



## RECORD OF EXECUTIVE DECISIONS

The following is a record of the decisions taken at the meeting of **CABINET** held on **Wednesday 14 September 2022**. The decisions will come into force and may be implemented from **Tuesday 27 September 2022** unless the Corporate Overview and Scrutiny Management Committee or its Committees object to any such decision and call it in.

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### **Providing a sustainable solution for Durham Community Business College, part of the former Durham Federation**

#### **Summary**

The Cabinet considered a joint report of the Corporate Director of Children and Young People's Services and Corporate Director of Resources that outlined a course of action that could be taken by the council to ensure the provision of a sustainable education offer for pupils attending Durham Community Business College (DCBC), avoiding closure of the school and the significant pressure this would place upon the Durham Central planning area.

The report recommended that Cabinet write off the deficit budget of Durham Community Business College (DCBC), in order that the school joined a strong and established Multi-Academy Trust. This solution was needed to secure the school's sustainability, improve educational outcomes and ensure the sufficiency of pupil places within the Durham Central planning area.

DCBC were part of a federation of two schools from 2009. Both DCBC and its federated partner, Fyndoune Community College, which had since closed, were both inspected by Ofsted and deemed to be 'Inadequate' in September 2014 and subsequently were issued with an Academy Order.

Bright Tribe was the DfE initial sponsorship choice and started to run the school from 2015 until the Trust was investigated for fraudulently using public funds in running its 10 allocated schools. In 2016, Bright Tribe was removed from sponsorship of the Durham Federation.

Pupil numbers had already been significantly reduced by the school's Inadequate inspection report in 2014 but later suffered further reputational damage through a range of school leadership issues.

On Bright Tribe's removal, the DfE failed, for a number of years, to secure another sponsor and Durham Federation reverted to Local Authority control in

2018. This culminated in the amalgamation of both DCBC and Fyndoune Community College into one school with a single URN from 12 April 2021.

The school had operated with a licenced deficit for 3 years but had made significant reductions in its spending to limit the extent of this accumulated deficit. These cost reductions were not sustainable and would inevitably compromise the quality of curriculum offered to all pupils.

A Durham-based multi academy trust, the Advance Learning Partnership (ALP) provisionally expressed interest in taking DCBC into their MAT on condition the financial risk was nullified through the removal of any budget deficit prior to transfer. The Council had a strong and effective working relationship with the Trust and had worked successfully with ALP on other academisation projects in the past.

DfE supported the move, identified the need to preserve pupil places within the central Durham pupil place planning area and had committed to financial support around some of the capital projects identified by the Trust.

Academisation would take place from 1 January 2023 providing all due diligence activities were successful and that the current deficit situation was addressed. This was supported by the DfE and accepted by the RSC Headteacher board in June 2022.

## **Decision**

The Cabinet

- (a) agreed to write off the accumulated deficit budget of Durham Community Business College (DCBC) at the point of conversion, in order that the school joined a strong and established Multi-Academy Trust. This would deliver a financially viable solution for the school's future and improve the quality of education for the communities affected;
- (b) agreed to the cost of writing off the deficit to be met from the School's earmarked reserves;
- (c) that the Corporate Director of Resources have the delegated authority to determine the final amount of deficit to be written off. This would continue to be closely monitored through quarterly budgetary control reports.

## **Forecast of Revenue and Capital Outturn 2022/23 – Period to 30 June 2022 and Update on Progress towards achieving MTFP(12) savings**

### **Summary**

The Cabinet considered a report of the Corporate Director of Resources that provided information on the following:

- (a) the initial forecast revenue and capital outturn for 2022/23, based on the position to June 2022;
- (b) the forecast for the council tax and business rates collection fund position at 31 March 2023, based on the position to 30 June 2022; and
- (c) details of the forecast use of and contributions to earmarked, cash limit and general reserves in 2022/23 and the estimated balances that would be held at 31 March 2023.

