Cabinet

12 February 2025

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

CORP/R/2025/001

Report of Corporate Management Team

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Purpose of the Report

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

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

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

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

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

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

Executive Summary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	TOTAL £'000
MTFP(15) Forecast Budget Deficit / Savings Requirement (Excl New MTFP(15) Savings Proposals)	17,838	20,746	12,823	10,206	61,613
MTFP(14) Forecast Budget Deficit / Savings Requirement (2025/26 to 2027/28 Only) – Council Feb. 2024	16,789	11,915	9,129	N/A	37,833
Increase / (Decrease) in Forecast Budget Deficit / Savings Requirement Between MTFP 14 and MTFP 15.	**1,050**	**8,831**	**3,694**	**10,206**	**23,781**

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

Autumn Budget Statement

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(viii) Business Rates:

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

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

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

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

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

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

(ix) Other items:

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

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

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

Local Government Finance Settlement

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Savings Plans

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

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

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

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

Capital Investment

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

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

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

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

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

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

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

Council Tax

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

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

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

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

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

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

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

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

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

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

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

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

Reserves

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

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

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

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

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

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

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

Dedicated Schools Grant

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

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

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

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

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

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

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

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

Other considerations

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

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

Recommendations

46 Cabinet is asked to:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(c) **Capital Budget**

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

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

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

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

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

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

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

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

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

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

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

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

(e) **Dedicated Schools Grant**

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

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

(f) **Pay Policy**

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

(g) **Risk Assessment**

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

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

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

(j) **Fair Funding Reform**

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

Background

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

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

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

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

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

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

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

Autumn Budget Statement 2024

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Local Government Finance Settlement

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Overall Funding Position

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

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

Table 1

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

Revenue Budget Pressures

103 Despite the additional funding and additional council tax and business rates revenues set out above, the Council faces significant unavoidable cost pressures that must be accommodated to set a balanced budget. In

2025/26, these cost pressures total £85.830 million, and across the full four-year planning period they amount to £178.421 million and therefore significantly eclipse the additional estimated funding to be received. Table 2 below outlines a summary of these financial base budget pressures:

Table 2 – summary revenue budget pressures

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

By increasing the Looked After Children placement costs budget by a further £16.610 million in 2025/26, the budget next year will be £93.184 million, representing a 285% increase in the budget for Looked After Children over a seven-year period. By the end of the MTFP(15) planning period this budget is forecast to exceed £100 million. This scale of budget increase is simply unsustainable, with increases in this budget (and in Home to School Transport budgets) being the primary cause of the financial difficulties faced by the Council in recent years.

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

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

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

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

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

The scale of required investment in new actions and interventions will be reported to Cabinet in July 2025.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Organisational Productivity:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Savings Proposals

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

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

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

Table 3 – MTFP (15) Savings

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

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

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

Adult and Health Services (AHS)

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

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

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

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

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

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

Chief Executives (CEx)

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

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

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

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

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

Children and Young Peoples Service (CYPS)

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

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

Neighbourhoods and Climate Change (NCC)

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

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

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

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

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

Regeneration, Economy and Growth (REG)

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

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

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

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

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

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

Resources (RES)

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

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

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

137 Beyond 2025/26 there are further savings of £1.595 million planned, associated with further restructuring activities, non-staffing budget reductions, a review of office accommodation and the full implementation of the review of Customer Access Point provision.

138 Whilst every effort has been made to minimise the impact on frontline services in previous years and this remains the case in 2025/26, though the proposals do seek to review Customer Access Point provision where foot fall and usage is very low and where customers have preferred to

engage digitally in recent years. The ability to limit impact on front line service delivery is becoming increasingly difficult to sustain.

Corporate Savings

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

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

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

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

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

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

Summary Revenue Budget Position

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

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

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

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

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

Budget Setting Legal Responsibilities

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

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

2024/25 Net Budget Requirement and Council Tax

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

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

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

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

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

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

154 The Council maintains a well-resourced Welfare Support and Guidance function which supports residents with advice and representation on their entitlements to benefits and through representation with residents in appeals – with a view to ensuring we maximise what benefits residents can

be entitled to. These arrangements have been reviewed and proposals agreed to further strengthen the arrangements next year.

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

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

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

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

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

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

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

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

Revenue Reserves

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

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

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

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

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

164 The council's current reserves policy is to:

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

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

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

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

167 This Bulletin highlights a range of factors, in addition to cash flow requirements that councils should consider in determining their reserves policy. These include the treatment of inflation, the treatment of demand led pressures, efficiency savings, partnerships, and the general financial

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

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

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

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

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

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

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

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

175 The Council's General Reserve is expected to be £26.727 million on 31 March 2025 based on the latest quarter two forecast of outturn. This is £1.5 million below the required 5% minimum threshold (of the Council's net

revenue budgets) set out in the Reserves Policy agreed by Council and will necessitate a transfer from the MTFP Support Reserve at year end to ensure we enter the new year with at least 5%.

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

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

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

(c) Commercial Reserve - £14.1 million;

(d) Equal Pay Reserve - £2.5 million;

(e) Insurance Reserve - £4.1 million; and

(f) Elections Reserve - £2.2 million.

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

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

179 The significant and increasing HNB deficit position is a serious concern for the Council and many other local authorities. The exceptional accounting override that allows councils to exclude HNB deficits from their main council general revenue funding position is due to end in 2025/26, at which point the HNB deficit may need to be funded by council resources requiring a significant (and unaffordable / unsustainable) call on reserves and further annual budget pressures that are not factored into the current MTFP(15) forecasts. Should this accounting override be removed, and additional funding is not provided then many authorities will be forced into a Section 114 position, as the cumulative deficits accrued in some authorities already runs well into the tens of millions.

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

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

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

182 Cabinet is asked to:

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

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

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

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

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

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

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

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

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

Equality Impact Assessment of Savings Proposals

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Impact Assessments of Savings Proposals

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

Adult and Health Services

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

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

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

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

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

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

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

Chief Executive's Office

197 There is a proposal to cease producing a printed version of Durham County News and move this to fully digital. Digital exclusion disproportionately impacts the following groups: older residents, people with disabilities and people on low incomes (more women and minority

ethnic). In mitigation, a limited number of hard copies will be made available in council owned sites such as customer access points and libraries for members of the public who wish to have them. Reasonable adjustments will be made for people who cannot access digital information due to their disability. Adjustments will include hard copies and/or alternative formats (large print, audio) being distributed to those residents who request this as an adjustment.

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

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

Children and Young People's Service

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

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

202 In mitigation, implementation of the Family Hub and Start for Life programme and Supporting Families programme will seek to maximise wider partnership resources for early help work and collective best use of available resources.

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

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

Neighbourhoods and Climate Change

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

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

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

Regeneration, Economy and Growth (REG)

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

209 Several of the remaining proposals involve the removal of vacant posts and Early Retirement and Voluntary Redundancy opportunities. HR processes will be followed to ensure fair treatment. The removal of some apprentice vacancies going forward will reduce future job opportunities with a disproportionate impact for younger people.

Resources

210 There are several proposals for resources which involve a staff reduction. Disproportionate gender impact is expected in certain job areas, women are more likely to be impacted in Human Resources and men in Digital

Services. A reduction in staffing can lead to greater pressure on teams to maintain service delivery and could impact on individuals' wellbeing. New ways of working, process improvements and digitisation should help to minimise any negative impact for staff and customers both internally and externally.

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

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

Corporate

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

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

Cumulative Impact – Impact Assessment

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

216 Where service reductions have been unavoidable, impacts relate to loss of, or reduced access to, a particular service or venue, travel to alternative provision, pre-appointments only, increased costs or charges and service re-modelling including reductions in staff. Although changes have the potential to affect all protected characteristics, because they are more likely to affect those on low income, people without access to personal

transport and those reliant on others for support there is disproportionate impact in relation to disability, age (younger and older) and sex (male and female but more likely women due to increased care responsibilities and older populations being disproportionately female).

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

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

Key findings and next steps – Impact Assessments

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

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

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

Recommendations – Savings Proposals, Equality Impact Assessment and Budget Consultation

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

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

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

Budget Consultation Process

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(i) Reduction of management and staff costs;

(ii) Reform of Council Tax;

(iii) Service efficiency and automation;

(iv) Preservation of community and cultural services;

(v) Reduction of Wasteful Spending.

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

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

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

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

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

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

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

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

(i) Culture

(ii) Leisure and wellbeing Community

(iii) Safety and protection

(iv) Customer access and customer services

(v) Street cleaning and grounds maintenance

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

(i) Council tax banding reform;

(ii) Opportunities to increase council tax income;

(iii) Understanding re: council tax increase;

(iv) Concern re: council tax increase;

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

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

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

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

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

    (a) Children and young people's services;

    (b) Home to School Transport;

    (c) Adult Social Care;

(ii) Views on how proposal will impact people;

(iii) Overall position and financial approach;

(iv) Importance of the consultation exercise.

Summary of additional feedback from residents and partners

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

242 The approach to the phase 2 consultation enabled the council to engage with 387 people. Fifty-six survey responses were received. 57% of residents responding to the survey provided equality data. There is no disaggregated equality data available for other engagement methods. Feedback on the online survey was received most protected groups, although rates were not always directly comparable with population data for the County.

Method	**Number**
Survey (online and paper returns)	56

Method	Number
AAP meeting attendance	83
Other meetings attendance	17
Partner letters/emails	2
Total	**158**
Additional: Social media engagement	Engagement including link clicks: 229 Reach: 7,535

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

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

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

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

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

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

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

245 **Additional comments:** 89 comments were received for which an AI generated summary using the council's Co-Pilot tool has been produced,

using the prompt: Identify common themes in order of prevalence and summarise. Do not deviate from the content of the (responses) document. The report details the top five themes as follows:

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

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

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

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

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

246 **Overall responses:**

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

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

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

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

247 Variation in survey responses

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

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

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

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

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

Summary of additional feedback – AAP Board Meetings

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

253 **Views on front line saving proposals – impacts:** Feedback highlighted the need for full impact assessments as many proposals impact vulnerable people. Direct queries regarding front line impacts related to a number of

services including the Substance Misuse Team, AAP, libraries, theatres and sport centres, neighbourhood related services. There was a sentiment that discretionary services mean a great deal to residents and could also affect access to wider support. There was also a comment that the rising costs around looked after children should involve a review of the root causes of this.

