

Durham County Council

At a Meeting of **Cabinet** held in Council Chamber, County Hall, Durham on **Wednesday 12 February 2025 at 9.30 am**

Present:

Councillor A Hopgood (Leader of the Council) in the Chair

Cabinet Members:

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

Apologies:

Apologies for absence were received from Councillor Chris Hood

Also Present:

Councillor J Cairns, Councillor P Heaviside, Councillor A Bell, Councillor J Blakey, Councillor G Hutchinson, Councillor P Jopling, Councillor C Lines, Councillor S McMahon, Councillor J Nicholson, Councillor K Robson and Councillor D Sutton-Lloyd

1 Public Questions

There were no public questions.

2 Minutes

The minutes of the meeting held on 15 January 2025 were agreed as a correct record and signed by the Chair.

3 Declarations of Interest

There were no declarations in relation to any items of business on the agenda.

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

The Cabinet considered a report of the Corporate Director of Resources which provided 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 (for copy of report see file of minutes).

Councillor R Bell, Deputy Leader of the Council and Cabinet Portfolio Holder for Finance thanked the Corporate Director and his team for all their hard work which culminated in the fourth and final budget report. The figures were broadly in line with the provisional settlement except for two issues. These centred around the grant received for the increase in direct employers National Insurance cost increases which were around £300,000 less than expected. This left the Council £3.8 million short on National Insurance reimbursements. However there had been a £300,000 increase in the new specific ring-fenced grant funding received for preventative work in children's social care.

The 2025/26 budgets needed to make provision for significant inflationary pressures, including the impact of the 6.7% national living wage increase from April, which would have a significant bearing on adult social care contracts but also impacted on the changes to employees National Insurance contributions and on the Council's suppliers, particularly for social care and home to school transport.

Cost pressures in statutory adult and children's social care were enormous and unavoidable. This placed a huge squeeze on other budgets, particularly in discretionary spend areas. The cost pressures in adult and children's social care totalled £34.5 million next year. The additional revenue generated from an adult social care precept of £5.8 million and the additional social care grant of £12 million only covered half of the spending pressures in these areas, in part due to the low tax raising capacity, which is a matter Cllr Bell had consistently raised with governments of all colours.

The cost pressures faced next year totalled £85.8 million, which included £19.5 million of additional expenditure linked to new specific grant funding. A significant budget pressure related to placement costs for looked after children which required an increase of £16.6 million next year and home to school transport, where a further £3 million would require adding to the budget. Pay inflation was estimated to be 3% next year. 1% on the council's wage bill was broadly equivalent to the income generated from 1% increase in council tax. This alone swallowed up all of the additional revenue generated from the basic Council tax increase.

The local government finance settlement had provided some much-needed additional funding through the recovery grant and the additional funding was welcomed. The methodology used to allocate this was wholeheartedly supported in the Council's response to the consultation on the settlement, however, the withdrawal of the services grant reduced funding by around £900,000 which was extremely disappointing given the full reimbursement promised by the Chancellor at the time of the Autumn Budget Statement.

Despite the challenges highlighted, the budget made provision for £1.1 million of investment in special educational needs and development services to bolster the teams responsible for preparing education, health and social care plans and included £3 million of time-limited investment in the transformation programme which would be needed to support the ambitious plans set out to deliver the savings needed to balance the budget from 26/27 onwards.

Additional funding being provided by the government next year totalled £48.8 million with £19.5 million of this being specific ring fenced grant funding.

The core spending calculations set out in the provisional settlement indicated an 8.2% increase for the Council next year. This was higher than the 6% national average increase, largely because of the inclusion of a new recovery grant funding but also the cost calculation again assumed the Council will increase its Council tax by the maximum possible 4.99% next year.

Councillor Bell said that very careful consideration had to be given to any new prudential borrowing commitments given the financial outlook and that it would be simply reckless and irresponsible to do otherwise, and this Cabinet was neither. Councillor Bell then outlined some of the key budget proposals including the new capital investments. He added that once the Council had greater certainty and greater financial security, then the Council would seek to invest in other areas and facilities. The Cabinet retained ambitions to bring forward new build proposals for leisure centres at Chester-le-Street and Seaham and would do so when it was prudent to do so, and not before. The overall capital programme for the MTFP 15 planning period totalled £546.5 million over the next four years. This was a significant level of capital investment. It did however, come at a cost, with £50.7 million of revenue budget growth required to finance it.

The report also provided an overview of the government consultation on the reforms of the funding formula, which was around the key principles. At this stage, the proposed formula was not being published and the Council were not able to model impacts. The Council had responded to the consultation and made strong representations regarding the need to equalise council tax raising capacity, a focus on deprivation, legal challenges and properly reflect the significant and ongoing pressures in social care, particularly children's social care.