The report also sought approval of the revised capital programme 2022/23, other budget adjustments and proposed sums treated as outside of the cash limit in year and provided Cabinet with an update on progress towards achieving MTFP(12) savings in 2022/23.

During the last two financial years the council had faced unprecedented budget pressures as a consequence of the Covid-19 pandemic. Across that period the government provided significant additional funding to local authorities to ensure they were able to respond and manage the financial challenges faced.

In County Durham, the funding received more than offset the costs incurred, net of Covid-19 related underspending, over the last two years, but no further funding was available to the Council to offset any legacy impacts arising from the pandemic.

In 2022/23 the council was facing a new financial challenge, mainly resulting from the impact of the Ukraine conflict. Consumer Price Inflation (CPI) in the UK economy was presently 9.4% but was forecast to peak early in 2023 at circa 13% and this was driving significantly upward pressure across a range of expenditure budgets. Specific areas of council spend were well in excess of the current CPI level of 9.4%, especially in relation to energy, fuel and external contracts where energy and fuel were a major factor, such as waste disposal and in home to school transport.

The risk arising from escalating inflation, which was also impacting household incomes and placing a squeeze on household incomes, was recognised during the 2021/22 final outturn. On 13 July 2022 Cabinet agreed to the

creation of a Budget Support Reserve of £10 million to assist with cost inflationary pressures in 2022/23.

The current levels of inflation had resulted in the Local Government Employers making a revised pay offer for 'Green Book' employees (covering the vast majority of council employees) of a flat rate increase of £1,925 per annum. This offer equated to a 6.6% increase in the council's pay bill, whereas the 2022/23 budget had provision for up to 3.25%. If settled at this level, this would add a forecast circa £6.5 million per annum to council costs.

At this stage it was not expected that local authorities would receive any additional financial support from the government in 2022/23 and would need to rely upon available reserves to finance any 2022/23 overspends. Of more concern at this stage was what the financial settlement may be for local government in 2023/24. A consultation document on a two year local government finance settlement for 2023/24 and 2024/25 was expected to be published in July 2022. This had however been delayed due to the resignation of the Prime Minister and subsequent leadership process and it was not clear at this stage when or if the consultation would be published and whether a two year settlement was now likely.

The impact of inflation was resulting in significant overspends in 2022/23 and was also resulting in additional forecast costs across the MTFP(13) planning period. The impact of inflation upon the MTFP(13) forecasts would be reported to Cabinet in October 2022.

Based on the position to 30 June 2022 service grouping cash limit budgets were forecasting an overspend of £27.478 million. A sum of £8.294 million was available in general contingencies to part finance the pay award, resulting in a net cash limit overspend of £19.184 million.

Within these forecast that were a range of unavoidable other budget pressures being experienced by service groupings in 2022/23 as a result of high levels of inflation. Budget pressures such as energy, waste disposal and transport would be covered corporately. Sums covered corporately were forecast to be £14.124 million resulting in a residual net cash limit overspend of £5.060 million.

At quarter one, Children and Young People's Services were forecasting a cash limit overspend of £4.865 million. The service did not have a cash limit reserve to offset this overspend so, as in previous years, this overspend would need to be financed from the General Reserve.

Overall, it was estimated that the council's 2022/23 budget would be overspent by £14.643 million, representing 2.84% of the net expenditure budget of £516.496 million. A sum of £0.195 million was within the cash limit budgets with £14.448 million to be covered corporately. The £10 million Budget Support Reserve created to finance inflation related pressures in

2022/23 would be fully utilised leaving £4.448 million to be financed from the General Reserve resulting in a forecast end of year balance of £21.450 million.

There were a wide range of assumptions that had been made in relation to expenditure and income over the remainder of the financial year. Cabinet would be receiving quarterly reports on outturn forecasts throughout the year.

Total earmarked and cash limit reserves (excluding school reserves) were forecast to reduce by £42.288 million in 2022/23, from £235.529 million to £193.241 million.