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

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

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

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

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

255 **Summary of additional feedback:** Overall feedback from partners showed appreciation for the challenging financial situation the council faces, agreement regarding the council’s continued approach to savings proposals and council tax increase, although expressed empathy and

awareness of the impact of savings on communities. Partners also highlighted areas to explore to make efficiencies including a transformational approach to service delivery, collaborative and integrated approaches to service provision through a continued partnership approach.

Town and Parish Councils

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

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

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

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

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

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

Trade Unions

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

Believe Housing

258 Feedback highlighted the detrimental impact of frontline related savings proposals on their customers confirming it is crucial that necessary information is communicated to their teams, services and customers to ensure they understand any new processes and structures and full impact assessments considered.

259 In line with this they encourage continued communication and partnership working with the council regarding a broad range of service delivery aspects to understand impact on their organisation and their customers. Furthermore, Believe Housing note the financial impact in respect of

council tax increase for their customers and members of staff and welcome analysis the council has already carried out on how this would affect people broadly across the county.

County Durham Care Partnership

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

North East Chamber of Commerce

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

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

County Durham and Darlington Fire and Rescue Service (CDDFRS)

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

264 CDDRS also noted the financial position the council faces and were broadly supportive of the savings approach. CDDFRS were however mindful of the impact that further budget pressures could have on the incidence of fire and the number fire fatalities in the County. The Service firmly believe that by working in partnership to provide more joined up services we can deliver improved outcomes with integrated working is a key priority.

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

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

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

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

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

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

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

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

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

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

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

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

(x) In referencing the continued pressure placed upon the Council's finances by an increasing demand for adult social care services, some members suggested that it was important to ensure that service recipients' financial contributions were calculated accurately, and that support was provided to those most in need. The board also reiterated concerns around the impact on commissioned services from those inflationary pressures previously mentioned eating to staffing costs.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Consideration of Consultation Responses

269 As a result of the consultation, Cabinet have proposed that some amendments are made to the profiling of some of the savings set out in the December report and have amended one of the savings in Neighbourhoods and Climate Change. A reduction in the savings proposals of £0.043 million in relation to staffing arrangements and other budgets in Park and Countryside Services have been made. This reduction reflects feedback from the Chair of the Environment and Sustainable Communities Scrutiny Committee regarding the importance of these roles in supporting the management of the countryside and biodiversity. Cabinet should also note that additional budget provision is included and referenced in Appendix 2 relating to additional Parks and Countryside Staffing totalling £0.109 million, to mainstream fund positions that were grant funded.

Recommendations

270 Cabinet is asked to:

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

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

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

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

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

Workforce Considerations

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

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

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

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

technology. This will ensure that as changes continue to be made, the council maximises the capacity of the remaining workforce.

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

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

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

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

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

Table 7: Budget Transfers Resulting from Service Structure Changes

Service Area	2024/25 Programme £000	2025/26 Programme £000	2026/27 Programme £000	2027/28 Programme £000	TOTAL £000
AHS	0	0	0	0	0
CYPS	-76	0	0	0	-76

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

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

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

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

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

Table 9: Funding of the existing Capital Budget

Funding Source	2024/25 Programme £000	2025/26 Programme £000	2026/27 Programme £000	2027/28 Programme £000	TOTAL £000
S106	3,896	29	0	0	3,925
Specific Grant	78,496	49,732	4,907	0	133,135
Third Party Capital Contributions	3,518	58	1,350	0	4,926
DCC Non-Ring-Fenced Grant	47,456	33,177	0	0	80,633

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

Updated 2024/25 Capital Budget Position

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

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

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

Service Area	Current Capital Programme 2024/25 £000	Additions / Reductions £000	Reprofiling to Later Years £000	Transfers £000	Revised Capital Programme 2024/25 £000
AHS	740	0	0	0	740
CYPS	90,958	1,458	(29,936)	27	62,506

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

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

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

Service Area	2024/25 Programme £000	2025/26 Programme £000	2026/27 Programme £000	2027/28 Programme £000	TOTAL £000
AHS	740	-	-	-	740
CYPS	62,506	52,050	8,829	1,795	125,181
CEO	51,547	61,932	5,978	115	119,571
NCC	167,539	185,960	56,187	5,735	415,421
REG	4,563	6,480	1,988	-	13,031
Resources	1,201	736	-	-	1,937
TOTAL	**288,096**	**307,159**	**72,982**	**7,645**	**675,881**
Financed By					
Grants & Contributions	140,087	79,351	4,765	-	**224,203**
Revenue and Reserves	8,584	2,387	458	454	**11,883**
Capital Receipts	3,351	3,967	2,967	-	**10,285**
Self-financing Borrowing	59,974	28.680	14,950	-	**103,603**
Council Prudential Borrowing	76,100	192,774	49,842	7.191	**325,907**

Service Area	2024/25 Programme £000	2025/26 Programme £000	2026/27 Programme £000	2027/28 Programme £000	TOTAL £000
Total	**288,096**	**307,159**	**72,982**	**7,645**	**675,881**

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

Additions and Reductions to the Budget – 2024/25

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

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

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

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

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

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

Reprofiling of Capital Budgets from 2024/25 to Future Years

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(i) **Transfers from NCC to REG -** A total of £0.138 million will be transferred from various schemes in NCC Environmental Services to REG Corporate Property and Land. This consists of £0.112 million refund against orison Busty Phases 3 and 3A; as well as £26,000 from the Net Zero Team towards LED light fittings at the Heighington Lane Waste Transfer Station. In addition, £0.100 million will be transferred from NCC Highways to three schemes within REG Transport and Contracted Services (dropped crossings, new traffic signs and countywide road markings).

(ii) **Transfers from Members Neighbourhood Budgets (REG) to other services** - AAPs and Members have requested budget transfers totalling £0.263 million to schemes being led in CYPS and NCC.

Capital Considerations in the MTFP(15) Process

286 It is important that any new additional prudential borrowing commitments for capital investment is affordable, in the context of the MTFP(15) forecast savings required over the MTFP(15) planning period and the inherent risks and uncertainty over the financial future of the Council at this time.

287 The Council is facing a MTFP(15) budget deficit / additional savings requirement of £23.040 million in 2026/27 and a £45.536 million savings gap over the four-year planning period.

288 There are inherent risks in the current capital programme both in terms of construction costs potentially being underestimated at the design and feasibility stages of a project, construction price inflation risks and a risk of interest rates continuing to stay relatively high, meaning that borrowing costs will exceed the budget provision when the required loans are taken out.

289 There are range of sources of funding available to finance new capital programme commitments as part of MTFP(15), as summarised below:

(i) **Government grants** – a range of grants are provided directly from the government for local integrated transport (circa £2.7 million each year), highways capitalised maintenance (circa £14.8 million each year), schools maintenance / basic need (circa £8.5 million each year), school devolved capital (circa £1.1 million) and disabled facilities grants to support independent living (circa £8 million per annum).

(ii) **Other Capital Grant / Devolution Funding** – additional capital funding can be forthcoming from regional and national funding streams, from lottery and other heritage grant funding streams or from third party contributions. In recent years, significant sums have been secured for investment in Bishop Auckland (through Levelling Up, Towns Fund and the Future High Street Fund), for investment in NETPark and Aykley Heads (Devolution "early capital" funding) and for investment in Housing Led Regeneration (Devolution Brownfield Housing funding).

In late January 2025 the council was notified that it has been allocated £23 million of City Regional Sustainable Transport (CRSTS) Funding, which will be received by NECA and be ring-fenced to Durham County Council, covering the period 2025/26 to 2026/27.

The CRSTS allocation has been allocated as a replacement (at a substantially less level) to the Local Transport Funding (LTF) that was announced by the previous Government, where the council was expected to receive £72.8 million of new additional transport related funding.

(iii) **Prudential Borrowing** – local authorities are permitted to take out borrowing to fund the capital programme. The council makes the distinction between additional borrowing used to fund the capital programme which will increase the net revenue budget costs of the council by way of future capital financing costs and self-financing schemes (for which additional borrowing costs are offset by additional savings or extra expected annual revenue income or reductions in current expenditure). In the case of self-financing schemes, it is determined that the additional costs of borrowing can be offset by matching revenue budget savings (on an invest to save basis) or through the generation of additional revenue funding streams.

(iv) **Capital receipts** - arising from the sale of long-term assets must be used to fund capital expenditure in the main.

(v) **Revenue contributions** to supplement the capital programme, including utilisation of any earmarked reserves; and

(vi) **Capital Contingencies** - There are several large complex schemes within the current programme. Contingencies are required to offset unanticipated inflationary and other costs pressures that exceed initial budget expectations.

290 The 2024/25 capital financing revenue budget is £39.470 million. This is a “fixed cost” and made up of costs associated with servicing debt associated with the Council’s current and historic capital investment programme (mostly through a combination of interest payable on debt and amounts set aside to repay debt – known as the Minimum Revenue Provision (MRP)).

291 Included in the MTFP(15) forecasts are additional revenue budget growth relating to additional borrowing costs of £5.5 million in 2025/26 and £6.514 million in 2026/27 to fund the current capital programme commitments.

292 The current capital budget between 2024/25 and 2027/28 is £834.568 million with £523.147 million of this to be funded from new external borrowing, with £158.603 million of this being self-financed borrowing from income generated or reductions in costs achieved because of the capital investment.

293 The required borrowing to fund the existing capital expenditure commitments will increase the Council’s overall borrowing requirement to £1.116 billion by 31 March 2028. At 31 December 2024, the external borrowing requirement was £586.318 million.

294 A sum of £1.686 million is provided for in 2027/28 to fund new capital spending commitments as part of MTFP(15), with a further £2.000m of borrowing costs provided for in 2028/29 to fund new capital spending commitments as part of MTFP(16) next year.

295 By 2028/29, the Capital Financing Costs budget is expected to be around £58.776 million, with the Capital Financing budget representing 9.4% of the Council’s current Net Revenue budget by that time.

296 The current treasury management strategy / MTFP planning assumptions are based on £220 million of new loans being taken in 2025/26 (£100 million in April 2025 and £120 million in October 2025) at an assumed interest rate of over 5.00%; and £295 million of new loans being taken in 2026/27 at an assumed interest rate of around 4.5%. This will still leave the Council significantly under borrowed (by circa £126.211 million) by the end of 2027/28 (i.e. the Council will have debt balances of £990 million compared to a need to borrow highlighted above of £1.116 billion).

297 The level of cash balances held by the Council, and the ability to retain cash will determine whether there is a need to borrow earlier or more to ensure the Council has sufficient liquid funds to meet its liabilities as they fall due. This will be in part linked to the extent to which the Council reduces its cash reserves in the coming years, for a variety of reasons such as being unable to address a persistent revenue budget shortfall or due to carrying an increasing High Needs deficit. This may require increases in future updates to the MTFP for prudential borrowing, to maintain an adequate level of cash balances.

