RECORD OF EXECUTIVE DECISIONS

The following is a record of the decisions taken at the meeting of **CABINET** held on **Wednesday 18 January 2023**. The decisions will come into force and may be implemented from **Monday 30 January 2023** unless the Corporate Overview and Scrutiny Management Committee or its Committees object to any such decision and call it in.

Medium Term Financial Plan 2023/24 to 2026/27 and Revenue Budget 2023/24

Key Decision: CORP/R/22/01

Summary

The Cabinet considered a report of the Corporate Director of Resources which provided an update on the development of MTFP(13), covering the period 2023/24 to 2026/27 and on the development of the 2023/24 revenue budget in the light of the Chancellor of the Exchequer's Autumn Statement in November and the provisional local government finance settlement published on 19 December 2022.

The report included updated financial forecasts, building on the figures previously considered by Cabinet in October 2022, together with the outcome of the MTFP(13) budget consultation process.

On 17 November 2022 the Chancellor of the Exchequer published an Autumn Statement (AS). The timing and content of the AS was vital due to the need to calm financial markets following the fiscal event (mini budget statement) in September 2022, which came at a time of high inflation and led to widespread uncertainty and reductions in the value of the pound followed by rapid increases in interest rates. The AS 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.

It was widely expected that the AS would result in funding reductions for the public sector, particularly previously unprotected departments such as the Department for Levelling Up, Communities and Communities, alongside a potential cap on public sector pay increases, due to the significant increases in the forecast of annual national deficits over the coming years - a combination of post Brexit economic challenges, the ongoing impact of the pandemic upon the economy and the poor outlook for the economy in the medium term.

In making the AS, the Chancellor of the Exchequer however deferred decisions on any significant funding reductions in the public sector until the next parliamentary period, with reductions now expected in the period 2025/26 to 2027/28. In the next two years, in recognition of the significant inflationary pressures being faced, additional funding was provided to the health service, education and to local government, as well as local government being provided with additional council tax raising flexibilities.

The additional funding being provided will result in an improved financial outlook for the council in the short term, with budget shortfalls reducing from those reported to Cabinet on 12 October 2022, where it was previously forecast that savings required over the next four years (assuming the Council maximised its council tax raising powers at that time) would be £52.569 million with £37.389 million of this falling into 2023/24.

The updated forecasts included in the report highlight that once the available government funding, taxbase growth, updated base budget pressures, and an assumption that the council raises council tax by the maximum sums available, the savings required over the next four years has reduced to £41.041 million, with £25.614 million of this falling into 2023/24.

The AS announced additional funding to meet rising demographic and costs pressures in social care (both adult and children social care) with specific grant funding also provided in order to focus investment to facilitate early discharge of patients from hospital into the community. In this regard local government was allocated £400 million as a Market Sustainability and Improvement grant in 2023/24, rising to £680 million in 2024/25 to be focussed on early discharge from hospital.

There was also an increase in the Better Care Fund nationally, with an additional £600 million allocated in 2023/24 rising to £1 billion in 2024/25. This funding is ring-fenced and must be pooled within the Better Care Fund and will be shared 50%/50% between the NHS and Local Authorities, with local investment plans to be agreed with the Integrated Care Board.

Significantly, the AS also announced the deferral of the planned Adult Social Care Reforms from October 2023 to October 2025 i.e., after the next General Election. These reforms included the introduction of revised means tests for adult social care charging and the introduction of a £86,000 cost care cap, as well as a requirement for authorities to undertake a review and implement changes which demonstrated that they were moving towards the payment of a fair cost of care to providers.

Whilst the reforms have been deferred, the funding previously allocated to the Market Sustainability and Fair Cost of Care Grant associated with these new policies is to be retained and repurposed into the Social Care Grant – to help upper tier authorities to meet demographic and costs pressures in social care (both adult and children social care).

The sums being made available to local government are £1.265 billion in 2023/24 rising to £1.877 billion in 2024/25. The AS announced that this funding would be provided to local authorities via the current Social Care grant distribution methodology, which takes into account council tax raising capacity, and was being made available to assist local authorities to address budget pressures in both children's and adult's social care.

The AS announced additional council tax flexibilities for local authorities. The current council tax referendum limit is 1.99% but from 2023/24 this will be increased to 2.99%. Upper tier local authorities were also provided with the powers to increase council tax by an additional 2% in 2023/24 and in 2024/25 for an adult social care precept. This means that upper tier local authorities now have the ability to increase council tax by up to 4.99% in both 2023/24 and 2024/25, with a clear expectation from government that these authorities do so in order to help meet the extraordinary inflationary pressures they are facing and to help protect front line services as far as possible. Every 1% of council tax increase generates the council circa £2.6 million of additional income.

By increasing the council tax by 4.99% instead of the previously forecast / assumed 2.99%, the council will be able to reduce the savings required to balance the budget by circa £5.1 million next year and the year after and by circa £2.6 million in 2025/26 and 2026/27, reducing the cuts / savings required by circa £15.4 million over the MTFP(13) planning period.

In 2022/23 the council had the flexibility to increase council tax by 1.99% for the referendum limit and by up to 3% for the adult social care precept. After due consideration council agreed to limit the 2022/23 council tax increase to 3% for the adult social care precept only and to forego the 1.99% base council tax increase rather than increasing council tax by the maximum 4.99%, which is what the government expectation was (this is baked into the Core Spending Power calculations) and what the majority of other upper tier councils did. This resulted in the loss of circa £5 million of council tax raising capacity within the base budget.