The forecast cash limit and general reserves position was still considered to be prudent given the financial uncertainties facing local government beyond 2022/23. The MTFP(13) report to Cabinet on 13 July 2022 highlighted ongoing budget concerns for the council with a forecast savings shortfall of £54.845 million over the 2023/24 to 2026/27 period. Those forecasts were prepared before the quarter one forecasts were completed and in reality, it was likely this sum would be higher than the latest reported forecast due to the ongoing inflationary increases, with the delivery of further savings becoming ever more challenging to achieve.

The projected capital outturn this year was £255.538 million, with the capital budget having been augmented with reprofiled budget from underspending against the 2021/22 capital programme.

The forecast outturn for the Council Tax Collection Fund showed an in-year surplus of £0.499 million, but a cumulative deficit of £2.589 million to 31 March 2023 after accounting for the deficit brought forward from 2021/22 and the third and final instalment of the phasing of the 2020/21 deficit (£1.907 million). Durham County Council's share of this net deficit would be £1.758 million.

The forecast outturn for the Business Rates Collection Fund was an in-year deficit of £3.702 million, but a cumulative deficit of £2.871 million after taking into account the 2021/22 undeclared surplus. Durham County Council's share (49%) of this was £1.407 million.

The in year business rates deficit, was offset in the General Fund by the receipt of additional Section 31 grants of £4.005 million.

The in year collection rates for both Council Tax and Business Rates had increased from 2020/21 and 2021/22 following the re-instating of full formal recovery action from June 2021, though were not yet back to pre-pandemic levels.

As at 30 June 2022 the council had delivered savings totalling £1.917 million, which was 79% of the £2.427 million savings target for the year.

## **Decision**

The Cabinet

- (a) noted the council's overall forecast financial position for 2022/23 and the continuing uncertainty associated with the outturn forecast resulting from the significant inflationary cost pressures and ongoing covid-19 impacts on income as set out in the report;
- (b) agreed the proposed 'sums outside the cash limit' for approval as set out in the report;
- (c) agreed the revenue and capital budget adjustments outlined in the report;
- (d) noted the forecast use of earmarked reserves in year;
- (e) noted the forecast end of year position for the cash limit and general reserves;
- (f) noted the inflationary pressures which were forecast to be managed from the Budget Support Reserve and from the General Reserve;
- (g) noted the position on the capital programme and the Collection Funds in respect of Council Tax and Business Rates; and
- (h) noted the amount of savings delivered to 30 June 2022 against the 2022/23 targets and the total savings that would have been delivered since 2011.

## **Corporate Parenting Panel Annual Report 2021-22**

### **Summary**

The Cabinet considered a report of the Corporate Director of Children and Young People's Services that presented the Corporate Parenting Panel Annual Report April 2021 – March 2022 for endorsement.

The Annual Report 2021-22 was agreed by the Corporate Parenting Panel at its meeting on 19 July 2022.

This was the fifth Annual Report of the Corporate Parenting Panel, following the changes to political oversight.

### **Decision**

The Cabinet

- (a) noted the content of the Corporate Parenting Panel Annual Report.
- (b) endorsed the Corporate Parenting Panel Annual Report

## **Health & Care Integration**

### **Summary**

The Cabinet considered a report of the Corporate Director of Adult and Health Services to update Cabinet about potential changes to health and care integration and sought agreement to a preferred option for discussion with health and care partners and sought agreement to present further reports following those discussions with health and care partners.

The Health and Care Act 2022 received Royal Assent on 28 April 2022. The Act included provisions to strengthen health and care integration which the Government set out in more detail in the Integration White Paper (February 2022).

Alongside other measures, the Integration White Paper offered 5 options for partnership working between health and social care at a place-based level. These options had been developed by NHS England with the Local Government Association. 'Place' was defined as upper tier Local Authority areas, for the Council, those were the boundaries of County Durham.

The Integration White Paper asked that health and care partners implemented one of the 5 options in their 'places' by April 2023.