298 The £1.686 million budget provision in 2027/28 is forecast to be able to finance circa £37.500 million of new capital expenditure commitments funded by this new non-self financed prudential borrowing, over and above the assumed existing capital financing budget, as part of the current capital budget setting process.

299 The new capital expenditure commitments will include schemes funded by capital grants and any self-financed borrowing proposals. Details of the forecast capital grants, and new capital expenditure commitments linked to these are set out in the report.

300 In addition to the assumed extra £37.500 million of new capital commitments funded by non self-financed prudential borrowing, it is proposed to repurpose the Transformational Change Revenue Reserve, which is forecast to be £2.9 million at 31 March 2025, to augment the capital resources available to fund new capital spending commitments. The available capital resource to fund new capital spending commitments is summarised in the table below:

Table 12: Available Capital Resources for New Spending Commitments.

	MTFP 15 Requirement £'m
Additional Capital Prudential Borrowing Available from £1.686 million additional capital financing budgets from 2027/28	37.5
Add : Self-Financing Borrowing for the Milburngate Project **(subject to Cabinet Approval on 12 February 2025)**	55.0
Add: Transformational Reserve Reallocation	2.9
Add : Forecast Additional Capital Grants 2025/26 & 2026/27	65.0
Available additional capital budget allocations funded by DCC	**160.4**

301 There are a number of known pre commitments against this capital funding that is being made available by the Council, based on decisions already taken by Cabinet and Council. These are set out at Appendix 11 to this report, and are detailed below:

(i) **County Hall £2.880 million** - MTFP(14) approved a 2026/27 budget fund the required budget to demolish County Hall. An additional allocation of £2.880 million needs to be made available to raise the total budget sum available for the demolition of County Hall to £13.341 million. Further assessment of the costs of demolition and site clearance will need to be undertaken to assess whether the capital allocations already committed, and now augmented, are sufficient to fund this complex demolition and site clearance project.

(ii) **NETPark Phase 3a £12.731 million** – at the Cabinet meeting on 15 May 2024, members considered and approved the speculative development at NETPark to facilitate a potential major inward investment. In May 2024, the required capital figure to top-up the self-financing element of borrowing, was estimated to be £7.722 million.

There is a risk that the proposed tenant does not ultimately take occupancy of the new facility, which will have been specified and built to their specific requirements, at the Council's risk. The Council may not get clarity on this tenancy position until early 2026.

The cost estimates for the scheme have increased since the Cabinet report in May 2024 and the costs of additional specification to accommodate the tenant's requirements (excluding separate negotiations on fit out) are greater than then level previously assumed widening the gap in terms of the element of the construction costs that would be "over-specified" for another prospective tenant.

A report will be presented to Cabinet in due course setting out the details and risks involved, but at this stage (for Capital Programme planning purposes) the contribution / underwriting required has increased to £12.731 million (£5.009 million more than what was set out in the May 2024 Cabinet report). This position could be mitigated if the prospective tenant takes occupancy of the building or additional capital funding is received to mitigate the risk.

All the cost estimates for NETPark remain provisional and are subject to clarification for the successfully appointed contractor who is completing pre-contract services in advance of the main site development commencing in Spring 2025.

302 There are a range of essential capitalised maintenance programmes, essential ICT equipment replacements & investments in major corporate systems, and recurring capital budget allocations that need to be funded. These are set out at Appendix 11, and are detailed below:

(i) **Building Structural Maintenance - £8.0 million:** over recent years the sum approved for building structural maintenance have varied between £4 million and £6 million per annum, with £6 million being agreed in MTFP(14) for 2025/26. The current budget provision can be summarised as follows:

- 2024/25 Building and Structural Maintenance. Capital Budget = £4.016 million

- 2025/26 Building and Structural Maintenance. Capital Budget = £6.00 million.

The current MTFP(14) budget provision fully allocated and insufficient to meet the capital investment needs across the Council's estate across the next two years, due in the main to significant repairs and upgrades being required across the Council's estate and in areas such as leisure centres, where transformational investment has uncovered maintenance issues that needed to be addressed.

Based on the current backlog of repairs and maintenance and based on the current condition surveys of the Council's land and property estate, an additional £8.0 million is required to be funded as a new capital commitment for MTFP(15). An additional draw on capital contingencies of £1.9 million has already had to be set aside in 2024/25 and into 2025/26 also to augment the budgets approved by Council in February 2024.

(ii) **Members Neighbourhood and Community Network budgets – £1.8 million:** Cabinet are proposing another year's recurrent allocation of this budget, based on additional funding for £1.372 million for Neighbourhood Budgets and £0.420 million for Community Networks in 2026/27.

(iii) **ICT replacement equipment and software upgrades – £5.734 million:** In recent years, the Council has had to invest significantly in business-as-usual capital allocations of somewhere between £3 million and £4 million per annum, with additional investments linked to major system upgrades or re-procurements. Major investment is required in replacing and upgrading the Council's Oracle Financial Management System, a new Library Management system alongside required investments core infrastructure (servers, member/staff devices and equipment, Wi-Fi and cyber security measures).

(iv) **Looked After Children Sufficiency Strategy– £2.0 million:** there is likely to be a significant requirement for further investment in Edge of Care and additional In-House Care Home capacity to help manage the children's social care residential market and help mitigate the forecast increase in Children Looked After costs identified by Newton Europe. These requirements will be set out in a report to Cabinet in Spring 2025. A sum of £2 million is a cautious estimate to include in MTFP(15) capital planning, with further bids likely into MTFP(16) capital planning.

(v) **Demolitions – £1.0 million:** the council has a strategy at the present time of seeking to demolish surplus property to ensure the risk of anti-social behaviour is limited. The current budget is expected to be fully utilised but there are additional surplus properties which need addressing, which will need a budget of circa £1 million to be set aside.

(vi) **Wolsingham Bridge - £2.0 million:** The estimated costs of the essential repair and remediation costs associated with this bridge are £2 million.

(vii) **Aykley Heads Joint Venture - £2.5 million:** The entering into a Joint Venture arrangement for Aykley Heads (subject to Cabinet consideration of the Final Business Case and outcome of the procurement to appoint a JV Partner) will necessitate an initial capital contribution from the Council of £2.5 million to fulfil pre-development design work for the first phase of development on Aykley Heads, the initial costs of providing suitable site-wide infrastructure and associated master planning for this site.

303 The above commitments need to be measured against the MTFP(15) Capital Allocations for schemes funded by prudential borrowing and from revenue contributions:

Table 13: Available Capital Budget Funded by MTFP(15) additional Borrowing and revenue contributions

Programme	MTFP 15 Requirement £m
Additional Capital Prudential Borrowing Available from £1.686 million additional capital financing budgets from 2027/28	**37.500**
Add: Transformational Reserve Reallocation	2.900
Available additional capital budget allocations funded by DCC prudential borrowing or from revenue contributions	**40.400**
Less: Committed Schemes	
County Hall Demolition – additional borrowing to add to existing £10.461 million – 2026/27	(2.880)
Net Park – Lockheed Martin Facility - Capital Shortfall Risk if prospective tenant does not take tenancy, and secondary tenant is identified instead.	(12.731)
Less: New Spending Commitments	
Buildings Capitalised & Structural Maintenance – 2026/27	(8.000)
Highways – Wolsingham Bridge – 2026/27	(2.000)
Neighbourhood and Community Network Partnership Capital Allocations – 2026/27	(1.792)
Digital Programme – 2025/26 and 2026/27	(5.734)
Children Looked After Sufficiency Strategy – 2026/27	(2.000)

Programme	MTFP 15 Requirement £m
Demolitions – 2026/27	(1.000)
Aykley Heads Phase 1	(2.500)
Total Capital Commitments	**(38.637)**
Remaining Headroom – MTFP 15 Capital Contingency	**1.763**

304 The remaining headroom will need to be held as a contingency in the capital programme to fund the significant level of risk across multiple capital schemes at this time.

305 Any additional or unexpected demands for additional funding for other projects will therefore need to be managed from re-prioritising other schemes in the capital programme across the next few years or from leveraging additional external funding opportunities. Cabinet will be notified on these emerging funding gaps and the limited opportunities to reprioritise capital resources as part of ongoing quarterly budget monitoring arrangements.

306 In light of the very challenging financial position and the significant uncertainty facing the Council at this stage, and in advance of the outcome of the upcoming Comprehensive Spending Review and Fair Funding Review, which will have a significant bearing on the Council's underlying financial position (where a budget deficit of £23.040 million is forecast in 2026/27 and £45.536 million to 2028/29 is forecast), the Capital Programme is unable to afford the inclusion of additional capital budget provision to fund further investment in the Leisure Transformation Programme.

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

308 In terms of future funding opportunities for investment in new council leisure centres, and in the absence of any national or regional funding that may become available, the council could consider utilising any income generated from the Milburngate development acquisition (which remains subject to Cabinet Approval in a separate report to Cabinet dated 12

February 2025) to finance capital expenditure. Whilst at this stage it is not possible to define the revenue or capital sums that could be available, as this will be dependent on future decisions made in relation to how the development is managed and any capital receipt opportunities that may be available, the Cabinet will consider how any available surplus funding from the council purchasing (using self-financed borrowing) and owning the Milburngate Development can be used to fund capital expenditure priorities in future capital programmes, including new leisure centre provision.

Milburngate Development

309 The MTFP(15) capital programme includes a capital budget of £55 million, funded by self-financed prudential borrowing, which falls outside of the scope of the above additional corporate borrowing. This capital budget required for the Milburngate Development is set out in a separate report to Cabinet on 12 February 2025. The capital financing costs of this additional borrowing are expected to be managed from the additional rental income streams which will be generated once the facility is fully operational, with an expected drawdown from the Council's commercial reserve in the first few years of the operation in order to manage the timescales to tenant the facility.

Capital Grants

310 Capital grants for 2026/27 are yet to be fully confirmed but have been assumed to be in line with the allocations built into previous budget rounds.

311 The table below provides details of the indicative additional 2025/26 and 2026/27 capital grant allocations included in the capital planning. If the actual allocations for individual capital grants vary from the forecast position, then the capital budget is usually adjusted accordingly to mirror the difference in the allocations received.

312 The £23.0 million capital grant from Government via NECA (the City Regional Sustainable Transport fund) is significantly less than the originally expected Local Transport Fund allocation indicated by the previous Government of £72.8 million. This additional funding will be used to fund new or future capital projects and commitments, which will be detailed in subsequent Capital Budget Monitoring updates. The Council will be expected to provide supporting match funding to fund any new or additional capital schemes, and this match funding resource will be found from the existing Capital Programme budgets.