In County Durham 83% of all households reside in properties that are in Bands A-C. A 4.99% increase in the council's council tax charge would result in an increase of between £1.12 and £1.50 per week for these residents. The circa 54,000 households on low incomes who qualify for support through the Local Council Tax Reduction Scheme, many of which would qualify for 100% support and pay no council tax, would be protected from any increase either in full or in part.

The AS confirmed that the National Living Wage would increase by 9.7% from April 2023, higher than the forecast 8.6% that was included in the previous MTFP forecasts, adding circa £3.4 million of additional budget pressure into 2023/24 and £0.4 million into 2024/25. It was also confirmed that local authorities would not fall within the energy price cap arrangements post April 2023, exposing local authorities once again to energy price volatility for 2023/24 although clear guidance on this is still awaited. The budget pressure remains at £9 million for energy price inflation next year at this stage.

In the AS there was no information published on the Fair Funding Review, the New Homes Bonus, Revenue Support Grant levels or on the Lower Tier Services Grant.

On 12 December 2022 the Department for Levelling Up, Housing and Communities (DHLUC) published a Policy Statement which provided further detail on potential distribution methodology, including confirmation that the Fair Funding Review would not take place until after the next General Election.

The provisional local government settlement was published on 19 December 2022, with the final settlement expected to be confirmed in February 2023. The provisional settlement confirmed the additional funding forthcoming to local government that was announced in the AS and the allocation methodologies for 2023/24. It was a one year settlement again, so whilst the additional sums for 2023/24 were detailed, at this stage there are no approvals for 2024/25. Forecasts have been included as to what the sums forthcoming may be for 2024/25.

The provisional settlement confirmed the additional allocation for the council from the Better Care Fund of £4.327 million in 2023/24. Although the sum for 2024/25 was not confirmed it is forecast that this sum will increase to circa £7.1 million in 2024/25. This grant is ring fenced and will be pooled with a similar allocation to the NHS to be utilised to facilitate early discharge of patients from hospital. An additional sum of £4.704 million in 2023/24 was confirmed from the renamed (and repurposed) Market Sustainability and Improvement Grant with a forecast additional £3.2 million in 2024/25.

After discounting specific grants being transferred into the Social Care Grant from next year, the council will receive an additional sum of £17.066 million in 2023/24, with a forecast additional sum of £7.800 million in 2024/25. These sums will not however fully address the demographic and price inflationary pressures in Children and Adult Social Care alone (excluding pay inflation and energy) of £36.7 million in 2023/24 and £19.7 million in 2024/25.

After the discounting of specific grants being transferred into the Revenue Support Grant from next year the settlement also confirmed a 10.1% Consumer Price Inflation (CPI) uplift in Revenue Support Grant of £2.952

million as well as a CPI uplift in business rate retention funding of £15.1 million in 2023/24.

Unfortunately, the provisional settlement also announced a reduction in the Services Grant of £3.831 million in 2023/24 with a forecast additional reduction of £0.120 million in 2024/25, partly due to the removal of funding provided to finance the now withdrawn 1.25% employers' national insurance increase but also to facilitate a transfer of this funding to finance increases in Supporting Families funding. Alongside this reduction, the New Homes Bonus and Lower Services Tier grants have also been reduced by £3.008 million in 2023/24 to provide a guaranteed funding increase in the main for district councils. It is forecast that the remaining 2023/24 payment of New Homes Bonus of £1.860 million will be fully withdrawn in 2024/25.

The provisional settlement also confirmed £100 million of additional funding for local authorities to support the most financially vulnerable households in England in 2023/24 with meeting their council tax costs. The Council Tax Support Fund is aimed at providing further support to those low income vulnerable households already receiving Council Tax Reduction Support. Durham has been allocated £1.440 million to offer further reductions of up to £25 per claimant to those facing financial hardship – targeted at those already in receipt of some element Local Council Tax Reduction Scheme (LCTRS) for 2023/24 but still left with a bill to pay.

In overall terms, the provisional settlement provided some much needed additional funding, which will reduce the savings requirements over the next two years, particularly in 2023/24. The additional funding received by the council next year is £39.792 million, however, unavoidable cost pressures total £81.906 million, leaving £42.114 million to fund from a combination of council tax increases, business rates tax base changes, savings and efficiencies and council reserves in order to balance the budget.

It is of significant concern however that there is a likelihood of funding reductions for the public sector from 2025/26 onwards. The AS announced that for the period 2025/26 to 2027/28 public sector funding will increase by 1% in real terms. This would intimate that the public sector funding will increase by 1% above inflation. On the basis that health, education and defence would likely be protected, this will likely lead to some tough grant reductions for that period for unprotected government departments such as the Department for Levelling Up, Housing and Communities. At this stage, for modelling purposes, it is assumed that grant settlements for the council will be cash flat for the period 2025/26 to 2026/27. This may prove to be an optimistic assumption.

To ensure budgets can be balanced, whilst further clarity is sought and to provide time to work up proposals to reduce expenditure to address the underlying budget position, the October Cabinet report highlighted that a thorough review of all earmarked reserves was to be undertaken to ensure that corporate reserves are in place to ensure the council can set balanced budgets.

