

21 September 2016

Report from the Cabinet



Purpose of the Report

To provide information to the Council on issues considered by the Cabinet on 13 and 20 July 2016 to enable Members to ask related questions.

Members are asked to table any questions on items in this report by 2 pm on 20 September 2016 in order for them to be displayed on the screens in the Council Chamber.

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Key Decision CORP/R/16/02

1. 2015/16 Final Outturn for General Fund, Housing Revenue Account and Collection Fund
Deputy Leader of the Council – Councillor Alan Napier
Contact – Jeff Garfoot 03000 261946

We have considered a report of the Interim Corporate Director, Resources which provided details of the revenue and capital outturn for both the General Fund and the Housing Revenue Account (HRA) for 2015/16, plus the 2015/16 outturn for the Collection Fund in respect of Council Tax collection and Business Rates collection.

The Chancellor of the Exchequer's Autumn Statement published on 25 November 2015 announced an overall improvement in the public finances compared to their previous forecasts which afforded some protection for unprotected government departments. Unfortunately this protection was not given to local government and in cash terms, the average reduction in budgets for unprotected government departments over the 2016/17 to 2019/20 period is circa 6%, whereas the reduction for local government over the same period is circa 53% in cash terms. The Chancellor of the Exchequer's March 2016 Budget reported a subsequent deterioration in the public finances although assurances have been provided that local government settlements will not be affected across the next four years. The financial landscape for local authorities will continue to be extremely challenging until at least 2019/20. By 31 March 2016 the Council will have delivered savings of £153 million since 2011. Updated forecasts included in MTFP (7) show that savings required for the period 2016/17 to 2019/20 will be £104 million.

On 25 February 2015 County Council agreed a net revenue budget of £409.873 million for 2015/16. Factoring in cuts in Government grant, inflation and other budget pressures the delivery of £16.283 million of savings was required in 2015/16 in order to deliver a balanced budget.

Quarterly forecast outturn reports have been considered by Cabinet throughout the 2015/16 financial year and detailed reports on individual Service Groupings have also been considered by the various Overview and Scrutiny Committees.

This final outturn for 2015/16 has been determined as part of the production of the Annual Statement of Accounts. During the process of finalising the Statement of Accounts, the Interim Corporate Director Resources will be required to make a number of technical decisions in the best financial interests of the Council. Such decisions will be fully disclosed in the Statement of Accounts.

Decision

We have noted:

- (i) the reduction in the Cash Limit Reserves of £0.063 million during 2015/16 with closing Cash Limit Reserves of £22.300 million. These sums will continue be held as Earmarked Reserves and be available for Service Groupings to manage their budgets effectively.
- (ii) the closing General Reserve balance of £29.101 million.
- (iii) the closing balance on General Fund Earmarked Reserves (excluding Cash Limit Reserves) of £183.075 million.
- (iv) the closing balance on Schools Reserves of £36.269 million.
- (v) the closing Housing Revenue Account balance of £23.156 million transferred to Council Reserves.
- (vi) the position for the Collection Funds in respect of Council Tax and Business Rates.

We have approved:

- (vii) the capital budget carried forward of £17.119 million for the General Fund is moved into 2016/17, offset by reductions in the 2016/17 programme to fund accelerated spending in 2015/16 and that Service Groupings regularly review capital profiles throughout 2016/17 reporting revisions to the Member / Officer Working Group and Cabinet as necessary.

2. Treasury Management Outturn 2015/16
Deputy Leader of the Council – Councillor Alan Napier
Contact – Jeff Garfoot 03000 261946

We have considered a report of the Interim Corporate Director, Resources which provided information on the Treasury Management outturn position for the year ended 31 March 2016.

The regulatory framework governing Treasury Management covers the Council's cash management, loans and investments activity and requires that the Council receive, comment upon and agree regular Treasury Management review reports.