Table 14 - Forecast Capital Grants Utilised in Support of the MTFP(15) Capital Programme

Capital Grant	2025/26 £'m	2026/27 £'m	Total £'m
Disabled Facilities	1.683	8.671	10.354
Local Transport Plan – Highways	-	14.800	14.800
Local Transport Plan – Highways (Autumn Statement)	6.596	-	6.596
Local Transport Plan – Integrated Transport	-	2.700	2.700
City Region Sustainable Transport Fund (Local Transport Fund) – additional NECA allocations	11.500	11.500	23.000
School Maintenance and Basic Need Allocations	-	6.500	6.500
School Devolved Capital	-	1.100	1.100
Total	**19.779**	**45.271**	**65.050**

Summary - Additional Capital Schemes in MTFP(15)

313 The table below summarises the additional schemes which will be funded from new additional corporate borrowing (including the elements which are self-financed) and additional grant funding, which totals £158.687 million. These new capital spending commitments will be funded from the additional £65.050 million of capital grant funding (as per Table 14), the £55.000 million of self-financed borrowing related to the Milburngate Development and the £38.637 million of prudential borrowing and Transformation Reserve funded capital commitments highlighted in Table 13.

Table 15 – Additional Capital Schemes for 2025/26 to 2028/29

Service	2025/26 £'m	2026/27 £'m	2027/28 £'m	Total £'m
AHS	-	-	-	**-**
CYPS	-	9.600	-	**9.600**
NCC	6.596	16.800	-	**23.396**
REG	13.183	106.774	-	**119.957**
RESOURCES	1.170	4.564	-	**5.734**
CHIEF EXECUTIVES	-	-	-	**-**
TOTAL	**20.949**	**137.738**	**-**	**158.687**

Updated MTFP(15) Capital Programme

314 Taking the above new capital spending commitments into account, the updated MTFP(15) capital programme is summarised in the table below:

Table 16 – Proposed MTFP 15 Capital Programme

Service Grouping	**2025/26 £'m**	**2026/27 £'m**	**2027/28 £'m**	**Total £'m**
AHS	-	-	-	**-**
CYPS	52.050	18.429	1.795	**72.275**
NCC	68.528	22.778	0.115	**91.421**
REG	199.143	162.961	5.735	**367.839**
RESOURCES	7.650	6.552	-	**14.202**
CHIEF EXECUTIVES	0.736	-	-	**0.736**
TOTAL	**328.108**	**210.720**	**7.645**	**546.473**
Financed by:				
Grants and Contributions	99.130	50.036	-	**149.166**
Revenue and reserves	2.387	0.458	0.454	**3.299**
Capital Receipts	3.967	2.967	-	**6.934**
Self-Financing Borrowing	28.680	62.178		**90.858**
New Prudential Borrowing	193.944	95.081	7.191	**296.216**
TOTAL FINANCING	**328.108**	**210.720**	**7.645**	**546.473**

Capital Receipts

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

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

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

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

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

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

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

318 The Government indicated, as part of the provisional Local Government Finance Settlement that it would extend the flexible use of capital receipts to 2030. Since 2016, this flexibility has allowed local authorities to use the proceeds from asset sales to fund the revenue costs of projects that result in ongoing cost savings or improved efficiency. The government will also remove the restriction with respect to redundancy costs, imposed from April 2022, that limits the use of the flexibility to statutory redundancy costs only. This will support authorities in taking forward transformation and invest-to-save projects.

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

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

321 A review of the current forecast capital receipts for the period to the end of 2027/28 has indicated that there will still only be sufficient capital receipts to meet the revised budget requirement for the current capital programme. It is recommended that no additional capital receipt targets be included in MTFP(15).

Recommendation – Capital Budget

322 Cabinet is asked to:

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

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

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

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

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

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

Prudential Code, Treasury Management and Property Investment

323 This section outlines the Council's prudential indicators for 2025/26 to 2027/28, sets out the expected treasury operations for this period and provides details on the council's Property Investment Strategy. The content fulfils five legislative requirements:

(i) the reporting of the prudential indicators, setting out the expected capital activities as required by the CIPFA Prudential Code for Capital Finance in Local Authorities as shown at Appendix 12.

(ii) the cash investment strategy which sets out the council's criteria for choosing investment counterparties and limiting exposure to the risk of loss. This strategy is in accordance with the MHCLG Investment Guidance and is also shown in Appendix 12.

(iii) the Treasury Management Strategy Statement which sets out how the council's treasury service will support the capital decisions taken above, the day-to-day treasury management and the limitations on activity through treasury prudential indicators. The key indicator is the 'Authorised Limit', the maximum amount of debt the council could afford in the short term, but which would not be sustainable in the longer term. This is the Affordable Borrowing Limit required by section 3 of the Local Government Act 2003. This is in accordance with the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code and shown at Appendix 12.

(iv) the council's Minimum Revenue Provision (MRP) Policy, which sets out how the council will pay for capital assets through revenue each year as shown at Appendix 12 and is reflective of the amendments to the Policy which were approved by Full Council on 11 December 2024.

(v) the Property Investment Strategy seeks to ensure that the council only enters investments which provide a reasonable level of return for the council after considering all risks as part of a robust business case and due diligence process. The Property Investment Strategy is appended at Appendix 13.

Recommendation - Prudential Code, Treasury Management and Property Investment

324 Cabinet is asked to:

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

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

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

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

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

Dedicated Schools Grant and Education Revenue Funding – 2025/26

325 The Dedicated Schools Grant (DSG) is a specific earmarked grant provided by the government which is the major source of direct funding for schools and funding for the support provided to them by the council.

326 The DSG is split into four 'funding blocks': Schools, Central School Services, High Needs and Early Years. The school's block is ring-fenced, but local authorities retain limited flexibility to transfer up to 0.5% of their Schools Block funding into another block, with the approval of the schools

Forum or in the absence of that with Secretary of State approval. Movements from the Central School Services Block to the Schools Block or from the High Needs Block to any other block are not subject to any statutory limits and can be made in consultation with the schools Forum. Movement from the Early Years Block can be made in compliance with the early years pass through rate conditions and in consultation with the schools Forum.

Schools Block

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

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

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

330 It is expected that local formulas will be replaced by a National Funding Formula (NFF) in the future. This is a long-standing DfE aim, with the intention that all mainstream schools will be funded in the same way across the country. In Durham, the local formula is already aligned to the NFF.

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

332 Initial information in relation to funding levels for 2025/26 was published by the Department for Education (DfE) in December 2024.

333 Nationally, core school funding, which includes the Schools Block and High Needs Block will increase in 2025/26 to £63.9 billion, representing a 3.6% (£2.6 bn) increase on the funding made available in 2024/25.

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

335 For 2025/26, the Schools Block includes the funding used in 2024/25 for the Teachers Pay Additional Grant, Teachers Pension Employer Contribution Grant and the Core Schools Budget Grant. It does not include any additional funding for schools to help offset the increased costs they will face from the changes to Employers National Insurance Contributions from April 2025.

336 The government has confirmed that an additional funding stream will be provided in 2025/26 to support schools with the additional direct costs associated with changes to Employer National Insurance Contributions announced in the Autumn Budget in October 2024. However, further information on the quantum of this funding and the basis for allocation to schools has not yet been received and may not be forthcoming until just before April 2025.

337 The change in the Schools Block allocation between 2024/25 and 2025/26 is summarised in the table below:

Table 17 – Changes in Schools Block Allocation

Reason for change	**£ million**
Pupil numbers	(5.571)
Units of Funding / pupil	32.464
Premises factors	0.358
TOTAL	**27.251**

338 In terms of funding changes because of changes to the NFF, which affect the Units of Funding, the values used in the NFF increased by between 0.5% and 3% compared to 2024/25. Much of the increase in the Units of Funding is a result of the inclusion of funding that was distributed as a separate grant in 2024/25. The total supplementary funding was £23.270 million and so the net increase, on a like-for-like basis for 2025/26 is only £3.983 million or 1%. This net increase in funding also reflects a reduction of 885 pupils (625 Primary and 260 Secondary) between 2024/25 and 2025/26 across the County's school census results, with funding being circa £5.6 million lower than it would have been if pupil numbers had remained at the same level as the previous year.

339 Funding is also provided to recognise that it is sometimes necessary to adjust funding to individual schools to take account of significant growth in

pupil numbers at the start of the following academic year, which is not reflected in formula funding because pupil numbers are based on the School Census from the previous October.

340 Growth funding can be provided to meet basic need but cannot be used to support schools whose numbers are increasing through parental choice. Growth funding is formula based. The council has made no adjustment in respect of growth for 2025/26.

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

342 From 2019/20 to 2021/22 the council continued to set a transitional formula, with the formula being fully aligned, within the limits of affordability, from 2021/22. At its meeting on 15 January 2025, the Cabinet agreed to continue to align the formula as closely as possible in 2025/26.

343 The formula factors to be applied in 2025/26, which are subject to approval from the DfE, is summarised in the table below:

Table 18 – School Funding Formulae Outline

	Element (P = Primary, S = Secondary)	**2025/26 Mainstream School Funding formula**			
		Pupils / eligible pupils	**Factor values £**	**Allocation**	
				£ million	
Basic funding per pupil	KS1 & 2 (P)	36,595	3,837.32	140,426,687	33.67%
	KS3 (S)	16,343	5,408.36	88,388,753	21.19%
	KS4 (S)	10,326	6,097.62	62,963,988	15.10%
Deprivation	Free School Meals (P)	12,442	493.75	6,143,291	1.47%
	Free School Meals (S)	9,050	493.75	4,468,477	1.07%
	FSM6 (P)	12,514	1057.33	13,231,459	3.17%
	FSM6 (S)	9,227	1551.09	14,311,878	3.43%
	IDACI Band F (P)	5,090	234.41	1,193,056	0.29%
	IDACI Band E (P)	6.060	284.28	1,722,703	0.41%
	IDACI Band D (P)	3,762	443.88	1,669,717	0.40%
	IDACI Band C (P)	2,993	488.77	1,462,975	0.35%
	IDACI Band B (P)	3,454	518.69	1,791,610	0.43%
	IDACI Band A (P)	2,425	683.28	1,656,810	0.40%

	Element (P = Primary, S = Secondary)	2025/26 Mainstream School Funding formula			
		Pupils / eligible pupils	Factor values £	Allocation	
				£ million	
	IDACI Band F (S)	3,629	339.14	1,230,824	0.30%
	IDACI Band E (S)	4,339	448.87	1,947,762	0.47%
	IDACI Band D (S)	2,804	633.40	1,776,114	0.43%
	IDACI Band C (S)	2,069	693.25	1,434,491	0.34%
	IDACI Band B (S)	2,415	743.13	1,794,401	0.43%
	IDACI Band A (S)	1,574	947.61	1,491,161	0.36%
English as an Additional Language	Primary	1,259	593.50	746,992	0.18%
	Secondary	337	1590.99	536,512	0.13%
Mobility	Primary	360	962.57	346,268	0.08%
	Secondary	70	1381.51	96,449	0.02%
Low Prior Attainment	Primary	11,551	1172.04	13,537,949	3.25%
	Secondary	5,625	1780.51	10,015,009	2.40%
Minimum per-pupil funding				230,968	0.06%
Total for pupil-led factors				**374,616,306**	**89.81%**
Lump sum	Primary		30,471,000	30,471,000	7.31%
	Secondary		4,353,000	4,353,000	2.40%
Sparsity				1,082,965	0.26%
Total for school-led factors				**35,906,965**	**8.61%**
Total for premises factors				**6,588,808**	**1.58%**
Total funding				**417,112,079**	**100.00%**

344 Pupil numbers and the numbers of pupils who attract additional needs funding are taken from the October 2024 schools census and are provided by the DfE.

