts of the Government's welfare reforms are complex and difficult to track, demand for Discretionary Housing Payments; Social Fund Applications and Rent Arrears statistics in County Durham compared to others across the region, would suggest that the council tax benefit protection afforded to working age claimants, in addition to the wide-ranging proactive support that has been put in place, is continuing to have a positive impact on these households.
- 162 The council will need to continue to review the national situation and track what is happening in local authorities that have introduced LCTR schemes that have reduced entitlement to their working age claimants in terms of impacts and performance in terms of recovery of the council tax due.
- 163 The council will also need to keep track of the continuing impact of the roll out of Universal Credit (UC). This presents continuing challenges for the administration of the LCTRS as it results in a much higher number of changes in circumstances and removes the administrative economies of scale currently achieved by administering Housing Benefit and LCTR claims side by side.
- 164 More significantly however, UC changes results in multiple reworking and changes to LCTR entitlement throughout the year and multiple bills being issued to individual households resulting in numerous changes to their net liability and instalment plans for any council tax balance they are responsible for.

## Conclusion

- 165 The council continues to face significant financial uncertainty for the MTFP(15) planning period, covering the financial years 2025/26 to 2028/29. The uncertainty relating to future government financial settlements is exacerbated by the ongoing impact of base budget pressures from children's social care demand pressures, home to school transport, high needs, inflation, national living wage, adult social care and waste disposal.
- 166 Planning will continue in relation to the identification of savings to enable future years budgets to be balanced. The unallocated MTFP Reserve of £32.579 million is available following the review of reserves agreed by Cabinet in July and the application of £3.72 million of the reserve to balance the current year's budget. It is not financially sustainable to place an over-reliance on this reserve to balance the Council's financial position in 2025/26 and in later years and application of the reserve should only be considered a short term fix whilst more sustainable solutions are developed.
- 167 The council is the only local authority in the North East to have retained entitlement levels for Council Tax support within the Local Council Tax Reduction Scheme (LCTRS) in line with that which applied under the national Council Tax Benefit regime prior to 2013/14, although two other authorities (Northumberland CC and Stockton BC) do also now provide up to 100% LCTRS reduction.
- 168 This policy has protected vulnerable residents at a time when welfare reform changes and more recently the pressure on household incomes from cost-of-living increases have had a significant adverse impact.
- 169 This report recommends that the current LCTRS is again retained and remains unaltered for a further year into 2025/26. Should the Cabinet agree, the Council will need to formally adopt this policy at Full Council prior to 11 March 2025, with a report scheduled for consideration by Council in October 2024.

## Background papers

- Local Government Finance Act 1992
- Welfare Reform Act 2012
- The Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations (as amended)





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## **Appendix 1: Implications**

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### **Legal Implications**

The Council has a statutory responsibility to set a balanced budget. It also has a fiduciary duty not to waste public resources.

The Welfare Reform Act 2012 abolished the national council tax benefits system (CTB), paving the way for new Local Council Tax Reduction Schemes (LCTRS) to be introduced under the auspices of the Local Government Finance Act 1992.

Section 13A of the Local Government Finance Act 1992 (“the 1992 Act”) requires each billing authority in England to make a scheme specifying the reductions which are to apply to amounts of council tax payable by persons, or classes of person, whom the authority considers are in financial need (“a council tax reduction scheme”).

The Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012 (“the 2012 Regulations”) prescribe matters which must be included in such a scheme in addition to matters set out in paragraph 2 of Schedule 1A to the 1992 Act.

Each year regulations amending the 2012 Regulations are made in November/December. The majority of the amendments are to ensure consistency with changes to social security legislation and these are subsequently included in our local scheme.

The LCTRS provides a ‘discount’ against the council tax charge, rather than a benefit entitlement and as such impacts on the council’s tax base.

Regulations made under the Local Government Finance Act 1992 (The Local Authorities (Calculation of Council Tax Base) Regulations 1992 (as amended) the council to calculate a council tax base for each financial year.

The Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012 which came into force on 30 November 2012 and applies to the financial years beginning 1 April 2013 onwards contains the rules which require the council to calculate the Council Tax Base.

A key element of the tax base calculation is the council’s policy in terms of its LCTRS.

There is a statutory requirement for the Council to adopt a local council tax support scheme for the ensuing financial year by 11 March each year. Where

the council is proposing any changes to its scheme, there is a statutory requirement to consult on these proposals in advance of making any changes. Pensioners have to be protected from any changes, with any reductions applied to working age claimants only.

## **Finance**

The report highlights that at this stage an additional £21.720 million of savings are required to balance the 2025/26 budget, which are in addition to £3.229 million of savings for 2025/26 which were previously approved by Council in MTFP(14).

Across the MTFP(15) period the savings shortfall is £64.130 million – this is after factoring in an assumed 2.99% annual increase in Council Tax and after the delivery of MTFP(14) approved savings for the 2025/26 to 2027/28 period of £8.277 million.

Work will continue over the coming months to identify savings to balance the budget across the MTFP(15) period, with savings plans to be set out in a report to Cabinet on 4 December 2024.

Should the Council review its Local Council Tax Reduction scheme and reduce maximum entitlement to working age claimants, depending on the forecasted council tax collection from affected low income households, there would be scope to increase Council Tax revenues by between £3.7 million (based on a scheme that awarded maximum entitlement to working age households of 90% with a prudent collection rate of 80%) and £5.1 million (based on a scheme that awarded maximum entitlement of 86% with a prudent collection rate of 80%). This would impact circa 33,450 working age households across County Durham, where 6,050 (18%) are actually in low paid jobs rather than being unemployed. The proposal in the report is to retain the existing scheme into 2025/26.

## **Consultation**

Consultation on the 2025/26 budget and MTFP(15) will include engagement via existing County Durham Partnership networks in two phases, over 1) the period September to October period, and 2) between December and January. This will include the fourteen Area Action Partnerships (AAPs) and the thematic partnerships that support the County Durham Partnership. Additional work will be undertaken with special interest groups and there will be an opportunity for residents to respond electronically via the council's website which will be promoted through the council's presence on various social media platforms.

The Corporate Overview and Scrutiny Management Board will provide scrutiny of the MTFP(15), and budget setting process and their deliberations

and views will be provided to Cabinet for consideration as the budget process progresses.

If any changes are proposed to the LCTR scheme, these must not impact on pension age claimants, must be consulted on and be subject to an equality impact assessment. Councils are required to review and approve their schemes annually and have this agreed by a Full Council meeting before 11 March each year. In reality, decisions are needed much earlier than this given the impact on tax base calculations and the need to firm up the tax base forecasts much earlier in the budget planning cycle.

### **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.

Twelve years after the Government abolished the national Council Tax Benefits System the council continues to have a LCTRS which mirrors the previous entitlement under the Council Tax Benefit System for all claimants. No council tax benefit claimants have therefore been financially worse off in the last twelve years than they would have been under the previous national scheme and if the proposals set out in this report and ultimately agreed by Council in the autumn this will continue to be the case.

### **Climate Change**

The council budget will be developed to provide resource to enable the council to meet the requirements set out in the council’s Climate Change Emergency Response Plan.

### **Human Rights**

Any human rights issues will be considered for all proposals agreed as part of MTFP(15).

### **Staffing**

More details on the staffing implications will follow as part of a detailed report on savings proposals for the Cabinet to consider for approval on 4 December 2024. The previously agreed savings (set out at Appendix 3) would see an

overall reduction of 95 FTE across the next three years, with reductions in vacancies and application of early retirement and voluntary redundancies being a preferred method of achieving these staffing reductions.

### **Accommodation**

None

### **Risk**

A robust approach to Risk Assessment across the MTFP process will be followed especially in relation to any individual risk assessments of savings plans. The report outlines a range of significant risks that are inherent in the budget and MTFP(15) setting process, including a number of variables which could increase or decrease the budget deficit / savings requirement.