As well as meeting the regulatory framework, the report also incorporated the needs of the 'Prudential Code', which can be regarded as being best operational practice, to ensure adequate monitoring of the Council's capital expenditure plans and prudential indicators (PIs). The Treasury Management Strategy and PIs for 2015/16 were agreed by the Council as part of the Medium Term Financial Plan 2015/16 – 2017/18 (MTFP5) on 25 February 2015 and have been updated since as part of the Medium Term Financial Plan 2016/17 to 2019/20 report (MTFP6) that was agreed by the Council on 24 February 2016.

The report supports the objective in the revised Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management and the Communities and Local Government Investment Guidance. These state that Members should receive reports and scrutinise the Treasury Management service as part of good governance and best practice.

Decision

We have noted the treasury management outturn position for 2015/16 and agreed to report this to Full Council on 21 September 2016.

3. Salvus House: Durham City Incubator Cabinet Portfolio Holder – Councillor Neil Foster Contact – Simon Goon 03000 265510

We have considered a report of the Corporate Director, Regeneration and Economic Development which requested agreement to the purchase of Salvus House by the Council. Salvus House is located at Aykley Heads in Durham City and was previously the purpose-built headquarters for Sunderland Marine Insurance Company who vacated the building in April 2015. Built in 2005 and split over four floors, plus a mezzanine, the building provides a gross area of 32,500 sq. ft. of high quality office space.

Negotiations to purchase Salvus House have been ongoing since the summer of 2015 with a view to sub-letting to local professional service businesses whilst at the same time investigating the potential to establish within the building the Durham City Incubator (DCI), in a partnership already established between Durham County Council, New College Durham and Durham University.

The total cost of the project is £3,394,000 and could be funded from a self-financing loan from Durham County Council over 25 years at 4%. The finances for the project were summarised in the report. The North East Local Enterprise Partnership (NELEP) has indicated that it would consider providing grant support of circa £1 million towards the Durham City Incubator if there was an opportunity to increase the amount of incubation space within Salvus House. The NELEP funding would only be secured later in 2016 and given the time pressures linked to securing Salvus House, there is a need for the Council to proceed with the purchase.

Creating the Durham City Incubator would enable a unique collaboration between Durham University, New College Durham and Business Durham to incubate young entrepreneurial driven businesses in Durham City, at Aykley Heads.

This would further the development of the strategic employment site and aid the establishment of a service technology cluster.

Decision

We have:

- (i) Confirmed the purchase of Salvus House in advance of securing NELEP grant contribution; and
- (ii) Approved the funding package.

4. County Durham Youth Justice Plan 2016/17 Cabinet Portfolio Holder – Councillor Ossie Johnson Contact – Carole Payne 03000 268657

We have considered a report of the Corporate Director, Children and Adult Services which presented the County Durham Youth Justice Plan 2016/17 to Cabinet for information and highlighted some of the key achievements to reduce offending and re-offending during 2015/16.

The key priorities in the plan are:

- To reduce first time entrants to the youth justice system
- To reduce re-offending
- To reduce the use of custody (both sentences and remands)

The Crime and Disorder Act 1998 places a statutory responsibility on the Local Authority to establish a youth offending team – CDYOS in Co. Durham – and to ensure that it is adequately resourced to deliver the range of youth justice services outlined in section 38(4) of the Act. Section 40 of the Crime and Disorder Act 1998 places a duty on every Local Authority, after consultation with the partner agencies, to formulate and implement an annual Youth Justice Plan.

The plan reviewed the progress made in youth justice over the previous twelve months and set out key priorities and next steps for the County Durham Youth Offending Service. Key achievements were outlined in the Executive Summary.

Decision

We have:

- (i) Noted the contents of this report.
- (ii) Received the Youth Justice Plan 2016/17.

5. Children's Services Update Cabinet Portfolio Holder – Councillor Ossie Johnson Contact – Carole Payne 03000 268657

We have considered a report of the Corporate Director, Children and Adults Services which provided an update on the national and local developments in

relation to Children's Services. The report included information on the outcome of the Ofsted Single Inspection Framework (SIF) Inspection of Children's Services.