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

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

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

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

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

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

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

(vii) Minimum per pupil funding provides additional funding where the total of pupil-led funding plus the lump sum and sparsity funding falls below a minimum value, which has been set at £4,955 for primary schools and £6,465 for secondary schools. These values are mandatory for all local formulas and are of concern to the council because they favour larger schools with relatively low numbers of pupils with additional needs;

(viii) Sparsity funding is provided for small schools in sparsely populated areas; and

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

High Needs Block (HNB)

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

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

costing more than £10,000 per year or those pupils in mainstream primary and secondary schools whose provision costs more than £6,000 per year.

348 The main areas of SEN provision that is funded from the High Needs Block is as follows:

(i) place based funding for special schools;

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

(iii) specialist placements in out-of-county settings; and

(iv) SEN support services.

349 For 2025/26 the HNB grant allocation for Durham is £101.177 million, which is £7.350 million (or 7.8%), higher than the HNB funding provided in 2024/25.

350 The grant increase for 2025/26 is significantly below the average annual increase in the costs of meeting SEND provision (of circa 15% per annum) that has been witnessed over the period 2021/22 to 2023/24 but is higher than the increase of 4.5% for 2024/25. HNB funding for 2025/26 reflects the £1 billion of SEND funding nationally that was announced in the October 2024 Autumn Budget Statement.

351 The in-year deficit against the HNB for 2024/25 is forecast to be circa £13 million and, despite the higher level of increase to HNB funding next year, it is anticipated that there will be a similar level of in-year deficit in 2025/26 as pressures continue to outstrip funding.

352 There is forecast to be a cumulative HNB deficit of circa £23 million at 31 March 2025 , with this forecast to increase to over £35 million by 31 March 2026, despite the uplift in HNB grant provided next year.

353 This level of deficit is also continuing to place pressure on the Council's cash-flow arrangements, and it is estimated that loss of interest due to carrying the accumulated HNB deficit is circa £1.000 million in 2024/25, increasing to circa £1.500 million in 2025/26. The Council receives no additional funding to compensate for the interest lost on servicing the HNB accumulated deficit.

354 The significant and increasing HNB deficit position is a serious concern for Durham and for many other local authorities. The exceptional accounting override that allows councils to exclude HNB deficits from their main council general revenue funding position is due to end on 31 March 2026, at which point the HNB deficit may need to be funded by council resources from 2026/27.

355 In the past two years there has been a succession of reports from various bodies, including the County Council Network (CCN), Institute for Fiscal

Studies (IFS), National Audit Office (NAO) and, most recently, the Public Accounts Committee (PAC) assessing the national SEND position in England. Whilst each report has a different emphasis, there is clear consensus that the SEND system in England is not functioning adequately, is financially unsustainable, and runs the risk of bankrupting many local authorities.

356 The NAO report published in October 2024 highlighted estimates from DfE that forecast the national cumulative HNB deficit will be between £4.3 billion and £4.9 billion by March 2026.

357 As part of the provisional Local Government Settlement published on 18 December 2024, alongside additional funding for 2025/26, the government stated its intention to reform England's SEND provision to improve outcomes and return the system to financial sustainability and confirmed its intention to work closely with parents, teachers and local authorities to take forward this work.

358 The government has recognised the strain that the rising costs of SEND provision are putting on councils . In particular, the impact of the HNB deficits on councils' finances and interest costs, with some authorities even having to take out temporary borrowing for cash flow purposes therefore.

359 The government intends to set out plans for reforming the SEND system in further detail this coming year. This will include details of how the government will support local authorities to deal with their historic and accruing deficits and any transition period from the current SEND system to the reformed SEND system. This will inform any decision to remove the statutory override. This will be underpinned by the objective to ensure local authorities can deliver high quality services for children and young people with SEND in a financially sustainable way.

Early Years Block (EYB)

360 The Early Years Block provides funding for the following Early Years childcare provision:

(i) the 15 hours entitlement for eligible working parents of children from 9 months up to 2 years old (due to be extended to 30 hours from 1 September 2025);

(ii) the 15 hours entitlement for eligible working parents of 2-year-old children (due to be extended to 30 hours from 1 September 2025);

(iii) the 15 hours entitlement for families of 2-year-olds receiving additional support (formerly known as the 2-year-old disadvantaged entitlement);

(iv) the universal 15 hours entitlement for all 3 and 4-year-olds; and

(v) the additional 15 hours entitlement for working parents of 3 and 4-year-olds.

361 The services are delivered by maintained nursery schools, nursery units in primary schools and academies, and Private, Voluntary, and Independent (PVI) sector providers.

362 Early Years Pupil Premium (EYPP) is also funded through the Early Years Block and a provisional allocation has been provided by the DfE, based on the 2024/25 allocations for 3–4-year-olds and estimated allocations for 2-year-olds and under 2’s. As with the other elements of the Early Years funding, the 2025/26 final allocation will not be announced until the summer, based on the number of eligible children recorded in the January 2025 pupil census.

363 The EYPP funding rate of £0.68 per hour in 2024/25 increases to £1.00 per hour in 2025/26 (a 47% increase), which equates to £570 for each eligible child taking up the full 570 hours of state funded early education.

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

365 The DfE have recognised that maintained nursery schools provide a high-quality provision, often in deprived areas and has allocated supplementary funding in addition to National Funding Formula to ensure that authorities can continue to provide funding to these schools through a formula in 2025/26.

Central School Services Block (CSSB)

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

(i) funding previously allocated through the retained duties element of the Education Services Grant (ESG).

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

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

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

Pupil Premium

368 Pupil Premium for pupils older than early years, is provided for several categories of need. Pupil Premium rates per pupil for 2025/26 have not been revised, we are expecting an increase to be announced in the spring. The 2024/25 rates are shown in the following table:

Table 19 – Pupil Premium Rates

	£ / eligible pupil 2024/25
Deprivation Pupil Premium – Primary	£1,480
Deprivation Pupil Premium – Secondary	£1,050
Looked After Children	£2,570
Children adopted from care or who have left care	£2,570
Service Children	£340

369 The numbers of pupils eligible for pupil premium in 2025/26 will be provided by the DfE later in the year (in the summer term). Pupils eligible in the current year are:

Table 20 – Pupil Premium Numbers

	Number of eligible pupils 2025/26
Deprivation Pupil Premium – Primary	12,514
Deprivation Pupil Premium – Secondary	9,050
Looked After Children	895
Children adopted from care or who have left care	1,006
Service Children	756

Total Dedicated Schools Grant (DSG)

370 DSG and forecast Pupil Premium funding for 2025/26 is shown in the following table:

Table 21 – DSG and Pupil Premium Funding

DSG Block	2024/25 Allocation £ million	2025/26 Allocation £ million	Year on Year Change £ million
Early Years Block	53.395	73.033	19.638
Schools Block	385.816	412.831	27.015
High Needs Block	93.827	101.177	7.350
Central School Services Block *	3.426	3.349	(0.077)
Total DSG	**536.464**	**590.390**	**53.926**
Pupil Premium (Based on 2024/25 pupil numbers)	32.801	33.166	0.365
TOTAL	**569.265**	**623.556**	**54.291**

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

Recommendation – Dedicated Schools Grant

372 Cabinet is asked to note the Dedicated Schools Grant allocations for 2025/26 as set out in the report.

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

Pay Policy

374 The Localism Act 2011 requires the council to prepare and publish a Pay Policy Statement annually which sets out the authority's policy relating to the remuneration of its Chief Officers and how this compares with the policy on the remuneration of its lowest paid employees.

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

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

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

(ii) remuneration of Chief Officers on recruitment;

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

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

(v) the use of bonuses for Chief Officers;

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

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

377 The Pay Policy Statement, as updated, is set out at Appendix 14 which will be for council consideration and outlines the details for the authority in line with the above requirement.

378 In addition, the Pay Policy includes at Annex 1 the scale of fees payable during by elections.

Recommendation – Pay Policy Statement

379 Cabinet is asked to approve recommending of the Pay Policy Statement at Appendix 14 to Council for approval on 19 February 2025.

Risk Assessment

380 A range of risks remain to be managed and mitigated across the short, medium and longer term. The risks faced are exacerbated by the Council's responsibility for business rates and council tax support, and the late timing of the Government's Local Government Finance Settlement, together with uncertainty over the outcome of the Comprehensive Spending Review and Fair Funding Review next year. There are also substantial inherent risks of delivering and financing the Council's extensive capital programme. All risks will continue to be assessed and managed / mitigated as far as possible throughout the MTFP(15) planning period. Some of the key risks identified include:

(i) The Government have targeted the additional funding being made available in 2025/26 to those authorities with higher levels of deprivation / need and lower council tax raising capacity and have stated this is the first step in rebalancing the formula to ensure it is fairer to authorities like us. This has resulted in additional funding being received next year, but it is insufficient to be able to balance our budget. It is anticipated that these factors will be a key feature of the updated funding formulae review going forward beyond 2026/27.

It remains uncertain how changes to funding formulae will be made, the extent of the changes and over what period these funding changes are introduced. What is clear is that the formula used to distribute the additional finding made available in 2025/26 has caused significant unrest across many authorities who have historically benefited from previous formulae but who have been excluded from or received smaller allocations of the new funding being made available. These authorities will fight hard to avoid further, more fundamental changes being implemented from 2026/27, which could result in the pace of change being longer than we would want given the Council should benefit from such changes going forward.