UC changes result in multiple reworking and changes to LCTRS entitlement throughout the year and multiple bills being issued to individual households resulting in numerous changes to their net liability and instalment plans for any council tax balance they are responsible for. After many years of continued improvement, our in-year council tax collection rate reduced slightly in 2018/19 to 96.65%, and further still in 2019/20 to 96.37%. Performance in 2020/21 (93.43%) was impacted significantly by the pandemic with recovery action largely suspended for the whole of the year. By 2023/24 the in-year recovery rate had improved to 95.37%, however this is still almost one and half percentage points below the 2017/18 rate of 96.83%, in part reflecting the ongoing impact of the expanding UC rollout on LCTRS and council tax collection. If the council were to cap the level of support available, it would make collection of council tax more difficult and costly to recover from these low-income households.

### **Procurement**

None

## Appendix 2 - Medium Term Financial Plan - MTFP(15) Financial Forecasts 2025/26 - 2028/29

	2025/26	2026/27	2027/28	2028/29
	£'000	£'000	£'000	£'000
<b>Government Funding</b>				
Revenue Support Grant (0%,0%,0%,0%)	0	0	0	0
Social Care Grant	0	0	0	0
Social Care Grant - January 24 Addition	0	0	0	0
Better Care Fund - ASC Discharge Grant	0	0	0	0
Market Sustainability and Improvement Grant	-2,300	0	0	0
BCF Inflation	-1,000	0	0	0
New Homes Bonus grant reduction	0	0	0	0
Services Grant reduction	0	0	0	0
Housing Benefit Administration Grant reduction	100	100	100	100
B Rates/S31 - S31 Adj & CPI increase (2.5%/1.75%/1.75%/1.75%)	-2,200	-1,633	-1,663	-1,706
Top Up - CPI increase (2.5%/1.75%/1.75%/1.75%)	-1,900	-1,388	-1,405	-1,418
<b>Other Funding Sources</b>				
Council Tax Increase (2.99%/2.99%/2.99%/2.99%)	-8,400	-8,650	-9,000	-9,350
Council Tax Base increase	-500	-1,500	-1,500	-1,500
Council Tax Premiums -Second Homes	-650	0	0	0
Business Rate Tax Base increase	-1,148	-750	-500	-500
<b>Estimated Variance in Resource Base</b>	<b>-17,998</b>	<b>-13,821</b>	<b>-13,968</b>	<b>-14,374</b>
All Services - Pay Inflation (2.00%/2%/2%/2%)	5,800	5,900	6,000	6,100
All Services - Price Inflation (1.5% per annum ) - Incl waste contract	2,150	2,225	2,300	2,400
<b>Base Budget Pressures</b>				
AHS - Social Care Fee Uplift - includes NLW and CPI	9,130	7,423	7,652	7,550
AHS - Demographic Pressures	0	1,000	1,000	1,000
CEO - Coroners Support (G1)	30	0	0	0
CYPS - Children Looked After	13,729	5,798	2,629	1,701
CYPS - Early Help, Inclusion and Vulnerable Children SEND (G2)	1,127	0	0	0
CYPS - Home to School Transport	1,000	1,000	1,000	1,000
CYPS - Secure Aycliffe Operating Budget	-250	0		0
CYPS / REG - National Living Wage Other Service Areas	400	200	200	200
NCC - Community Protection Workforce Development	-200	-410	-200	0
NCC - Deport NNDR Costs (G8)	102	0	0	0
NCC - Gully Cleansing (G9)	250	0	0	0