The Office for Standards in Education, Children's Services and Skills (Ofsted) introduced a Single Inspection Framework (SIF) for Children's Services, which covers children in need of help and protection, services for looked after children and care leavers, and the Local Safeguarding Children Board (LSCB) in late 2013. The SIF is very different to previous Ofsted inspection frameworks; it is much broader and there is a much greater focus on frontline practice, casework and the journey and experiences of children and young people. The SIF now includes a review of the Local Safeguarding Children's Board (LSCB).

During the period 22 February to 16 March 2016, Ofsted carried out an inspection of the Council's Children's Services and LSCB under SIF. Separate ratings of 'overall effectiveness' were given for Children's Services and the LSCB.

Whilst a number of positives were reported, overall, the inspection judgement on Children's Services was 'requires improvement' and the Service accepts Ofsted's findings and recognises that there are some areas where further improvement is needed. A significant amount of work is already underway to make the improvements necessary to bring the areas requiring improvement up to the 'good' standard. A number of issues for improvement had been recognised by the service prior to the Ofsted SIF inspection and an action plan was in place to improve quality, as well as the creation of a Quality Improvement Board (QIB) to oversee strategic developments in quality. The service will also prepare and publish a written statement of the action it intends to take – an 'improvement plan' in response to the report, within 70 working days of receiving the final report. The deadline for this is 24 August 2016.

The rating given to the Local Safeguarding Children's Board was 'good'. An action plan has been developed and shared with the Board for comments. All actions are planned to be completed by March 2017. The actions have been incorporated into the Business Plan 2015-2018 which has been refreshed following the Ofsted inspection. Actions include further work to engage with children and young people in the child protection process, a review of the Child Protection procedures and review of the scorecard and performance process.

The report also provided Cabinet with a detailed update on the national and regional developments in relation to Children's Services.

Decision

We have:

- Noted the contents of this report.
- Agreed to receive further updates in relation to the transformation of Children's Services on a six monthly basis.

6. County Durham Parking Policies
Cabinet Portfolio Holder – Councillor Neil Foster
Contact – Adrian White 03000 267455

We have considered a report of the Corporate Director of Regeneration and Economic Development which sought approval for the County Durham Parking Policies which set out the Council's policies with regard to the provision of on-street and off-street parking across County Durham.

The new County Durham Parking Policies document has been revised to reflect the introduction of Civil Parking Enforcement countywide and it has been updated to reflect changes in guidance on Parking Enforcement and changes to legislation. Whilst the majority of policies from the previous document have been retained, additional policies have been added. The policies within the document aim to address the differing demands of highway users. It includes policies relating to:

- The general application of on and off street parking controls
- The balance of provision of parking controls
- The control of parking for residents
- Disabled Persons Bay provision
- Business parking
- Car Clubs
- Heavy Commercial Vehicles
- New developments, and
- Electric Vehicles

It is expected that the County Durham Parking Policies document be reviewed upon the production of the first North East Combined Authority Transport Plan which is currently due to be adopted in 2017.

Decision

We have agreed to adopt the County Durham Parking Policies Document.

7. Community Led Local Development – Accountable Body Status
Cabinet Portfolio Holder – Councillor Neil Foster
Contact – Andy Palmer 03000 268551

We have considered a joint report of the Corporate Director, Regeneration and Economic Development and the Assistant Chief Executive which sought in-principle approval, subject to conditions, for Durham County Council to become Accountable Body for up to two Community Led Local Development (CLLD) Local Action Group (LAG) areas.

Community Led Local Development is an initiative developed by the European Commission based on the LEADER model of grass roots, bottom-up community development to deliver economic outcomes in the most

deprived areas. This was introduced into the 2014-2020 European Structural and Investment Funds (ESIF) programme as a way of integrating the European Regional Development Fund (ERDF) and the European Social Fund (ESF) at a local level. CLLD aims to increase employment and skills, social enterprise, and social inclusion in order to support the *social* regeneration of deprived areas.