Whilst the Government have committed to undertaking a Fair Funding Review, which could be implemented in 2026/27, there is a risk this review could be delayed further or de-prioritised if significant political pressure is brought to bear. The timescales for implementation in 2026/27 are very tight. The fair funding review and reforms will coincide with significant reform of English local government structures – including potential creation of more unitary authorities in two-tier areas and an amalgamation of some unitary authorities. The Government are going to look at the responsibilities and roles of mayoral authority responsibilities as well, which adds a further layer of complication and risk in terms of potential delay.

(ii) At a national level, since the Autumn Budget Statement, the financial markets have reacted to the Government's fiscal policies, which has fed into increases in gilt prices and yields. The costs of government borrowing have risen sharply in recent months, and the Government has indicated a clear intention to consider further spending cuts to Government Departments as part of the 2025 Spending Review to settle market concerns and improve confidence, which may reduce the quantum of revenue and capital funding for Local Government going forward. In recent months, the Council has been faced with much higher interest rates for borrowing, with forty-year rates typically exceeding 6% - far higher than our target assumptions for 2025/26.

(iii) There remains a significant challenge to ensure a balanced budget and financial position is achieved across the MTFP(15) period – including balancing the Council's appetite to take decisions to increase council tax, alongside the likely need to still must reduce service provision given the council inherent low tax raising capacity, high and increasing unavoidable demand / cost pressures and its reliance on Government grant funding.

There remains a budget deficit of £3.191 million next year to balance the budget and a forecast budget deficit / additional savings requirement across the MTFP(15) planning period of £45.536 million. Without the delivery of the £18.036 million of savings that are currently factored into the 2025/26 budget planning (inclusive of the previously agreed savings in MTFP(14)) the Council would be £21.227 million short of balancing its budget next year. This is because the cost pressures that need to be accommodated next year exceed the grant funding we will receive and the additional revenues that can be generated from a 4.99% council tax increase – and despite the additional grant being made available next year and the council benefitting from the focus on deprivation and low tax raising authorities.

There remains a significant concern over the budget deficit in 2026/27 of £23.840 million in 2026/27. Achieving savings of that magnitude will require the implementation of a series of transformational reviews and will inevitably require some fundamental changes to the services the council provides.

(iv) New savings plans presented on 4 December 2024 have been consulted on and the Cabinet have carefully reflected on the feedback received in finalising the proposals that are recommended to be included in the budget. Some amendments have been made to the profiling and scale of the savings in NCC, particularly in Parks and Countryside services. The bulk of the originally developed savings proposals are recommended to be included in the budget.

There will need to be suitable levels of management oversight on the delivery of these savings to ensure they are delivered and realise the financial returns expected. A detailed Equality Impact Assessment has been provided for the savings proposals being taken forward. Any savings that are not delivered or which are delayed / deferred will only serve to widen the budget deficit next year and beyond, increasing the reliance on reserves, which is not a sustainable budget strategy to adopt.

(v) The Council remains susceptible to any downturn in the economy and falls in business rates income. The Council retains 49% of all business rates collected locally but is also responsible for settling all rating appeals. Increasing business rate reliefs and the ‘check and challenge’ appeals process continue to make this income stream highly volatile and will require close monitoring to fully understand the implications upon MTFP(15).

The Council would expect to be a beneficiary of any business rate reset as business rate income growth in the County has been lower than the national average since the implementation of Business Rates Retention in 2013/14, and the Council could because of this review expect to review increased Top-up Grant funding as a Council which does not collect Business Rates income up to the national average.

The Government have committed to implementing a Business Rate reset from 2026/27, which is to be welcomed but which would have significant adverse implications on some other authorities.

(vi) The localisation of council tax support in 2013, which passed the risk for any increase in council tax benefit claimants onto the council is a key risk. Activity in this area will need to be monitored carefully with medium term projections developed in relation to estimated volume of claimant numbers.

The Council's local council tax scheme is more generous than most other local authorities, and therefore any increase in uptake in this scheme has a compounding effect on the Council's income-generating tax base and is susceptible to any adverse economic fluctuations. A further review of this scheme in advance of 2026/27 will be required, and amendments may need to be made to make this scheme more affordable.

(vii) The impact of future increases in inflationary factors such as the National Living Wage and Local Government pay awards, and the impact of additional costs of business for our suppliers associated with a significant increase in Employer National Insurance taxation are a key financial risk. The budget uplift provision in 2025/26 reflects the additional costs providers will face next year. In later years, the Council is assuming national living wage increases will be 4% per annum. However, wage growth in the UK, which directly influences national living wage rates remain above 5% currently.

(viii) Pay award assumptions remain predicated on a notional uplift in later years. However, every 1% in terms of the pay award adds circa £3.0 million to the Council's pay bill, whereas every 1% increase in the National Living Wage adds circa £1.2 million of costs into the council's base budget for Adult Social Care – increasing the funding gap that needs to be bridged to balance the Council's budget.

The increases in National Living Wage from April 2025 announced on 30 October 2024 of 6.7% were more substantial than originally forecast, so the Council will need to consider carefully update reports from the Low Pay Commission in the Spring to gauge whether the current assumptions are sufficiently prudent.

(ix) The Government's funding for local authority Employer National Insurance Contributions is not sufficient to cover the full costs of this new burden and our latest estimates indicate that this will only cover circa 57% of the cost pressures the Council will face next year. The additional funding received in the settlement for the Recovery Grant, though welcomed, has been dwarfed by significant cost increases associated with social care and other unavoidable inflationary pressures.

(x) The Council continues to experience significant increases in demand for social care services – particularly children's social but is also now seeing some additional demand in adult social care over recent months. Significant budget allocations have been set aside in MTFP(15) for these areas. These allocations are being closely monitored and the forecasts have been externally validated, as in recent years the Council has seen the eventual outturn forecasts in these areas exceed the budget allocations set aside to fund these pressures. The Quarter 3 Children's Social Care pressures are looking increasingly likely to show a worsening forecast position due to the proportion of children in care who require residential care – when a c.£7.5 million overspend was previously forecast.

The Council appointed external consultants to undertake a detailed diagnostic assessment of these costs, review existing mitigation measures and to suggest other measures that could be taken to offset an estimated rising trend of volumes of looked after children and overall costs per case. The findings of this review concluded that without taking additional substantial measures to mitigate this demand and cost pressure, over and above our existing plans, the Council will spend £30 million more than the assumed budgetary growth projections included in this MTFP(15) report.

A series of measures to help manage this demand are currently being developed and will be reported to Cabinet by July 2025. These measures will draw on the new grant funding being provided for prevention and looked after sufficiency measure but may also require a drawdown from reserves to pump-prime activities, additional capital investment and/or permanent base budget growth to support transformational change in how we manage children's social care demand.

(xi) High Needs Dedicated Schools Grant: officers have reported to Schools Forum and lobbied the new Government regarding its projections for the current and future High Needs Deficit Shortfall. At the end of 2023/24, this cumulative deficit was £10.595 million, with a further £11.572 million shortfall in 2024/25 predicted at Quarter 2, increasing the cumulative deficit to a forecast £22.167 million.

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

The value of the deficit at that point (March 2027) was estimated to be £44 million and would place significant financial strain on the Council's depleted reserves levels at this point.

This level of deficit is also placing additional challenges on the Council's cash-flow planning arrangements and it is estimated that loss of interest on the High Needs DSG deficit balance is around £1.000 million this year for the council.

The local authority sector is lobbying Government to highlight that many authorities are at risk of issuing s114 notices due to the emerging substantial high needs deficit balances.

As part of the Autumn Budget Statement, it was announced that there would be an additional £1 billion added to overall High Needs budgets. This means an increase to High Needs funding of over 9%, compared to 2024/25.

The Council have been notified it will receive an additional £7.350 million. Of this, a £3 million assumed increase was already factored in for notional inflationary uplifts and budget forecasts. The extra £7.350 million is welcome, however Cabinet should note it does not fully cover the assumed planned High Needs Deficit forecast for 2024/25 let alone the forecast deficit that will materialise in 2025/26. The Council could therefore see, based on projected levels of demand, a deficit of £14 million, resulting in a cumulative deficit of £38 million by the end of 2025/26.

There remains significant uncertainty about the arrangements to continue the Statutory Override for carrying forward cumulative deficits or seek to write off these cumulative deficits from local education authority balance sheets. There was no clarity on this in the Local Government Finance Settlement. This omission is very concerning and heightens the risks of the statutory override ending and any deficit write-offs not been funded by central government.

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

The Council will need to borrow c.£515 million over the next two-years from the date of this report to fund the existing capital programme commitments and to remain sufficiently solvent.

In recent years the Council has been successful in managing an under-borrowed position, and delaying the point at which borrowing needs to be taken by running down its cash balances. This position is becoming less tenable, and the Council will be forced to undertake borrowing to retain an acceptable level of solvency. The Council will look at options to do some short-term borrowing in expectation (but at risk), that interest rates do fall by the time this borrowing is refinanced.

The existing MTFP(15) forecasts now assume PWLB forty-year borrowing rates will be over 5% during 2025/26. Current forty-year borrowing rates have risen to over 6%. There is a risk that PWLB market rates do not start to fall as quickly as the council requires in line with its capital financing budget provision.

In November 2024, the Monetary Policy Committee of the Bank of England cut the bank base rate by 0.25% but in doing so projected that interest rates may not fall as fast as originally anticipated during 2025. The Bank of England held interest rates in December 2024 and remain concerned about rising inflation in the UK economy, though the improved CPI position for January has raised the prospects of a further reduction in rates in the coming months.

It is important that the council resists the temptation to increase the provision for prudential borrowing in MTFP(15), given the significant uncertainty and pressure within the council's revenue budget in the future, the size of the current capital programme commitments and the forecast of additional borrowing already required to support the current capital programme.

The Cabinet remain committed to providing new build leisure facilities in Chester-le-Street and Seaham when the financial capacity exists to fund these investments. So far, a total of £62.820 million has been invested in leisure transformation across the county, however, investment in another two new leisure centres is now estimated to cost a further circa £70 million in total and would incur additional borrowing costs of £4 million per annum, which, in the current climate, is not affordable.

Committing to undertaking additional capital investment at this scale would not be financially prudent because of the reasons set out earlier and would invariably result in additional cuts to front line services should the financial forecasts set out in this report come to fruition.