This review has been completed and the report sets out details of the earmarked reserves to be re-prioritised and the transfer of funding to the ER/VR reserve and to the MTFP Support Reserve, to provide capacity to balance the budget over the medium term, together with a proposed transfer to the Commercial Reserve.

Following the report to Cabinet in October, consultation was undertaken on the strategy set out in that report for balancing the Councils budget next year (2023/24), which included a set of proposed savings, proposed Council Tax increases and the utilisation of reserves, and on the MTFP financial forecasts / outlook for the Council.

Presentations have been made to the 14 Area Action Partnership Boards, and to key partners in the County Durham Partnership (CDP). Officers also attended meetings of County Durham Association of Local Councils (CDALC) and the Youth Council and met with Trade Unions representatives during the period of the consultation, which ran from 25 October 2022 to 22 November 2022.

Consultation was also published on the Councils website and promoted and CDP partners were written to seek their views on the Councils budget strategy. The Corporate Overview and Scrutiny Management Board met on 24 October 2022 to consider the October Cabinet report. The questions posed during the public consultation were as follows:

(a) What is your view on our approach to balancing the 2023/24 forecast budget shortfall?;

(b) What do you feel will be the impact of this approach upon you or those you represent?;

(c) Do you have any alternatives to the approach, whilst making the required savings?;

(d) If the government do remove the cap, what is your view on the council utilising additional Council Tax raising powers above the current 2.99% forecast, given that we may be expected to do this?

The report sets out details of the consultation feedback received. The feedback will be taken on board in terms of finalising the saving that will be presented to Cabinet and Council in February as part of the budget setting process. The report sets out details of proposed changes to the savings previously considered by Cabinet. None of the savings previously put forward have been withdrawn at this stage, but there are some re-profiling proposals between 2023/24 and 2024/25. In addition, three new savings are to be considered, which increases the overall saving total to £18.611 million, and details of these are set out in the report.

Once the proposed revised MTFP(13) savings of £18.611 million are taken into account, £12.733 million of which would be deliverable in 2023/24, and assuming the council implement council tax increases in line with government expectations, the council is facing a £22.430 million shortfall over the four year MTFP(13) period, with a requirement to use £12.881 million of the MTFP Support Reserve to balance the budget next year whilst additional savings are developed to ensure a more sustainable budget is developed.

Planning for the councils 2023/24 budget will continue over the coming weeks with the budget report to be presented to Cabinet on 8 February 2023 before being presented to Council on 22 February 2023.

Decision

The Cabinet**:**

(a) noted the content of the report detailing the content of the Autumn Statement and the provisional local government finance settlement;

(b) noted that the draft settlement is better than was forecast but that the government have announced that funding settlements for the public sector but especially for unprotected government departments will be challenging for the period 2025/26 to 2027/28;

(c) noted that proposals for how the additional allocation of £1.440 million from the Council Tax Support fund funding can be used and administered to enhance the current LCTRS will be included as part of the MTFP report to Cabinet in February 2023;

(d) noted the changes to the MTFP(13) planning assumptions set out in the report, including the proposed council tax increases in line with the government’s expectations;

(e) noted the proposed revisions to savings plans for MTFP(13);

(f) agreed the transfers of reserves recommended as part of the reserves review;

(g) noted the budget shortfall for 2023/24 of £12.881 million with a £22.430 million savings shortfall over the four year MTFP(13) period;

(h) noted the consultation responses on MTFP(13) and consider these when finalising the 2023/24 budget; and

(i) noted that the 2023/34 revenue and capital budget and MTFP(13) 2023/24 to 2026/27 budget report will be presented to Cabinet on 8 February 2023 and to Council on 22 February 2023.

Bus Service Improvement Plan and Enhanced Partnership

Key Decision No. REG/01/2023

Summary

The Cabinet considered a report of the Corporate Director of Regeneration, Economy and Growth which provided an update on the region's Bus Service Improvement Plan and Enhanced Partnership Plan and Scheme, the report also provided detail on the required statutory consultation and sought approval from Cabinet to formally sign the Enhanced Partnership Plan and Scheme.

In October 2021 Cabinet received a report on the National Bus Strategy, Enhanced Partnerships and Bus Service Improvement Plan which detailed the requirements for development an Enhanced Partnership (EP) and produce a Bus Service Improvement Plan (BSIP), that the North East Joint Transport Committee (NEJTC) is responsible for and has the power to make an EP and BSIP.

In March 2022 Cabinet received a report providing an update on progress with the region's BSIP and EP. The report detailed in October 2021 the NEJTC published a BSIP.

Since those previous reports, progress has continued with BSIP and EP process in the region:

(a) in April 2022 Government confirmed indicative funding for the North East BSIP of £163.5 million;

(b) draft EP documents along with an updated financial plan have been prepared and liaison on the same taken place with Department for Transport;

(c) statutory consultation on the EP documents has been undertaken by Transport North East.

The final Enhanced Partnership Plan and Scheme documents are at appendices 2 and 3 respectively of the report. From a passenger perspective the following workstreams will be delivered through the EP:

(a) bus priority infrastructure such as bus priority lanes and intelligent transport system infrastructure;

(b) Park and Ride and Pocket Park and Ride;

(c) safety and accessibility bus infrastructure improvements;

(d) Bus Service Enhancements;

(e) good value fares;

(f) customer experience improvements such as improved passenger information.