The Leader of the Council thanked everyone for their contributions in getting the Council to the current stage of the budget setting process and the report built on information considered. As had been highlighted, the budget was dominated by unavoidable inflationary pressures, particularly in statutory adult and children's social care services. The Leader was particularly disappointed that the Council had been landed with a £3.5 million budget pressure, which would rise to a £3.8 million once the final settlement figures were factored in for the changes being made to employers National Insurance contributions on direct staffing costs. The Leader intimated that if the government had honoured its commitment to fully reimburse the Council for the changes, it would have had a balanced budget next year.

The budget included another £400,000 required next year to fund the gap between the housing benefit that had to be paid in respect of temporary and supported housing linked to homelessness and the subsidy or grant we claim back on these payments building on the £2.6 million the Council had to fund this year. Councillor Hopgood was a disgraceful situation and something that ought to be remedied by government, adding that it was simply not right that Council taxpayers in County Durham had to subsidise this, given that the Council administer Housing Benefit on behalf of the DWP.

Councillor Hopgood welcomed the receipt of additional funding announced by the Government, particularly the recovery grant. The Government had committed to undertaking a comprehensive spending review and providing a multi year settlement from 26/27 and as part of this undertaking had promised a fundamental review of the formula used to allocate funding to each authority, stating that greater weight would be put on council tax raising capacity and all needs driven by high levels of deprivation. The Leader of the Council welcomed the announcements, but was concerned that the government were in a difficult place in terms of the national finances and there was a doubt whether investment in the sector would be forthcoming. It was also noted that a radical change in the formula would benefit authorities like Durham, would be met with severe resistance from those that would lose out.

The pace of change could be longer than many would desire and living from year to year, receiving funding notifications late in the budget planning cycle was simply not conducive to good financial planning.

The report included details of the feedback from Overview and Scrutiny and from wider engagement through the Area Action Partnerships, business ratepayers and trade unions on the budget strategy and savings proposals. It was frustrating that the Council lagged behind the national average core spending power per dwelling. The system was broken and in need of urgent reform. The Leader of the Council said that an increase in council tax was a decision not to be taken lightly and the cost of living for all residents had to be recognised. However, not increasing council tax was not sustainable and would not be in line with the government's expectations and the advice from the Section 151 officer. If Council Tax was not increased in 2025/26, the medium term financial planning position would be much worse. It was important to recognise that those on low incomes in County Durham were afforded significant protection through access to support from the Council tax Reduction Scheme and was proud that the Council had endorsed the continuation of the scheme into next year, which, unlike virtually every other council in the country, did not seek to limit or cap the level of support working age households could receive. Councillor Hopgood said that the Joint Administration had delivered significant investment over the last three years and continued to invest in assets and core infrastructure for the benefit of residents. The capital programme had to be tailored to the resources available at the time. Councillor Hopgood then echoed the comments of Councillor R Bell in relation to the capital programme and the potential acquisition of the Milburngate development and investment which would be fully financed, self financing and would not impact on council tax payers, given that the income received from tenants would fully pay for the loan costs incurred on stepping in and resolving the situation. The capital programme would of course be around £50 million higher had the new Labour government honoured the commitments given by the previous government in terms of the additional transport capital grant.

Councillor M Wilkes commented that the Chancellor had been very clear that national insurance cost increases would not impact upon local government because local authorities would be fully recompensed. This was not the case. Councillor Wilkes felt that the Government had not told the truth about funding, but he felt it

had went further than that because the impact of last year's budget was also hitting suppliers and charities across the county who assisted in protecting the most vulnerable. The impact of last year's government's budget would push up the cost to county councils even more, unless government recognised the work which councils do. Councillor Wilkes also commented on the £50 million that Labour had, in effect, stolen from the County for infrastructure and transport money which could have been spent on the reopening of the Belmont Viaduct or building the Bowburn Relief Road. In closing, Councillors Wilkes said that despite all the financial pressures placed on the Council by Government, there was a budget to take to full Council which could be supported, which continued to invest in the County, helping to boost the economy whilst also ensuring that the services which residents relied upon would continue in the coming year. The budget was also recognition for the excellent cross-party working and achievements of the last few years with the Joint Administration.

Councillor J Shuttleworth said that national insurance was affecting all of the public sector including Council's, the Police and Fire services, which would affect every, man woman and child.

Councillor S McDonnell, commented that while the 6.8% uplift in grant was most welcome but reiterated that if the Council were funded fairly, the Council would be better off to the £31 million a year. She also thanked Councillor Bell for continuing to highlight the issues with the council tax base and outdated Council tax system and for lobbying for a total overhaul of the system.

Resolved

That the recommendations in the report be approved.