In November 2015, Partnership and Community Engagement (PACE) , working closely with the Funding and Programmes Team in Regeneration and Economic Development, submitted applications for preparatory funding to undertake initial work to look at two potential CLLD LAG areas. In February 2016, the applications were approved which secured a total of £29,900 of ESF and ERDF funding.

The two areas are North Durham CLLD Area – the area of Chester-le-Street, Stanley and the western edge of the Derwent valley AAP area covering a population of 46,824; and the South Durham CLLD Area – this includes the areas of Bishop Auckland, Shildon and Spennymoor with a population totalling 62,548.

Centrifuge were appointed in February 2016 to undertake the preparatory work, working closely with the Area Action Partnerships. The outcomes of the preparatory work, which are conditions of the grant, are:

- Development of a Local Development Strategy (LDS)
- Formation of a Local Action Group
- Identification of an Accountable Body

The Principal AAP Co-ordinators are responsible for the formation of a LAG, the recruitment for which began in May 2016 for both areas. The purpose of this report is to ensure that the third outcome, the identification of an Accountable Body, is approved in principle in advance of the LDS being finalised, and submitted to the ERDF and ESF Managing Authorities (DCLG and DWP respectively) at the end of August 2016.

Durham County Council has been Accountable Body for a number of European Funded programmes and externally funded programmes since the early 1990s. It is anticipated that the functions of the Accountable Body would be shared between PACE and the Funding and Programmes Team. The costs incurred by an Accountable Body in managing the Local Action Group and implementing the investment needed to deliver the local development strategy are an eligible cost for European Regional Development Fund or European Social Fund support. These costs may not exceed 25% of the total amount of public expenditure incurred in delivering the Local Development Strategy. These costs must be based on the actual costs incurred – it is not a flat rate 'management fee'. The ESIF contribution to these costs is likely to be 60%.

The development of the LDS will determine the value of ESIF resources required to deliver the priorities that will be identified to deliver the outputs required for the ESIF resources in each area. This will not be finalised until

late July 2016, and then the decision will rest with the ESF and ERDF Managing Authorities as to how much is available for the LAG areas, once the LDSs have been assessed. Updates will be provided a subsequent Cabinet report as appropriate.

Decision

We have:

- noted the content of this report and:
- given in-principle approval for Durham County Council to become Accountable Body for up to two Local Action Groups.

8. Update on the Office Accommodation Programme and Outline Business Case for a New Headquarters Cabinet Portfolio Holders – Councillors Alan Napier and Neil Foster Contact – Sarah Robson 03000 267333

We have considered a joint report of the Corporate Director, Regeneration and Economic Development and the Assistant Chief Executive which provided an update on progress made in respect of the Office Accommodation Programme and in particular the outcomes of the Outline Business Case for the proposed new headquarters (HQ). The report outlined the preferred option for the new HQ for the Council and sought approval to move to the next stage of the programme being the preparation of the Full Business Case for the preferred option.

Cabinet agreed in principle in July 2015 to move the Council's headquarters from the Aykley Heads site to significantly smaller headquarters in a Durham city centric location. Both of these in principle decisions were subject to the completion of an outline business case (OBC). The OBC has been completed in accordance with HM Treasury's Guidance for Public Sector Business Case (The Green Book Five Case Model) with the Support of Deloitte RE consultants. The process includes consideration of the strategic, economic, commercial, financial and management cases.