It is envisaged that funding for delivery of the BSIP and EP schemes will be released by the Department for Transport following its review of the Enhanced Partnership and any accompanying delivery commitments.

Decision

The Cabinet**:**

(a) noted the contents of the report and appendices;

(b) noted the workstreams for Durham, a summary of which is at paragraph 17 of the report, full details are in the EP Scheme at appendix 3 of the report;

(c) agreed that Durham County Council can act as signatory to the EP Plan and Scheme, and agreed delegated authority for the Corporate Director of Regeneration, Economy and Growth, in consultation with the Cabinet Portfolio Holder for Economy and Partnerships, to sign the document on behalf of the County Council;

(d) agreed delegated authority for the Corporate Director of Regeneration, Economy and Growth, in consultation with Cabinet Portfolio Holder for Economy and Partnerships, to make amendments to the EP Plan and Scheme and associated funding between schemes.

In accordance with paragraph 19 (a) of the Overview and Scrutiny Procedure Rules the following decision is exempt from the call-in procedure due to the urgent nature of the decision being made.

NE Devolution

Summary

The Cabinet considered a report of the Chief Executive which provided:

(a) a summary of the discussions with Government and the LA6 Councils relating to devolution in County Durham; and

(b) information relating the opportunities and impact of a devolution deal on County Durham. The report covered consideration of a County devolution deal option and also a devolution deal for the North East Region covering Durham, Gateshead, Northumberland, North Tyneside, Newcastle, South Tyneside and Sunderland local authority areas.

Subject to Cabinet being satisfied that the LA7 deal represented the best option for the County, the report

(a) provided details of the ‘minded to’ deal that had been announced by the Secretary of State; and

(b) explained the legislative process that underpins the delivery of the LA7 deal, including a Governance Review, Governance Scheme and consultation.

The Government published its White Paper on Levelling Up in February 2022 and reaffirmed its ambition for every area in England to be part of a devolution deal with Government. A framework for devolution in England identifies three levels of devolution the governance arrangements that were needed to access each level of deal.

The level of deal that maximises the ability to impact positively on the economy in an area is that contained in Level 3 deals. Level 3 deals come with the maximum number of devolved powers from government and also have a long term (30 years) investment fund. Deals at level 1 and level 2 do not attract an investment fund and the range of devolved powers available is significantly less than those available at level 3.

On 28 December 2022 HM Government announced a “minded to” Level 3 devolution deal with the seven councils across the North East (i.e., Durham, Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside and Sunderland Councils).

The deal would see a significant shift of powers, funding and responsibility which would enable the Councils to pursue their ambitions for inclusive growth. In total, it would provide £4.2 billion of additional investment to the region over 30 years, including a £1.4bn investment fund alongside significant funding for transport, education and skills, housing and regeneration. This will enable investment into projects which reflect local needs and opportunities, making a real difference for the our residents, communities, and the local economy.

To implement the deal, the Councils will need to establish a new mayoral combined authority which covers the area of the seven Councils and replaces the two existing combined authorities (North East Combined Authority and North of Tyne Mayoral Combined Authority) in the region. The report set out the findings of a statutory review regarding these proposed governance changes and, if Cabinet are satisfied that the relevant criteria have been met, recommends that the proposals are subject to public consultation.

From early 2022 until the summer, negotiations with Government took place on the options available to Durham in terms of devolution. In terms of the County deal option discussions were underway when it became clear that level 3 powers were not available without changing the council's decision making structure to an elected Mayor and it also became apparent that the deal itself would not be of the scale as that on offer if Durham were to join the six north east councils that had separately been negotiating a devolution deal with Government.

In consideration of the potential deals on offer at both a County and a LA7 area, the Council's political leadership were of the opinion that the LA7 deal represented the best option for the County, and this together with the governance changes to the County Council that would be required under a County deal, led to the Council's Leadership advising the Secretary of State that the Council wished, in principle, to formally join the LA6 deal that was being finalised with Government. This position was notified to Government in October 2022.

Detailed discussions and negotiations were entered into by the Council with the LA6 partners and central Government which resulted in a new LA7 deal being agreed and formally announced by the Secretary of State on the 28 December 2022.

At an extraordinary meeting of the County Council on the 7 December 2022, it was resolved that:

> 'This council recommends DCC's cabinet puts County Durham first by securing a devolution deal that is best for County Durham residents and businesses, with government.'

In order to allow Cabinet to consider the recommendation of Council, the devolution options available to County Durham have been analysed and set out in the report. Taking account of the concerns over the implications of the governance requirements for Directly Elected Mayor / Leader in a County deal, together with the deeper and more flexible devolution on offer in the LA7 deal, the report sets out how the LA7 deal provides the best route to benefit County Durham residents and businesses, and offers the greatest support to successfully delivering the ambitions in the County's recently approved Inclusive Economic Strategy.

In summary:

(a) With a population of over £2m, the size and scale of the LA7 region will elevate the status of the North East region to that of the largest Combined Authorities in the Country. The LA7 deal includes a commitment from Government to negotiate early 'trailblazer' status with the LA7 region

(b) An elected Mayor and MCA of this scale will benefit in the long term from new opportunities, funding and powers not available in a County deal.

(c) The investment fund that Durham brings to devolution is £13m in the case of the LA7 deal and circa £9m for a County Deal. The LA7 deal is £120m more than could be achieved within a standalone County deal and has more flexibility as 71% of the fund can be utilised as revenue compared to 50% in a County deal.