(xiii) The capital programme is significant and highly complex and there remains significant risk of delay and cost rises in the delivery of the programme, which will result in the need to constantly review the deliverability and affordability of the Capital Programme. As part of

MTFP(15), the Council has had to prioritise available capital resources and not succumb to pressure to increase borrowing due to higher costs of borrowing currently and the need to fund essential and pre-committed projects.

Recommendation – Risk Assessment

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

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

382 Following a public consultation held in July 2023, cabinet made the decision on 15 November 2023 that, from 1 April 2024, changes were to be made to the Council's long term empty homes Council Tax premiums.

383 These changes included the period a property needed to be classed as empty and unfurnished before attracting a 100% Council Tax premium being reduced from two years to twelve months and for properties classed as empty and unfurnished for over 10 years, a 300% Council Tax premium applied.

384 In line with these changes and utilising feedback from the public consultation, the Council Tax Empty Property Premium Charge Section 13A (1)(c) Reduction Policy, and the reliefs available to liable parties, were reviewed and updated. The Section 13A relief is a discretionary relief.

385 Relief is currently offered for those properties in need of major renovation, properties which are currently up for sale/let, owners who are experiencing legal or technical difficulties in relation to the property and properties being deliberately kept empty because of interventions to support regeneration of an area. The benchmarking undertaken, confirmed the discretionary reliefs the Council offer, are above what is offered by other regional Local Authorities.

386 As of the 31 October 2024, there were 558 awards for Section 13A relief, totalling £1,178,390.

387 From 1 April 2025 a further Council Tax premium charge will be introduced for those properties which are classed as second homes. In line with this change, the Council Tax Empty Property Premium Charge Section 13A (1)(c) Reduction Policy has been reviewed and updated.

388 On 1 November 2024 the Government announced several regulation exceptions from both empty and second homes Council Tax premium charges relating to properties which fall into a series of categories.

389 A second phase of review activity has identified a preferred way forward which reflects the new Government exceptions, local discretionary reductions and achieving a balance between the aims of the legislation, the council's financial challenges and ongoing support of residents.

390 It is proposed to align the second homes approach with the current empty homes approach from 1 April 2025, with no time limit on the period an exception may be applied for. This relief is open ended with no cap on the amount of time the discretionary relief may be applied. This approach will continue to provide discretionary support for residents with additional time to bring properties back into use while introducing the Government exemptions for the first 12 months of a premium charge, where eligible. An annual review of this policy will continue going forward.

391 The updated policy is set out in Appendix 15.

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

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

Reform of Local Government Funding

393 Alongside the funding announcements in the provisional Local Government Finance Settlement on 18 December 2024, the Government also launched consultation on longer term funding reforms for local government.

394 The consultation focusses on the objectives and principles for the planned review, with an aim of establishing some degree of consensus around the approach to the review, which will direct the next steps the Government will take.

395 The overall approach is familiar, the government plans to base reforms on published principles which were set out in the former government's 2018 consultation:

(i) simplicity,

(ii) transparency,

(iii) contemporary – (renamed dynamism),

(iv) sustainability,

(v) robustness and

(vi) stability.

(vii) The government proposes to add an additional principle - ‘accountability’.

396 These reforms will be driven by an evidence-based policy approach, using the best available statistical techniques and the latest data, to arrive at a simpler, more transparent outcome.

397 The consultation lacks detail in terms of financial allocations to local government (and indeed the weightings applied to different categories of local authority expenditure), which makes it challenging to properly assess the potential financial impact of any proposed changes to the sector as a whole, and on individual authorities or groups of authorities at this stage. This has made it quite difficult to respond fully to the consultation.

398 The proposals are set in a broader context of a planned shift of power away from the centre towards people and communities, including through the English Devolution White Paper, and efforts to set out and measure progress on key services and outcomes and to secure the highest standards in local government.

399 There are further references to simplifying and consolidating the funding landscape, more emphasis on local authorities adopting prevention-based approaches to the delivery of services, through place-based plans; identifying excessively burdensome activities and streamlining and rationalising reporting and evaluation requirements; and increasing flexibilities for fees and charges.

400 The consultation focusses on remedying the existing finance system (‘fixing the foundations’). It does not consider broader or more radical ideas on how to transform the system to better support economic growth and service delivery. It does not seem to consider:

(i) fiscal devolution, such as devolving existing national taxes or assigning revenues, new revenue raising powers, freedoms and constraints on spending, or the role of financial incentives for local authorities.

(ii) developing existing and new infrastructure financing mechanisms, such as tax increment financing (a public financing method that is used as a subsidy for redevelopment, infrastructure, and other community-improvement projects), or

(iii) reforming existing local taxes and policies, such as council tax or business rates retention.

401 The case for funding reform is based on the argument by many that the allocation formulae are now more than ten years out of date and no longer reflects relative need or the relative funding disparities across the sector due to the significant differences in council tax raising capacity.

402 The reforms will be implemented through a multi-year settlement, beginning in 2026/27.

403 A technical consultation on the planned reset of accumulated business rates retention growth is also planned for early 2025. A consultation on detailed proposals will follow the multi-year Spending Review, which will conclude in 'late Spring', with a multi-year provisional settlement later in the year.

404 Relative funding needs of authorities arising from differences in demand, are to be assessed through statistical formulas. A bespoke funding formula is proposed only for the largest and most significant service areas, with specific cost drivers. The consultation therefore proposes to simplify the existing approach with new bespoke formulas for adult social care; children, young people and family services; fire and rescue; and potentially highways maintenance. This small list of areas (but which represents a large share of the Council's expenditure) raises the question of whether other services areas will also be assessed, including free or concessionary transport for the elderly, disabled or children; and the provision of temporary accommodation. It suggests there may not be a case for a flood defence and coastal protection formula. The remaining, very large number of smaller services would be covered by upper and lower tier 'Foundation Formulas'.

405 Each formula should incorporate the most important factors which drive demand. Little detail is provided on this at this stage. Potential cost drivers for the children's formula are outlined, with detailed consultation promised after the conclusion of the Spending Review. There is no information about the adult formula, nor any commitment on when this will be available.

406 The main cost driver underpinning the Foundation Formula will be population, which the consultation document stating that 'population of a local authority remains the most important driver of demand for the bulk of non-social care services', but with a likely added emphasis on deprivation, potentially based on Ministerial discretion.

407 This approach is also very similar to that proposed in 2018 (where a considerable amount of 'needs' assessment was undertaken), with the exception of Public Health Grant, which is omitted without any reference; however, there is little, or no detail provided on the needs formulae itself (and no accompanying proposed numbers in terms of quantum of spend,

drivers of demand nor unit costs). This will be provided later (after the 2025 Spending Review) and will need to show whether a separate formula is needed (or not) and to demonstrate that funding through a general population-based formula would not materially disadvantage some individual authorities or authority types.

408 Transitional arrangements are proposed to take account of the impact of the reforms, including the business rates growth reset. One proposed approach to transitional arrangements is a phased or 'blended' model, over a three-year period of transition. Future years' settlement allocations would be determined by a proportion based on the existing approach to allocations and a proportion based on the reformed approach. An option for constructing the baseline for transition would be to use the measure of Core Spending Power plus reset business rates.

409 The 2018 consultation paper raised the potential for the speed of change to depend on the current disparity between a local authority's existing funding level and the distance to their target allocations under reform. The proposal set out in this consultation is a more forceful model, in which gains will flow more quickly to relative 'winners', while relative 'losers' will have to adjust within a fixed timescale, irrespective of the distance from their target (reform) allocations.

410 The four main areas of the consultation are as follows:

(i) **Business Rates reset:** There will be a long-overdue reset of accumulated business rates retention growth in 2026/27.

On introduction of the business rates retention system in 2013/14, a commitment was made to carry out the first periodic reset in 2019, so this review is now 7-8 years overdue. These freed-up financial resources generated from national business rates growth, will be reallocated from authorities who have retained them locally for many years, to authorities using the new needs formulae. Thereafter, there will be periodic resets and views are invited on their frequency.

The consultation is more explicit than the previous policy statement in that there will be a 'full reset' in 2026/27 (100% reset). However, designated areas (such as Freeports, Enterprise Zones and Investment Zones) will be exempt – where Government have permitted local arrangements for local retention of 100% of growth (rather than a 50% share being retained by Government, or the growth been retained for an extended period across multiple decades). There is a suggestion for a new model of business rates retention to support economic growth in proposed 'Strategic Authorities' (Combined Authorities, County Combined Authorities and the Greater London Assembly). A technical consultation on all this is promised in early 2025.

(ii) **Resources (Council Tax) equalisation:** Resources equalisation is the way in which allocations are adjusted to take account of the different levels of resources potentially available locally to fund services. This is a major factor in the review's outcome: those local authorities with better ability to raise resources locally will receive a larger reduction to their allocations, while those with less ability receive a smaller reduction. Once again, this is well precedented in previous settlement funding reviews.

The 2018 consultation raised the question of considering the level of sales, fees and charges in each area, and concluded that this was probably not a good idea. The current consultation agrees with this thinking and therefore proposes that resources equalisation is based only on a measure of the ability to raise council tax in each authority.

The consultation paper gives a strong steer that equalisation will be based on "notional" rather than actual council tax levels. Notional equalisation has been used in previous funding review and was proposed in the 2018 consultation. The paper proposes using an authority's share of the national taxbase and an assumed level of council tax.

This is calculated by multiplying the tax base (which depends on the number and value of domestic properties) by a uniform (national) assumed level of council tax and not the actual council tax level charged in each area.

The consultation invites views on the degree of equalisation (the percentage equalisation or assumed council tax level). The consultation also invites views on assumptions to be made in the calculation. The 2018 consultation contained much more detail on this principle, and therefore limited proposed options or analysis of the impact of these options is provided. The Government have indicated that Council tax referendum principles are to be maintained in the future.

(iii) **New Homes Bonus:** The government is committed to ending NHB in 2026/27. The consultation notes that allocations intended to incentivise or reward local authorities (such as New Homes Bonus) are at tension with the objective to recognise relative needs. In recent settlements, minimum funding guarantees have blunted the New Home Bonus incentive effect altogether. Options include allocating all resources according to need; or introducing a housebuilding incentive outside the settlement.

Further consultation on detailed proposals for reforming the New Homes Bonus is promised in the first half of 2025. In the meantime, 2025-26 will be the final year of New Homes Bonus allocations in their current form and this consultation invites views on how to enable and encourage housebuilding through the settlement.

