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06 December 2024

Dear Colleague

Consultation on further proposals to balance the Council budget

Firstly I would like to thank you for all your feedback as part of the recent consultation we held on the Council's Medium Term Financial Strategy. Please see here a [link](#) to the summary of the feedback we received.

On 4 December 2024 the Council's Cabinet considered a further update on its budget forecasts, the outcome of the consultation held so far and agreed a set of new additional savings proposals to help with balancing the budget.

The Council's financial position remains very challenging so the Council will today commence the second phase of the Budget Consultation for the Medium-Term Financial Strategy for the period between 2025/26 and 2028/29.

The new Government's Autumn Budget Statement has indicated that additional funding will be allocated to the Council over and above the amount of funding projected in the Cabinet Report dated 18 September and referenced in the first phase of the consultation between 20 September and 1 November 2024.

However, of more significance, the Government have announced significant increases in the costs for employer national insurance and national living wage. These changes have significantly increased our cost assumptions on a number of high-risk budget areas including adult social care, and the Council's payroll and capital financing costs. The Council have also had to increase its assumptions relating to the costs of home to school transport and the costs of supporting people who require temporary accommodation, due to escalating demand pressures in these areas.

Resources

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The total savings required at this stage for 2025/26 to balance the budget is estimated to be £25.6 million, around £3.9 million higher than previously forecast in September 2024. Across the next four years, the total savings that will be required are estimated to be £69.788 million – around £5.7 million more than was previously forecast.

A total of £7.327 million of savings across the next four years have already been approved, of which £3.389 million can be delivered in 2025/26.

On 4 December 2024, Cabinet met and agreed proposals for further savings of £14.654 million in 2025/26 and £15.836 million across the four-year period. These additional savings will predominantly be implemented in the next financial year and are now subject to a further public consultation.

Even after the delivery of these additional savings measures, the Council is still facing a £10.960 million shortfall in 2025/26 and a shortfall of £53.952 million across the four-year period. In order to bridge this remaining gap, the Council will need to consider other options including raising Council Tax by more than the currently assumed 2.99% in 2025/26. The Government have also announced that councils will be permitted to increase their council tax by up to 5% in 2025/26. It is very likely we will need to recommend increasing council tax by the maximum permitted level of 5% to address this remaining 2025/26 shortfall of £10.960 million. Final decisions on these proposals will not be made until 19 February 2025 by Full Council.

More details of how much funding the Council will receive will be announced by 20 December 2024 as part of the Local Government Finance Settlement.

It is very important that we continue to involve key partners and the public in our decision-making process. We would be grateful if you could read the Cabinet [report](#) and submit any comments by Friday 17 January 2025.

When commenting on the budget proposals, please consider:

- If any of the proposals will have a negative impact on your organisation's priorities and workload.
- If you consider this will be the case, please let us know how these might be minimised.
- If you feel a proposed change should not go ahead, please let us know what alternatives the council could consider in order to meet its budget reduction target.
- If you consider that the proposals will have a detrimental impact on priority or characteristic groups, please let us know.

In addition to consulting with organisations such as yours, the public are being encouraged to give us their views by attending an Area Action Partnership meeting during December

2024 and January 2025, completing a survey at our libraries or Customer Access Points or on our website [here](#).

The results of the first round of consultation, which occurred between 20 September and 1 November 2024 were outlined in the Budget Updates Report on 4 December 2024. The outcomes of this second consultation focusing on the additional savings proposals of £15.836 million will be included in the Council Budget report to Cabinet on 12 February 2025, followed by a decision by Full Council on 19 February 2025.

Thank you for your consideration and should you have comments, please forward them to consultations@durham.gov.uk by **5.00pm on Friday 17 January 2025**.

Yours sincerely

A handwritten signature in black ink, appearing to read 'P. Darby', with a stylized flourish at the end.

Paul Darby
Corporate Director of Resources
Durham County Council