(d) Economic estimates suggest that 6,500 new jobs could be created in Durham within a LA7 deal, 2,000 more than in a County deal.

(e) It is estimated that the LA7 deal will attract £1.34bn private sector investment into the County, some £400m more than that estimated in a County deal.

(f) More investment to support housing development is available in the LA7 deal enabling 730 more homes to be built in the County under a LA7 deal compared to the County deal.

(g) Although not accessing the new City Region Sustainable Transport funding in the first three years of the LA7 deal, County Durham will have access to this funding for the remaining 27 years of the LA deal. This significant funding is not available in a county deal.

(h) A LA7 deal will see an elected Mayor that has responsibility for the devolution deal but will have no responsibility for the services delivered by Durham County Council. A County deal would require the introduction of an elected Mayor with executive decisions making powers covering all aspects of Council services.

Subject to cabinet agreeing that the LA7 is the best option the report then considered the detail of the minded to deal across the LA7 area. The headline powers and funding in the deal include:

(a) The North East electing a directly elected mayor to provide overall vision and leadership, seek the best value for taxpayer's money, be directly accountable to the city region's electorate, and to receive new powers on transport, housing and skills.

(b) Control of a £48 million per year investment fund over 30 years (£34 million revenue and £14 million capital), to be invested by the North East to drive growth and take forward its priorities over the longer term.

(c) New powers to improve and better integrate local transport, including the ability to introduce bus franchising, control of appropriate local transport functions e.g., local transport plans, and control of a key route network.

(d) A city region sustainable transport settlement of up to £563 million capital funding, with £5.7 million resource funding for 2022/23 and further funding to be confirmed in line with other eligible areas. Included in this is new and unallocated funding of £147m and the North East MCA will invest this amount in a manner which reflects the development of the deal prior to County Durham joining, for the current funding period to 2026/27.

(e) New powers to better shape local skills provisions to ensure these meet the needs of the local economy. This will include devolution of adult education functions and the core adult education budget, as well as input into the new local skills improvement plans.

(f) The North East Mayoral Combined Authority will plan and deliver the UK Shared Prosperity Fund (UKSPF) from 2025/26.

(g) The integration of the North East Local Enterprise Partnership into the North East MCA will ensure there continues to be a strong and independent local business voice which informs local decision making and strategic economic planning. In absorbing the role and functions of the North East LEP, the North East will deliver a number of functions on behalf of central government departments agreed jointly between government and the North East.

(h) A commitment to explore a local partnership with Great British Railways Transition Team so that the mayor can help shape and improve the local rail offer.

(i) New powers to drive the regeneration of the area and to build more affordable, more beautiful homes, including compulsory purchase powers and the ability to establish mayoral development corporations.

(j) To support this, additional £17.4 million for building new homes on brownfield land, subject to sufficient eligible projects for funding being identified.

(k) £20m of capital funding in this Spending Review period to drive place-based economic regeneration, with NETPark and Aykley Heads developments being priority schemes in Durham.

(l) A commitment to developing, in partnership with the Government, an arrangement which ensures close cooperation with the North East's Police and Crime Commissioners (PCCs), and a key leadership role for the mayor in local resilience and civil contingency planning, preparation and delivery.

In order to access the deal a new Mayoral Combined Authority for the North East (LA7) region needs to be established in law. This requires the abolition of the North East Combined Authority (NECA) and the North of Tyne Mayoral Combined Authority (NTCA). A Governance Review has been undertaken to consider if this is the optimum arrangement to improve the region's economy. The review concludes that it is.

To create a new North East MCA the seven Councils must demonstrate to the Secretary of State that a number of statutory tests have been met. In order to provide this information the Councils will need to undertake a formal consultation and provide the results to the SoS.

Subject to the SoS being satisfied that this is the case, and following confirmation from each local authority, the SoS will then lay down the necessary Statutory Instrument in Parliament.

Further reports will be presented to Cabinet during this implementation process. The intention is that subject to the statutory approval process being positive the new NEMCA will be established in May 2024 and the election of the first Mayor will be held at that time.

Decision

The Cabinet**:**

(a) agreed that the ‘minded to’ LA7 devolution deal represents the best option for County Durham residents and businesses

(b) endorsed in principle the “minded to” devolution deal (see Appendix 3 of the report);

(c) agreed with the findings of the governance review (Appendix 4 of the report), namely that the proposed creation of a new mayoral combined authority for the North East region to replace the existing combined authorities will improve the exercise of statutory functions across the region;

(d) agreed that the North East Councils shall publish a scheme for the delivery of these governance changes (the current draft is attached as Appendix 5 of the report);

(e) agreed that the North East Councils shall undertake public consultation in connection with the proposals contained in the scheme as described in paragraphs 86 to 89 of the report;

(f) agreed that the Chief Executive, in consultation with the Leader of Council, shall be authorised to take all steps necessary to implement the above proposals, including (but not limited to) making amendments to the draft scheme and the consultation exercise

(g) noted that a further report will be brought to Cabinet at the end of that consultation exercise.