NCC - Parks & countryside staffing (G7)	109	0	0	0
NCC - Tees Valley SPV Set Up Costs	30	0	0	0
NCC - Tree Maintenance and Woodland Management (G6)	156	0	0	0
NCC - Vehicle Fleet - Transfer to electric vehicles	0	411	1,235	422
NCC - Waste Collection & Recycling - Simpler Recycling		1,600		
NCC - Waste Disposal - New Contract	0	3,000	0	0
NCC - Woodland Protection /Nature Reserves /Public Rights of Way	-145	0	0	0
REG - Building Repairs and Maintenance (G10)	400	0	0	0
REG - DLI & Arts Gallery	300	0	0	0
REG - Park and Ride Extension	-257	0	0	0
REG - Park and Ride Income	-60	-60	-60	-60
REG - Temporary Accommodation	-150	0	0	0
RES - Centralised Training Budget - H&S for REG/NCC (G3)	100	0	0	0
RES - Civica System Licensing / Cloud Solution (G4)	86	0	110	0
RES - Resourcelink Licensing / Cloud Solution (G5)	0	328	0	0
Corporate - Pension Fund Revaluation	0	1,000	0	0
Corporate / All Services - School SLA's - Loss of Income	300	300	300	300
Corporate - Unfunded Superannuation	0	-100	-100	-100
Corporate - Investment Income	5,000	2,100	500	0
Corporate - Capital Financing Costs - MTFP 14 Commitments	1,000	10,014	0	0
Corporate - Phoenix Loans - Refinancing 2024/25	-410	-27	-25	-22
Corporate - Capital Financing Costs - MTFP 15 New Commitments	0	0	1,686	0
Corporate - Capital Financing Costs - MTFP 16 New Commitments	0	0	0	2,000
Corporate - MRP Policy Change 2024 - Assets Under Construction	-500	-400	1,600	0
<b>TOTAL PRESSURES</b>	<b>39,227</b>	<b>41,302</b>	<b>25,827</b>	<b>22,491</b>
<b>Use of One Off funds</b>				
Adjustment for use of MTFP Support Reserve in previous year	3,720	0	0	0
Use of MTFP Support Reserve in year	0	0	0	0
<b>Savings</b>				
MTFP(14) Savings - Approved February 2024 (Incl. Reprofiling)	-3,229	-3,811	-1,237	0
<b>SAVINGS SHORTFALL</b>	<b>21,720</b>	<b>23,671</b>	<b>10,622</b>	<b>8,117</b>
	<b>Total Shortfall</b>			<b>64,130</b>

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**Appendix 3: MTFP(14) Savings profiled across 2025/26 to 2027/28**

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**Adult and Health Services**

<b>Savings Proposal</b>	<b>Description</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>TOTAL</b>
		<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Market Shaping - Reablement & Direct Payments	Maximising use of reablement and direct payments to promote independence for service users	250,000	300,000	0	<b>550,000</b>
High Cost Learning Disability Care Packages	Review of specialist/high cost care provision across learning disability services	210,484	0	0	<b>210,484</b>
Review of Non-Assessed Community Based Services	Review of non-assessed community-based commissioned services	93,000	0	0	<b>93,000</b>
<b>Total - Adult and Health Services</b>		<b>553,484</b>	<b>300,000</b>	<b>0</b>	<b>853,484</b>



## Children and Young People Services

Savings Proposal	Description	2025/26	2026/27	2027/28	TOTAL
		£	£	£	£
Review of Support Services	Delivering resource efficiencies in the provision of non-frontline services through greater automation of tasks and simplifying systems.	210,000	0	0	<b>210,000</b>
New approach to delivering One Point activities	Planned reduction in physical activities held in centres with increased use of technology and virtual services for Families, which support the new work on development of Family Hubs	50,000	0	0	<b>50,000</b>
Early help, Inclusion and Vulnerable Children Services review	Achieving efficiencies within Early Help services through turnover of staff, reviewing deployment of staffing resources and use of non-council funding to support activity	84,000	84,000	0	<b>168,000</b>
Cross Service Accommodation	Streamlining the use of Council staff accommodation to achieve savings in maintenance and running costs.	71,000	100,000	0	<b>171,000</b>
Restructure of Adult Learning Service	Changes to the Councils Adult Learning Service to align to the future direction of Education, Employment and Training opportunities for disadvantaged Young People	70,000	0	0	<b>70,000</b>