A following short list of options was considered through this process:

- **Do minimum – refurbishment of the existing County Hall and minimal, incremental changes at the strategic sites** - This option was considered as one which would involve the least change from the existing provision and included the minimum work required to enable the building to meet the New Ways of Working standards, but, it would inhibit the development opportunities in terms of the Strategic Employment Site. This option was included for reference purposes only as it does not meet the strategic objectives of the release of the Aykley Heads site for regeneration purposes. It is however an important element of the OBC process.
- **New build core headquarters by DCC on DCC land at Aykley**

Heads and remodelling of the strategic sites - This option was included as it enables a new HQ to be provided in Durham City on a site of open land where construction risks are known to be minimal but constrains the development opportunities in terms of the Strategic Employment Site. Again, this option was included for reference purposes as it inhibits the maximisation of the Aykley Heads site for regeneration purposes. It is however an important element of the OBC process.

- **Move to a new city centre core headquarters (freehold) on developer owned land and remodelling of the strategic sites** - This option was included as it was considered that wider economic benefits could be achieved by establishing a core HQ in the centre of Durham City and maximising the area for development on the Aykley Heads site.
- **Move to a new city centre core headquarters (leasehold) on developer owned land and remodelling of the strategic sites** - This option was included as it was considered that wider economic benefits could be achieved by establishing a core HQ in the centre of Durham City and maximising the area for development on the Aykley Heads site. A leasehold option allows the Council to minimise its upfront capital investment.
- **New building core headquarters by DCC on DCC land in the city centre and remodelling of the strategic sites** - This option was included as it provided the Council with an alternative option in the centre of Durham City, which would achieve wider economic benefits and still maximise the area for development on the Aykley Heads site.

Taking into account the work undertaken as part of the OBC, option 3 was considered to present the best option moving forward to a full business case due to a number of factors apparent at this stage:

- Best fit with the strategic objectives;
- Additional private sector jobs available on the strategic employment site and a diversification of the Durham economy;
- Additional GVA contribution to the local economy and stimulating wider economic development in the city centre;
- Risk transfer to the private sector.

The first phase of the full business case would further test this position. It was also recommended that Option 5 be considered as part of the procurement exercise to ensure that the market responds in a competitive manner.

Decision

We have:

- a. Noted the progress to date and the conclusions drawn from the work undertaken to complete the Outline Business Case.
- b. Agreed to extend the programme to Full Business Case stage in taking forward Option 3 as the preferred delivery route and that Option 5 be retained as a viable option, with a further report to be brought to Cabinet in September 2017.

9. Medium Term Financial Plan (7), Council Plan, Service Plans 2017/18-2019/20 and Review of the Local Council Tax Reduction Scheme 2016/17
Key Decision CORP/R/16/02
Leader and Deputy Leader of the Council – Councillors Simon Henig and Alan Napier
Contact – Jeff Garfoot 03000 261946

We have considered a joint report of the Interim Corporate Director Resources and the Assistant Chief Executive which provided an update on the development of the 2017/18 budget, the Medium Term Financial Plan (MTFP(7)) and Council Plan/Service Plans 2017/18 to 2019/20 and a review of the Local Council Tax Reduction Scheme.

The Chancellor of the Exchequer's 16 March Budget reported a further deterioration in the public finances. At this stage however the government have stated that this deterioration in the public finances will not result in a change to the four year settlement provided to local authorities in February 2016.

Access to the four year settlement is contingent on the council publishing an 'Efficiency Plan'. There was no prescriptive guidance on what constituted an acceptable plan and the Council's Medium Term Financial Plan approved by Council on 24 February 2016 is deemed to satisfy the requirement.

The national finances however continue to face significant uncertainty. The performance of the economy is not meeting government expectations, which is likely to result in the deficit reductions being missed again. There is also the significant uncertainty in relation to the result of the European Referendum which could also impact upon the economy, with the Chancellor of the Exchequer warning of the need to review government spending plans should there be a "Brexit", which could impact adversely on the public sector.

The full impact of the Referendum result is not yet clear in terms of the future funding outlook for Local Government and for the Council.