Future of County Council Allotments

Summary

The Cabinet considered a report of the Corporate Director of Neighbourhoods and Climate Change which asked Cabinet to:

(a) consider a range of allotment policy and procedure changes, building on work and recommendations from the Environment and Sustainable Communities Overview and Scrutiny Committee (ESCOSC) in January 2020;

(b) provided updated countywide policy and tenancy agreements for consideration, setting out transition arrangements which ensure that these measures are focussed on genuine allotments only, allotment associations are encouraged and empowered and that tenants have adequate time to make adjustments if this is required;

(c) provided an update on Durham County Council allotment service including recent investments, which complement the above changes and re-invigorates service provision.

Durham County Council manages over 4,000 allotment plots spread across 166 sites in County. It does this mainly through direct letting (102 sites, 995 plots) where the Council fully manages the site, collects rent, maintains waiting lists, and issues all tenancies or through Allotment Associations (55 sites 2,429 plots) where the Council tenancy and rent terms are managed by the Council, however Associations collect rent, manage sites and have greater autonomy. The Council has worked to encourage greater devolution of its allotment holdings over a number of years.

In January 2020 Environment and Sustainable Communities Overview and Scrutiny Committee reported the findings of its review of the service to Cabinet. The summary recommendations of the report are as follows, with the full report at Appendix 2 of the report:

- large animals (horses, pigs) no longer permitted on allotment plots, with a transition period of 5 years to be adopted;

- all DCC directly managed allotment sites in the county are managed by one DCC service team (currently 2 sites are managed by Corporate Property and Land, the remainder DCC Allotment Service);

- to undertake a complete review of allotment sites that are not used for purpose (some for instance are garage sites, gardens, grazing paddocks);

- to encourage establishment of allotment associations where appropriate to take over day to day management and control;

- undertake discussions with Town and Parish Councils that have expressed an interest in taking over the management of allotment sites;

- that subject to legal advice, reconsiders the process for the allocation of plots to co-workers within the proposed policy by acknowledging their previous contributions whilst not registered.

Furthermore, there is a need to actively publicise the need for co-workers to register;

- that should there be demand, the Council considers the feasibility of providing smaller sized allotment plots where appropriate;

- that the Council considers undertaking a rental review of all DCC allotment sites.

Since this time, work has been undertaken in response to the report, for instance detailing all non-allotment plots (including those proposed for exclusion from policy), promotion of co-worker's registrations, and provision of smaller sized plot when opportunity arises. The main outstanding future changes now relate to consideration of the policy aspects of Scrutiny recommendations.

When the Scrutiny report was published and reported to Cabinet, concerns were expressed by a number of tenants who had large animals on these sites, and furthermore some Associations felt it was restrictive on them and called for greater autonomy rather than restrictions.

The report provided a response to the Scrutiny recommendations for delivery, recognising the concerns expressed, and proposes to:

- exclude some non-allotment sites from the proposals in the report, for instance grazing paddocks and garage sites;

- take account that several grazing areas are located on the edge of what are mainly cultivated allotment sites and are proposed to be managed going forward as grazing for which there has been a long history;

- encourage greater empowerment and flexibility for Association sites by supporting long term lease or giving Associations some discretion (in consultation with the Council) for bespoke policies for their own sites. This may for instance include keeping of large animals on specified plots but would limit the expansion for these purposes;

- provide a range of transition measures and timescales to ensure that tenants have time to make adjustments.

A recommendation from ESCOSC was to engage with Town and Parish Councils regarding the potential of transfer. The Local Government (Parishes & Parish Councils) Regulations 1999 introduced a requirement that land held by higher tier authorities should transfer to lower tier authorities set up after that date, and for County Durham this has applied to the City of Durham Parish Council, where allotments have been transferred, there are likely further opportunities with Town and Parish Councils, which it is proposed to be explored.

In February 2022, as part of the Medium-Term Financial Plan, Cabinet agreed for the 2022/3 budget investments into the service to improve the management of the sites through additional staff, increased maintenance budgets and capital investment to encourage community run facilities (associations) and site improvements. Since this time four new allotment staff and three maintenance staff have commenced work which will include practical measures (e.g., fencing, footpath and rubbish clearance on sites), as well as provide greater inspection capacity and support to tenants and Associations in their management. This team will be a vital resource in the implementation of updated policies.

As a further step in encouraging and strengthening Associations, a capital grant scheme of £250,000 has been set aside as part of the Medium-Term Financial Plan which would provide grants of £500 to £5,000 to the associations, and for direct let sites making steps to become one. Given the tight financial climate, whilst in existing budget, authorisation was sought before committing to this expenditure.

Prior to bringing the report the details covered by the report has been shared with ESCOSC in November 2022, its response is included at Appendix 8 of the report which endorses the approach and 'on the whole members did feel that the balance was right'. Members did raise concerns about allotments not being used for their true purpose and that 'as a minimum individuals should be paying the correct fees for the use of the land and not allotment fees'. This work is already underway. Furthermore, they also suggested a strategy that considers provision, this will be progressed through engagement with Towns and Parish Councils who have prime responsibility in parished areas.

Decision

The Cabinet**:**

(a) agreed to formal acceptance of ESCOSC policy recommendations, that would result in updated policy and tenancy agreements (Appendices 3 & 4 of the report);

(b) noted that safeguards are included which would:

  i. exclude those sites, which although managed by the allotment service are currently used (detailed in Appendix 7 of the report) for other purposes;

  ii. provide flexibility for Associations in consultation with the Council to come to bespoke arrangements for their site;

iii. provides a transition period for tenants (set out in Appendix 5 of the report);

(c) noted that allotments held by higher tier authorities should transfer to lower tier authorities set up after 2009 and consistent with this engagement with Town and Parish Councils where this applies;

(d) noted the recent investments in allotments, and infrastructure capital grant scheme for which budgetary provision already exists.