5 School Admission Arrangements Academic Year 2026/27 [Key Decision: CYP5/2025/002]

The Cabinet considered a report of the Corporate Director of Children and Young People's Services which sought approval for the proposed admission arrangements and oversubscription criteria for Community and Voluntary Controlled Schools for the 2026/27 academic year (for copy of report see file of minutes).

It was Moved by Councillor T Henderson, Cabinet Portfolio Holder for Children and Young People's Services, Seconded by Councillor S McDonnell, Cabinet Portfolio Holder for Digital, Customer Services and Procurement; and

Resolved

That the recommendations in the report be approved.

6 East Durham Community Athletics Track, Option Agreement and Ground Lease at Less Than Best Consideration

The Cabinet considered a report of the Corporate Director of Resources which set out the background information necessary for Cabinet to consider a request from East Durham Community Athletics Track (EDCAT) for the council to grant an Option Agreement on 16.204 acres of land at NETPark, which is currently included in the Local Plan as land for industrial development (for copy of report see file of minutes).

Councillor J Rowlandson, Cabinet Portfolio Holder for Resources, Investments and Assets thanked officers for the work undertaken to prepare this report, particularly those in the Corporate Property and Land and Culture, Sports and Leisure who had given their support to the East Durham Community Athletics Track volunteers over the last 15 years to help them develop their ambitious plans to bring a new community athletics track and associated changing and parking facilities, chip changing and parking facilities. In Moving the report, Councillor Rowlandson said that the creation of the facility was a longstanding community aspiration with strong local support. The council had worked closely with EDCAT to identify an appropriate site in the locality. The report set out the implications required to ensure successes could be achieved in securing the necessary capital finance to build facilities. The organisation had a robust business plan to demonstrate that they have the capacity to run the facility.

In making the decision, it had to be acknowledged by the Cabinet that once the land was handed over for recreational and sport use, there would be little prospect of it ever been brought back into the use for employment land in the future.

Cllr E Scott, Cabinet Portfolio Holder for Economy and Partnerships commented that NETPark is an outstanding success story in many ways the jewel in the crown of the Council's inclusive economic strategy with huge potential for future expansion. The current expansion agreed by Cabinet in September 2021 is seeing 270,000 square feet of new lab, office, production and storage space being made available, driven by demand from existing NETPark tenants who wished to expand their operations and potentially bring further inward investment to the site. It is anticipated this expansion will help achieve the creation of up to 1250 skilled jobs, adding over £625m gross value added to the County Durham economy. The 116 acres of undeveloped land, once the next phases have been fully redeveloped, removing the proposed site from the developable area would still leave 100 acres of land available for further expansion of NETPark over the next 20 years. Transferring the site to EDCAP through a long-term lease at a peppercorn rent though initially entering into an option agreement would hopefully unlock the funding required. Once developed, the athletics track and associated

facilities would help promote health and well-being and provide athletic sporting activities for the benefit of the local community and wider athletic clubs in the area. Agreeing the report would honour a commitment given to EDCAT over many years to help identify a appropriate site and assist them in bringing forward a sustainable capital and revenue business plan.

Resolved

That the recommendations in the report be approved.

7 Exclusion of the public

Resolved:

That under section 100 (A)4 of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that it involved the likely disclosure of exempt information as defined in paragraphs 3 and 5 of Schedule 12A to the said Act.

8 Chapter Homes Review and Business Plan [Key Decision: NCC/2025/001]

The Cabinet considered a report of the Corporate Director of Neighbourhoods and Climate Change which provided a review of Chapter Homes and a revised business plan for the period 2024 to 2029 (for copy of report see file of minutes).

Resolved

That the recommendations in the report be approved.

9 Aykley Heads Strategic Employment Site / Durham Innovation District - Full Business Case and Appointment of Joint Venture Partner [Key Decision: REG/2025/003]

The Cabinet considered a report of the Corporate Director of Resources which provided details of the full business case for the development of the Aykley Heads Strategic Employment Site (for copy of report see file of minutes).

Resolved

That the recommendations in the report be approved.

10 Durham City Regeneration Milburngate Development [Key Decision: REG/2025/002]

The Cabinet considered a joint report of the Chief Executive and the Corporate Director of Resources which provided an update on the current position with the Milburngate development in Durham city (for copy of report see file of minutes).

Councillors K Robson, P Heaviside and D Sutton-Lloyd all asked questions on the report in accordance with the Executive Procedure Rules.

Resolved

That the recommendations in the report be approved.

11 Future of Durham Villages Regeneration Limited - Report of Chief Executive

The Cabinet considered a report of the Chief Executive on the future of Durham Villages Regeneration Limited (for copy of report see file of minutes).

Resolved

That the recommendation in the report be approved.