The County Durham Care Partnership (CDCP) had discussed the 5 options available and had expressed a preference for a Joint Committee to:

- (a) Be co-produced with the North East and North Cumbria Integrated Care Board (ICB);
- (b) Operate in 'shadow form' from October 2022, as detailed Government guidance was not currently available;
- (c) Be fully operational from April 2023.

### **Decision**

The Cabinet

- (a) noted the potential changes to health and care integration set out in the Health and Care Act 2022 and the Integration White Paper (February 2022);

- (b) agreed the preferred option for future health and care integration was a Joint Committee to be:
- co-produced with the ICB;
  - operate in 'shadow form' from October 2022;
  - fully operational from April 2023.
- (c) noted that further detailed discussion was needed with health and care partners and, that Government guidance may be published which would have an impact on the preferred option;
- (d) Requested further reports were presented following discussions with health and care partners with more detailed proposals for consideration.

## **County Durham Pound Project Update**

The Cabinet considered a report of the Corporate Director of Resources that provided an update on the progress and the proposed next steps of the County Durham Pound project which was initiated following Cabinet approval of the Social Value and Wealth Building Report on 13 January 2021.

On 13 January 2021 Cabinet approved a report on Social Value and Wealth Building. This report set out a proposal to improve the social value and local wealth building outcomes for the community in support of the Council Plan and the response to the COVID-19 outbreak via restoration and recovery objectives. The proposal included 10 initiatives to enable the Council and its local partners to support the report objectives.

One of the key initiatives was the use of a County Durham Partnership to establish a 'County Durham Family' procurement network to improve place-based procurement and local spending, collaborative sourcing and social value impact.

To help facilitate this initiative the Head of Procurement, Sales and Business services put forward a bid to obtain funding from the Contain Outbreak Management Fund (COMF) in relation to Social Value and Local Wealth Development in County Durham, designated the 'County Durham Pound' project. The bid was successful and resulted in £260K of funding being awarded.

The funding was integral in providing the support and infrastructure necessary to initiate the County Durham Pound project in relation to the following critical elements:

- (a) Professional services in relation to spend analysis across all partners
- (b) Professional services to enhance knowledge and expertise in relation to social value, training/delivery of social value via procurement exercises and local needs analysis across County Durham
- (c) Appointment of collaborative resource to support all aspects of the programme
- (d) Communications and marketing to promote the County Durham Pound programme

The funding opportunity and then subsequent funding availability was outlined to partners in a series of overarching County Durham Pound meetings. The first meeting in January 2021, set the scene with the next meeting in May 2021 allowing presentations from professional services partners, Social Value Portal (SVP) and Centre for Local Economic Strategies (CLES), with the programme then gathering pace as the Council moved from theory to practical implementation of the project. The Council had also held 1-2-1 meetings with partners to facilitate and encourage engagement and address any areas of concern.

The County Council had also been careful, however, to ensure that this was not seen as a Council led programme but a collective collaboration between willing partners for the benefit of the residents of County Durham. Partners had been increasingly engaged and were now active participants and leaders in the project and meetings as collaboration intensifies.

The current project partners included public sector organisations plus Northumbria Water, and had specifically not included private sector companies, particularly those who commercially competed for business with the current partners, but a future consideration could be expanding the project to include County Durham based companies to be “Supporters” of the County Durham Pound, and also Federation of Small Businesses and discussions had already commenced with Amazon in this regard.

Cabinet were provided with an overview of the County Durham Pound Project Timeframe outlining outcomes and deliverables achieved and ongoing actions.

The following outcomes had been delivered or were anticipated to be finalised:

- (a) Spend analysis training was undertaken with each partner subsequently providing the requisite spend information across their top 300 suppliers for aggregated analysis by CLES. The analysis of a spend of almost £926 million provided the

opportunity to identify local leakage and enhancement of local and regional supplier engagement. (CLES)