Sufficiency and Commissioning Strategy for Looked After Children and Care Leavers 2022-2024

Summary

The Cabinet considered a report of the Corporate Director of Children and Young People's Services which provided an Executive Summary in relation to the new Sufficiency and Commissioning Strategy for Children Looked After and Care Leavers 2022-24.

The Strategy outlined the sufficiency position at a point in time, providing local intelligence and data and identified a series of key priorities and actions which will improve the council's overall sufficiency of placement provision for children and young people who can no longer live with their family.

The Sufficiency and Commissioning Strategy sets out Durham's strategic approach to securing sufficient accommodation to meet the needs of our looked after children.

It considers the impact of the Covid-19 pandemic over the last 2 years, how this has affected our sufficiency and the steps we are taking to ensure that our sufficiency offer is robust and continues to meet our changing needs.

The increasing demand and pressure placed on councils to meet their sufficiency duty is a position that is replicated across the UK and has recently been highlighted in the Independent Review of Children's Social Care by Josh MacAlister (May 2022) which proposes to "reset children's social care".

The Sufficiency Strategy outlines a number of challenges and pressures, including:

(a) an increase in the number of children and young people that we look after. Between March 2015 and March 2022, this has increased by 62%, with numbers continuing to increase to 1,034 as of the October 2022 and as predicted in the strategy;

(b) we have an increasing number of older teenagers coming into care, who are often difficult to find suitable provision for due to their needs;

(c) a small number of delayed discharges from tier 4 hospital, due to limited specialist local regulated provision;

(d) use of external residential provision has increase by 50% between 2020 and 2022;

(e) the need to increase the number of available foster carers to meet our increasing demand;

(f) increasing number of unaccompanied asylum-seeking children moving to Durham placing pressure on already stretched resources;

(g) placement stability – increasing number of breakdowns and moves;

(h) an increasing number of children, young people and families requiring support who are on the edge of care;

(i) more families require respite services for their children who have a disability, particularly overnight provision for children with complex needs.

The strategy identifies a series of objectives and short to medium term key priorities, many of which are ongoing and being developed, to improve and broaden our current sufficiency offer.

There are six overarching objectives within the strategy, including:

(a) grow our number of in-house foster carers, support the retention of carers and work with IFAs to ensure that children and young people can live with foster carer families when it is in their interests to do so;

(b) increase the number of adopters;

(c) continue to develop and broaden our residential homes offer and maximise opportunities with external providers when there is a case to do so;

(d) develop access to a diverse range of appropriate accommodation for Care Leavers;

(e) improve our sufficiency offer for UASC and reduce waiting times;

(f) broaden our short breaks offer for disabled children and their families.

Each objective proposes a series of key priorities / actions to support their delivery. A total of 39 priorities are identified. These are identified in Appendix 3 of the report.

Capital funding to the value of £2.2 million has been secured through DCC capital bidding rounds to support the development of new children's homes, which are in the process of being developed.

A further £1.6 million capital funding has been requested to support the development of specialist homes for children with disabilities and short break provision offering planned respite for children with complex needs.

Decision

The Cabinet**:**

(a) considered and approved the Sufficiency and Commissioning Strategy for Looked After Children and Care Leavers set out in Appendix 2 of the report;

(b) considered and approved the strategic priorities contained within Appendix 3 of the report.

Acquisition of property for use as Children's Homes

Summary

The Cabinet considered a joint report of the Corporate Director of Children and Young People's Services and Corporate Director of Regeneration, Economy and Growth to expedite the acquisition process and enable fair competition with other buyers when purchasing properties for use as children's homes and to increase the delegated authority to Officers for acquisition of property for use as children's homes.

The Council has a duty, as stated in section 22G of the Children Act 1989, to take steps to secure, as far as reasonably practicable, sufficient accommodation for children looked after within their local authority area. This is often referred to as the Council's "sufficiency duty".

There has been a 148 percent increase in the use of external residential provision since June 2019, and a 103 percent increase since March 2020 (start of Covid).

As of February 2022, 40 percent of all children in residential care provision were living outside of County Durham (37 out of 92), so the Council is placing children and young people at a distance, due to the lack of local placements, which is often not in their best interests.

Children and young people are presenting with increasing needs, many of which require small children's home settings. It is important that the Council has a broader range of local provision to meet children and young people's individual needs and to prevent children from being placed at a distance from home.

The Council has adopted a Sufficiency Strategy for Children Looked After and Care Leavers to help discharge its sufficiency duty. A key objective of that Strategy is to "continue to develop and broaden our residential homes offer" to meet our increasing demand for services through the development of a suite of new smaller children's homes which will be operated by the Local Authority and will meet the needs of our most vulnerable young people.

Due to an increasing number of children looked after and their increasing needs, the Council is facing challenges in meeting its sufficiency duty as we currently have insufficient resources to meet this objective and the number of placements we currently have are outstripped by the demand for placements.

The increasing demand and pressure placed on councils to meet their sufficiency duty is a position that is replicated across the UK and has recently been highlighted in the Independent Review of Children's Social Care by Josh MacAlister (May 2022).