Home to School Transport	Review of Systems, Costs and Policies in relation to Home to School Transport	-	467,000	483,000	<b>950,000</b>
Reduction in Historic FE Liabilities	Planned reduction in Service Pension liabilities	100,000	100,000	100,000	<b>300,000</b>
Review of Music Service	Review of current model of delivery, including overheads, pricing policy and accommodation.	40,000	0	0	<b>40,000</b>
Fees and charges	Review of fees and charges across CYPs	50,000	0	0	<b>50,000</b>
Review of council nursery provision	Review of provision of early years and council run nursery services	0	0	150,000	<b>150,000</b>
<b>Total - Children &amp; Young People Services</b>		<b>675,000</b>	<b>751,000</b>	<b>733,000</b>	<b>2,159,000</b>

## Neighbourhood and Climate Change

Savings Proposal	Saving Description	2025/26	2026/27	2027/28	TOTAL
		£	£	£	£
Review of Community Protection Structure & Income Generation	A restructure of the service will deliver efficiency savings along with some income generation opportunities	145,000	0	0	<b>145,000</b>
Increase in Fees & Charges in Community Protection	Increases to existing charges and some new charges will also be introduced where possible	50,000	50,000	0	<b>100,000</b>
Increase in Fees and Charges within Environmental Services	Increases would relate to Refuse & Recycling, Fixed Penalty Notices, and Durham Crematoria surplus	100,000	90,000	0	<b>190,000</b>
Review of Neighbourhood Protection	Identification of efficiencies within Neighbourhood Protection	0	180,000	180,000	<b>360,000</b>
Review of Allotments	Review of maintenance and fees for council retained allotment sites	11,750	11,750	11,750	<b>35,250</b>
Review of Local Networks	Review of the Local Network model, taking into account the ongoing Boundary Commission review of the County Council's Elected Member boundaries	250,000	250,000	0	<b>500,000</b>

Review of Pest Control Charging	Review of the existing pricing for domestic and commercial treatments, including retention of support for households on council tax relief scheme.	10,000	10,000	10,000	<b>30,000</b>
Clean and Green	Review of Clean and Green Service provision including move to perennial bedding, income generation and efficiencies in street cleansing.	50,000	169,374	160,000	<b>379,374</b>
<b>TOTAL - NCC</b>		<b>616,750</b>	<b>761,124</b>	<b>361,750</b>	<b>1,739,624</b>

## Regeneration, Economy and Growth

Savings Proposal	Saving Description	2025/26	2026/27	2027/28	TOTAL
		£	£	£	£
Moving vehicle/Bus Lane enforcement income.	Introduction of camera enforcement intended to address moving traffic offences, and to increase compliance at existing Framwellgate Moor bus lane restrictions	0	30,000	0	<b>30,000</b>
Increase surplus rental income on commercial properties	Additional rental income generated from commercial properties managed by Business Durham	48,438	0	0	<b>48,438</b>
Service Review of Catering, Cleaning & Facilities Management	Service efficiencies from catering, cleaning and facilities management through strategic service review including commercial opportunities, opening hours, levels of service etc	90,000	95,000	0	<b>185,000</b>
Review of Office Accommodation - New HQ operating costs	Saving in running costs generated from the move from County Hall	0	275,000	0	<b>275,000</b>
Catering review	Review of service to ensure it is cost neutral	100,000	0	0	<b>100,000</b>
<b>TOTAL - REG</b>		<b>238,438</b>	<b>400,000</b>	<b>0</b>	<b>638,438</b>