Immediately after the result the Bank of England announced plans for further quantitative easing and many commentators are now predicting a further cut in base rates to help stave off inflationary pressures in the coming months. On 1 July, 2016 the Chancellor of the Exchequer announced that the Government was abandoning its plans to return the public finances to a surplus position by 2020. This target was one of the prime drivers of the austerity programme and

has been set aside at this stage in response to the “economic shock” being caused by the result of the referendum.

At this stage the Council is planning on the basis of the four year settlement previously provided by government but recognises that additional funding reductions from government could still be forthcoming. The Council may need to review the MTFP projections and its savings requirements over the coming months in light of the impact of the Referendum result.

In line with announcements in the February 2016 final local government finance settlement the government has started the process of moving towards 100% Business Rate Retention. The planning process includes a fundamental review of the method for funding local government. Although government has confirmed that 100% Business Rate Retention will not be introduced until at least 2019 the planning process will need to be extensive. At this stage it is assumed that the introduction of 100% Business Rate Retention will be cost neutral, however, over time this assumption may need to be amended.

Although the four year settlement from government is unchanged to that reported to Council in February 2016, in line with previous practice the MTFP Model has been reviewed. Savings of £64.1million will be required to balance the budget over the 2017/18 to 2019/20 period.

The achievement of an additional £64.1million of savings over the next three years will be extremely challenging and will have an increased impact on front line services. The emphasis since 2011/12 has been to minimise savings from front line services by protecting them wherever possible whilst maximising savings in management and support functions. This is becoming much more difficult however, as the scope for further savings in managerial and back office efficiencies are becoming exhausted following the delivery of £181.5million of savings by 31 March 2017.

This report contained the details of proposed savings options for 2017/18 which will be consulted on as part of the development of MTFP(7). Including the proposed savings options being considered at this stage in the budget planning process will give an opportunity for early consultation and dialogue on savings which will inevitably impact upon front line services. This early consultation and feedback from the public, service users and stakeholders will inform final decisions on MTFP(7) in February 2017 and allow the council to put processes in place to make the savings in a timely manner.

The total savings options for 2017/18 included in the report total £29.1million. Based upon the current savings requirement for 2017/18 this leaves a shortfall of £8.2million in 2017/18 at this stage. This would require the council to utilise £8.2million of the Budget Support (BSR) Reserve, which presently stands at £28.4million following the use of £1.622million in 2016/17, to bring the budget into balance. Alternatively, the Council could opt to make further savings to bring the budget into balance. These options will be kept under review in the coming months as the budget decision making process develops and in light of feedback from the consultation process. The balance on the Budget Support Reserve would be £20.178million at 31 March 2018.

The Council along with Northumberland are the only two local authorities in the North East to have retained entitlement levels for Council Tax support within the Local Council Tax Reduction Scheme (LCTRS) in line with that which applied under the national Council Tax Benefit regime prior to 2013/14. The policy has protected vulnerable residents at a time when welfare reform changes have had a significant adverse impact. This report recommended that the Council agree to retain the current LCTRS for a further year into 2017/18.

Decision

We have:-

- (i) Agreed to commence a consultation process on the savings options detailed in Appendix 3 of the report.
- (ii) Noted the forecast utilisation of £8.177million Budget Support Reserve 2017/18 to balance the budget.
- (iii) Noted the requirement to identify additional savings of £32.251million for 2018/19 and 2019/20.
- (iv) Agreed the approach to preparing the Council Plan and Service Plan.
- (v) Agreed the high level MTFP(7) and Council Plan timetable.
- (vi) Agreed the approach outlined for consultation.
- (vii) Noted the forecast workforce impact resulting from the need to realise additional savings of £64.1million over the 2017/18 to 2019/20 period.
- (viii) Agreed the proposals to build equalities considerations into decision making.
- (ix) Agreed that Cabinet recommend to Full Council that the Local Council Tax Reduction Scheme should remain unchanged for 2017/18.

**Councillor S Henig
Leader of the County Council**

13 September 2016