The Council has attempted to purchase several properties and has often been unsuccessful due to:

- the approval process requires us to place offers subject to Planning Permission for change of use, which can take time and vendors usually accept offers from buyers who can proceed quickly;

- external market forces, coupled with the need to be prudent with the public purse, means the Council misses out on securing potentially suitable properties for use as children's homes as it is often outbid;

- the Head of Corporate Property and Land currently has delegated authority to approve the principle of acquiring property at a price not exceeding £250,000. Four-to-five-bedroom properties often cost more than this, approval to require such properties requires Cabinet approval, which can delay the Council's ability to make offers on properties.

Where we have been unable to find the capacity we need locally, we have a resolution of last resort to find provision outside of the County. To address this issue, we need to increase the in-house provision that the Council can provide, so we have placements we can be proud of.

The approach to acquiring property for use as children's homes has been reviewed. The report sets out the outcome of that review and recommends changes to the approach which are intended to reduce the timescales for acquiring property, refurbishment, and registration as a children's home and in turn increasing the Council's in-house provision.

Decision

The Cabinet**:**

(a) noted the contents of the report;

(b) approved the revised approach to acquiring property for the purposes of purchasing children's homes as attached at Appendix 3 of the report;

(c) delegated authority to the Corporate Director of Regeneration and Economic Growth, in consultation with the Corporate Director of Resources as Section 151 Officer, the Cabinet Portfolio Holder for Resources, Investments and Assets and the Cabinet Portfolio Holder for Finance to approve the acquisition of property up to the value of £500,000 where the property is to be used as a children's home only;

(d) agreed that as a rarity, the acquisition of new children's homes is deemed a priority so that teams involved in the process can expedite them.

Mainstream Primary and Secondary Formula Funding 2023/24

Summary

The Cabinet considered a joint report of the Corporate Director of Children and Young People's Services and Corporate Director of Resources which provided an overview of the forecast Dedicated Schools Grant School Block and proposed local formula for allocating funding to individual schools in 2023/24, where the proposal is that the council continues to align the local mainstream primary and secondary formula funding in 2023/24 with the National Funding Formula (NFF).

The Schools Block is part of the Dedicated Schools Grant (DSG) and is the main source of funding for the mainstream primary and secondary funding formula. This provides the bulk of funding for these schools.

Mainstream primary and secondary funding formulas are set locally by each local authority and are used for allocating funding to individual schools. There is a single formula that applies for both primary and secondary schools, both maintained and non-maintained (academies).

Funding regulations limit the discretion of local authorities when setting local formulas and requires that these formulae distribute the majority of funding through pupil-led factors. Initial information in relation to funding levels for 2023/24 was released on 19 July 2022.

Nationally, core school funding, which includes the Schools Block and High Needs Block was due to increase in 2023/24 by £1.753 billion, representing a 3.5% increase on the funding made available in 2022/23. The School Block was expected to increase by £1.158 billion (2.8%) and the High Needs Block by £0.565 billion (6.3%).

In the 2022 Autumn Statement published on 17 November 2022 the Chancellor of the Exchequer announced that core schools funding would increase by a further £2 billion in 2023/24, over and above the £1.753 billion announced earlier in the summer. Details of the split between the Schools Block and High Needs Block was announced in the Provisional Local Government Finance Settlement published on 19 December 2022.

A sum of £1.451 billion will be allocated to schools through a mainstream schools additional grant (MSAG) with an additional £0.400 billion allocated to the High Needs Block. The additional funding being provided amounts to £1.851 billion rather than £2 billion.

In total therefore additional funding will be allocated via the Schools Block and the MSAG of £2.639 billion next year, representing a 6.3% increase in funding year on year, with the High Needs Block receiving additional funding of £0.965 million, representing a 10.7% year on year increase.

For Durham it is forecast that for 2023/24 the Schools Block and MSAG funding will total £385.047 million. In 2022/23 Durham schools received £363.511 million via the Schools Block and the Supplementary Grant. In total Durham schools will receive additional funding of £21.536 million representing a 5.9% increase.

It is forecast that the council will receive a 2023/24 High Needs Block allocation of £89.812 million next year, compared to £80.409 million in 2022/23, resulting in a £9.403 million increase in funding and representing a year on year increase of 11.7%.

The funding floor, which guarantees a minimum increase in funding per pupil, has decreased from 2% in the current year to 0.50% next year. The funding floor only applies to the NFF, but in local formulas the Minimum Funding Guarantee (MFG) works in a similar way.

The local formula in Durham in 2022/23 is aligned to the National Funding Formula (NFF). The NFF is expected to replace local formulas in the next few years, with a target of the NFF being implemented no later than 2027/28. For 2023/24 it is recommended that the council continues to set a local formula that is aligned to the NFF.

The council is planning to use growth funding to support one school experiencing basic need growth in pupil numbers (Framwellgate Primary).

The local formula factor values will be finalised upon receipt of the final DSG settlement in January and the full local formula will be included in the MTFP(13) and 2023/24 budget report in February 2023.

Decision

The Cabinet**:**

(a) Agreed that in 2023/24 the local formula continued to be aligned to the National Funding Formula (as updated);

(b) Agreed to the adjustment for basic need growth funding for Framwellgate Primary School; and

(c) Noted that the formula factors will be finalised upon receipt of the finance settlement, with the detailed formula included in the MTFP(13) and 2023/24 budget report in February 2023.

Helen Lynch
Head of Legal & Democratic Services
20 January 2023