(iv) **Sales, Fees and Charges:** Separate from the system changes described above, the government proposes to explore proposals to devolve responsibility for setting levels for some statutory fees and charges to local government. This will have an impact in circumstances where central government has not acted to update statutory fees to cover the cost of providing services. Changes would allow more discretion to localise and tailor sales, fees and charges, to specific local circumstances, while protecting vulnerable individuals or those on lower incomes.

(v) Finally, the consultation invites comments on how to keep formulae up to date, by incorporating new data or even forward projections for future years. This highlights a conflict with stable, multi-year allocations and highlights a potential separate challenge, which is not raised, with multi-year allocations being linked to the forward horizon of the Spending Review process. At present, there is a clear Treasury constraint that allocations cannot be made beyond the final year of Spending Review allocations, which means that 3-year horizon can be reduced.

Recommendation – Fair Funding Reform

411 Cabinet is asked to note the updates provided on the Government's consultation for reform of Local Government which closes on 12 February 2025.

Conclusion

412 This report provides a detailed overview of the final 2025/26 budget and MTFP(15) financial forecasts, with the underpinning assumptions reflecting a detailed analysis of the announcements made in the Chancellor of the Exchequer's Autumn Budget Statement on 30 October 2024, and the publication of the provisional local government finance settlement on 18 December 2025.

413 The updated financial planning assumptions are set out in detail in this report and are summarised in the updated MTFP(15) financial model at Appendix 2, with a detailed explanation of these figures included in the body of the report.

414 The financial forecasts factor in the Governments expectations with regards to Council Tax increases next year and the increases allowed beyond that. The report sets out a recommendation to raise council tax by a total of 4.99% next year – consisting of a 2.99% core council tax increase and a 2.00% adult social care precept.

415 Though welcome, the additional funding being provided by Government next year, and the additional revenues that will be generated from the council tax increases, is more than offset by a range of significant unavoidable cost pressures in social care, employer costs (pay awards and Employer National Insurance Contribution increase), capital financing costs to meet existing and new capital commitments, the funding of a transformation change programme and other key service budget pressures which require additional budget growth to ensure the Council can set a balanced budget and continue to deliver its services effectively next year.

416 There remains a budget deficit of £3.191 million next year to balance the budget and a forecast budget deficit / additional savings requirement across the MTFP(15) planning period of £45.536 million.

417 Without the delivery of the £18.036 million of savings that are currently factored into the 2025/26 budget planning (inclusive of the previously agreed savings in MTFP(14)) the Council would be £21.227 million short of balancing its budget next year. This is because the cost pressures that need to be accommodated next year exceed the grant funding the council will receive and the additional revenues that can be generated from the proposed (and expected) council tax increase next year.

418 There remains a significant concern over the budget deficit in 2026/27 of £23.040 million in 2026/27. Achieving savings of that magnitude will require the implementation of a series of transformational reviews and will inevitably require some fundamental changes to the services the council provides.

419 The report outlines the results of the consultation on proposed savings for MTFP(15) and has provided a detailed equality impact assessment of these proposals. Amendments to the proposals set out in the 4 December 2024 report outlined in this report.

420 The report provides updated versions of the Capital and Treasury Strategy for Council approval on 19 December 2025. An updated Pay Policy Statement is also appended and will require Council approval as part of the budget and MTFP(15) report).

421 The report sets out a range of proposed amendments to the MTFP(15) and 2024/25 Capital Programme and sets out proposals for additional capital schemes to be added into the MTFP(15) capital programme, which are essential or meet key corporate objectives of the Council.

422 The report identifies that Council's capital programme is stretched and subject to overspending in some areas, and further ongoing reviews of individual schemes and the capital programme will need to be undertaken. The risk is compounded by recently increasing rates of interest on borrowing, which makes the current capital programme

increasingly more expensive in terms of the capital financing costs (the costs of servicing the debt) of borrowing to fund the programme.

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

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

425 The report includes a detailed risk assessment, setting out the key factors that have influenced and can influence the councils underlying financial position next year and beyond and what mitigation exists in this regard. The council will need to keep these risks and its financial forecasts under constant review.

426 The Government have launched consultation on funding reforms for 2026/27 and the Council will set out its views on the Government's approach to changing the way local government funding is distributed as part of its consultation response. Limited information on the impact of these changes is available at this time.

Other useful documents

- Medium Term Financial Plan (14), 2024/25 to 2027/28 – Report to Council 28 February 2024
- Medium Term Financial Plan (15), 2025/26 to 2028/29 – Report to Cabinet 18 September 2024

- Council Tax Base 2025/26 and Forecast Surplus / Deficit on the Council Tax Collection Fund – Report to Cabinet 13 November 2024

- Medium Term Financial Plan (15), 2025/26 to 2028/29 – Report to Cabinet 4 December 2024

- Medium Term Financial Plan (15), 2025/26 to 2028/29 – Report to Cabinet 15 January 2025

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Appendix 1: Implications

Legal Implications

The council has a statutory responsibility to set a balanced budget for 2025/26. It also has a fiduciary duty not to waste public resources and recklessly run down reserves to an unacceptably low level.

All members have a fiduciary responsibility for managing public finances and for facilitating the setting of a balanced budget. These responsibilities are set out at Appendix 3.

Section 47 of the Local Government Finance Act 1988 and subsequent amending legislation provides the provisions and criteria for awarding discretionary rate relief. The Localism Act 2011 amended Section 47 Clause 69 of the Local Government Finance Act 1988 to allow local authorities to reduce the business rates of any local ratepayer (not just those who can currently be granted discretionary relief), via a local discount scheme.

Finance

The report sets out the revenue budget position for 2025/26 and MTFP(15) financial planning assumptions, which reflects announcements made in the Chancellor of the Exchequer's Autumn Budget Statement, which was presented to the House of Commons on 30 October 2024 and following publication of the Provisional Local Government Finance Settlement on 18 December 2024.

The report sets out an intention to seek Council approval to raise council tax by a total of 4.99% in 2025/26 – a combination of a 2.99% increase in the core council tax and a 2.00% adult social care precept, and to deliver of MTFP(15) savings of £18.036 million next year and £23.404 million over the four-year MTFP(15) planning period. The budget proposals for 2025/26 and the savings that have been identified to support MTFP(15) have been subject to two phases of budget consultation during the period between 20 September and 1 November 2024, and 6 December 2024 to 17 January 2025.

The Local Government Finance Settlement provided clarification of additional grant funding and council tax raising capacity in 2025/26. However, the Council has identified several additional and emerging cost pressures and there remains a budget deficit in 2025/26 of £3.191 million, with a four-year budget deficit of £45.536 million.

The additional funding being made available next year does not match the significantly higher increases in cost pressures due to demand pressures in children's social care, school transport, payroll costs and adult social care costs (due to rising national living wage and employer national insurance costs).

Without the delivery of the £18.036 million of savings that are currently factored into the 2025/26 budget planning (inclusive of the previously agreed savings in MTFP(14)) the Council would be £21.227 million short of balancing its budget next year. This is because the cost pressures that need to be accommodated next year exceed the grant funding we will receive and the additional revenues that can be generated from a 4.99% council tax increase.

The Council is therefore likely to be required to utilise reserves to balance its budget next year.

The MTFP Support Reserve balance on 31 March 2024 was £36.299 million, however, £3.720 million was utilised to balance the 2024/25 revenue budget, leaving an unallocated balance of £32.579 million available to support MTFP(15).

The four-year financial gap of £45.536 million is far more than the remaining MTFP Support Reserve Balance. Therefore, additional savings measures and council tax rises (potentially above the assumed annual increases of 2.99% already factored into planning assumptions for 2026/27 onwards) must be considered.

The outcome of any fair funding review may improve this position, but the indicative timescales for this review are challenging and the outcome may be heavily dampened in terms of their redistributive impact across English local authorities and spread out over a number of years.

The use of reserves to excessive levels to balance budgets is not a sustainable long term budget strategy. There remains a significant risk that the Council may be forced to use its significantly depleted reserves to fund the writing off any large cumulative High Needs Deficit as of 31 March 2027 (no clarity was provided regarding these arrangements in the Provisional Local Government Funding Settlement).

Consultation

A second round of consultation with AAP's and partners in relation to the new savings proposals included in the 4 December Cabinet report has now been completed, and this report outlines the detailed responses received to this consultation.

The Corporate Overview and Scrutiny Management Board provided scrutiny of the MTFP(15) and budget setting process and considered the contents of the report outlining details of the draft provisional local government finance settlement on 21 January 2025. COSMB will meet again on 13 February 2025, to consider this report, and their deliberations will be represented by their Chair in Full Council on 19 February 2025.

Equality and Diversity / Public Sector Equality Duty

Under section 149 of the Equality Act 2010 all public authorities must, in the exercise of their functions, “have due regard to the need to” eliminate conduct that is prohibited by the Act. Such conduct includes discrimination, harassment and victimisation related to protected characteristics but also requires public authorities to have due regard to the need to advance equality of opportunity and foster good relations between persons who share a “relevant protected characteristic” and persons who do not. This means consideration of equality analysis and impacts is an essential element that Members must consider when considering these savings proposals.

Climate Change and Biodiversity

The council budget will be developed to provide resource to enable the council to meet the requirements set out in the council’s Climate Change Emergency Response Plan. Additional revenue budgetary growth of £0.109 million has been added into the 2025/26 revenue budget to augment staffing arrangements in Parks and Countryside Services. The Council has reduced a savings proposal in Parks and Countryside Services following consideration of Phase 2 Consultation Feedback around the importance of this service area.

Human Rights

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

Crime and Disorder

None

Staffing

The new savings proposals included in the 4 December 2024 Cabinet report would result in the deletion of around 213 full time equivalent posts, of which around one third to half of these posts are expected to be vacancies.

The previously agreed savings proposals that impact across the MTFP(15) planning period included 101 full time equivalent post reductions also.

Re-deployment of staff, deletion of vacant posts and Early Retirement and Voluntary Redundancy will be utilised where possible to minimise the potential for compulsory redundancy. HR processes will be followed to ensure fair treatment of staff.

Land and Property

Additional Budgetary growth of £400,000 has been included in MTFP(15) to cover additional revenue repair and maintenance costs associated with the Council’s land and property and the updated budget planning assumptions factor in a further £330,000 of budget growth for depot repairs and running costs. More substantial allocations of capital funding will be required to augment existing capitalised maintenance and structural infrastructure investment budgets.

Risk

Prudent financial planning assumptions have continued to be made in terms of forecasting the base budget pressures the council will face over the coming years. The underpinning rationale is explained in detail in the report and a range of key risks and issues is set out in the body of the report.

Procurement

None