## Resources

<b>Savings Proposal</b>	<b>Description</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>TOTAL</b>
		<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Review of HR and Employee Services and Training budgets	Review and restructure of the HR and Employee Services Team and Efficiencies in Training budgets through digitisation of learning	0	86,940	0	<b>86,940</b>
Review of Business Support (administration)	Review and restructuring of the Business Support service	0	517,000	0	<b>517,000</b>
Review of Internal Audit and Insurance	Review & restructure of Internal Audit, including a review of services to external clients to generate additional income	0	43,000	0	<b>43,000</b>
Review of Legal Services	Review and restructuring of Legal Services Team	0	127,640	0	<b>127,640</b>
Review of Legal and Democratic Services non-employee budgets	Reduction of Non Staffing Budgets	0	12,000	0	<b>12,000</b>
Review of Digital Services	Restructure of Digital Services Team	164,011	0	0	<b>164,011</b>
Review of Digital Services non-employee budgets	Reduction of Non-Staffing Budgets	65,000	0	0	<b>65,000</b>

Review of Transactional and Customer Services non-employee budgets	Review / Reduction of Non Staffing Budgets (including income budgets)	0	102,120	0	<b>102,120</b>
Review of Customer Services	Review of Customer Access Point provision and service model in line with changing customer demands	0	219,000	0	<b>219,000</b>
Review of Transactional and Customer Services	Review and restructure of Transactional and Customer Services Team through Introduction of new systems, process review and new ways of working	48,728	0	0	<b>48,728</b>
Corporate Finance and Commercial Services - Review of Service Structures	A review of roles and more effective utilisation of Oracle will enable a reduction in the resource requirement.	150,000	0	0	<b>150,000</b>
Legal and Democratic Services - Non-staffing reductions	The Council continues to undertake insurance work in-house which is funded from base budgets. There is an opportunity to recharge the costs of this work to Insurance.	0	0	9,000	<b>9,000</b>
Digital Services - Further Review of Service Structures	Review of service structures	202,000	0	0	<b>202,000</b>

Transactional and Customer Services - Customer Feedback Review	Customer Feedback and Investigation Process Review with savings aligned to the implementation of process and technology improvements that focus on reductions in demand and increased capacity. without limiting the ability to meet statutory guidelines.	40,985	0	0	<b>40,985</b>
Transactional and Customer Services - Service Review	Review of service processes and structures and implementation of a new operating model to support innovation, new ways of working, increased capacity to meet changing levels of demand and effective delivery of strategic and corporate objectives		206,193	0	<b>206,193</b>
Digital Services - Ceasing device delivery service, moving to collection only	Meadowfield Depot Digital Drive Through to be used by staff or collection points established at strategic sites.	25,973	0	0	<b>25,973</b>
Digital Services - Ceasing/pausing of corporate projects	This will include Unified Comms, digital workforce, etc.	33,988	0	0	<b>33,988</b>
HR - Durham L&D & Management Development	Savings and efficiencies from the corporate WFD budget especially as a result of digitisation.	0	0	30,000	<b>30,000</b>
HR - Payroll and Employee Services	Review and rationalisation of staffing structures especially in the light of the utilisation of improved IT developments	0	0	103,000	<b>103,000</b>



<b>TOTAL - Resources</b>	<b>730,685</b>	<b>1,313,893</b>	<b>142,000</b>	<b>2,186,578</b>
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## Corporate

Savings Proposal	Description	2025/26	2026/27	2027/28	TOTAL
		£	£	£	£
LCTR Grant to Town and Parishes	The grant payments to T&PCs in 2023/24 is forecast to be £1.5 million. The council is one of a few across the country and the only one in the north east that still pays a grant to T&PCs iro LCTR tax base impacts. There are no council tax capping requirements for Town and Parish councils. Consideration to reduce the grant by 50% over a three year period.	250,000	250,000	0	<b>500,000</b>
Members Budgets	It is expected that the number of members will reduce from 126 to 98 from May 2025. After reviewing member allowance levels to reflect the overall increase in member numbers it is forecast that a saving will be realised from total member related budgets	165,000	35,000	0	<b>200,000</b>
<b>TOTAL - Corporate</b>		<b>415,000</b>	<b>285,000</b>	<b>0</b>	<b>700,000</b>
<b>TOTAL COUNCIL SAVINGS FOR MTFP (14)</b>		<b>3,229,357</b>	<b>3,811,017</b>	<b>1,236,750</b>	<b>8,277,124</b>