- (b) Statement of Intent drafted and agreed ready for signature by relevant senior management across 12 partners to commit formally to the social value work the Council were collectively engaged in. Appendix 3 of the report provided an overview of the 12 partners involved. (SVP)
- (c) Local Needs analysis to identify the priorities of all the partners coordinated by SVP and Council colleagues. (SVP)
- (d) Overarching Social Value Strategy for County Durham Pound had been developed to act as a tool to communicate what we all as partners were seeking to do and how (SVP)
- (e) Appointment of a locally based Social Value Coordinator employed by SVP but based in the Council's procurement team to provide a collaborative resource across the project. (SVP)
- (f) Development, and subsequent training on, new County Durham Family 'Themes Outcomes and Measures' toolkit for use in procurement exercises to extract social value from the procurement process (SVP)
- (g) Knowledge Hub website to keep the people of County Durham informed of the project's progress and create a space for them to send their ideas and feedback (SVP)
- (h) Production of a series of promotional videos by a locally based provider, 3Point Media, highlighting social value delivery including those via collaborative projects involving collective engagement between partners (3 Point Media).

Cabinet noted that the approach to the County Durham Pound Project complements the actions in the Poverty Action Plan and the Inclusive Economic Strategy

## **Decision**

The Cabinet

- (a) noted the progress made to date and supported ongoing progression of the County Durham Pound project;
- (b) agreed to the signature of the Statement of intent by the Council's Chief Executive; and
- (c) agreed to development of appropriate communications via Communications and Marketing teams across the partners.

## **Maintained Schools Budget Plans and Permission to Set Deficit Budgets 2022/23**

### **Summary**

The Cabinet considered a report of the Corporate Director of Children and Young People's Services that highlighted that schools had delegated budgets and carry forward surpluses and deficits from year to year. The report set out the responsibilities of the Governing Bodies and the Council with regards to agreeing budgets.

The report provided an overview of maintained schools' budget plans for 2022/23, as agreed by the relevant Governing Bodies and highlighted where the Corporate Director of Resources had exercised his judgement in terms of approving the setting of deficit budgets, in accordance with the Council's constitution and the Scheme of Financing for Schools.

The main source of funding for mainstream primary and secondary schools was the funding formula, which was largely driven by pupil numbers attending the school. More information was provided about this at Appendix 2 of the report.

At 31 March 2022, maintained schools had a net cumulative surplus balances of £28.652 million, which was an in year increase of £2.039 million on their net balances held at 31 March 2021.

The initial budget plans agreed by schools for the current financial year indicated an in-year use of £7.321 million of their retained balances, reducing the forecast retained balances to £21.331 million at 31 March 2023.

The Quarter 1 forecast position indicated schools would need to utilise £17.673 million of retained balances in-year, reducing the forecast retained balances to £10.979 million at 31 March 2023.

The deterioration in the financial position for schools reflected the impact of unfunded inflationary pressures, for pay awards and energy costs in year which were forecast to outstrip the initial budget planning assumptions.

Seven maintained schools had deficit balances at 31 March 2022. The initial 2022/23 budget plans for two of these schools (Durham Community Business School and Wellfield) had resulted in the Corporate Director of Resources having to exercise his judgement in terms of approving the setting of a licensed deficit budget in 2022/23, in accordance with the Council's constitution and the Scheme of Financing for Schools. The other five schools that had a deficit balance at 31 March 2022 had set budgets for 2022/23 which sought to fully recover the deficit at 31 March 2022 in year.

The approved accumulated deficits of the schools that had set a deficit budget in 2022/23 was £3.576 million. In both cases the schools were budgeting for in-year surpluses in order to reduce their accumulated deficits in year.

One of the schools that had had a licensed deficit approved (Durham Community Business School) was due to convert to be sponsored by a Multi-Academy Trust later this financial year. The licensed deficit at the point of conversion would be written off and charged against the Schools Reserve, which had a balance of £5.239 million at 1 April 2022, having been utilised to write off deficits totalling £0.119 million last year.

## **Decision**

The Cabinet

- (a) noted the contents of the report; and
- (b) noted the action taken under delegated powers by the Corporate Director of Resources to approve licensed deficits for two schools in 2022/23.

Helen Lynch  
Head of Legal & Democratic Services  
16 September 2022