

DURHAM COUNTY COUNCIL

At a Meeting of **Corporate Overview and Scrutiny Management Board** held in Committee Room 2, County Hall, Durham on **Wednesday 7 September 2022 at 9.30 am**

Present:

Councillor C Martin (Chair)

Members of the Committee:

Councillors E Adam, A Batey, J Charlton, I Cochrane, J Cosslett, B Coult, R Crute, P Heaviside, J Howey, C Hunt (Substitute) (substitute for P Jopling), R Manchester, C Marshall, J Miller (Substitute) (substitute for L Hovvells), K Shaw, M Stead and M Wilson

1 Apologies for Absence

Apologies for absence were received from Councillors R Charlton-Lainé, J Elmer, O Gunn, L Hovvells, A Jackson, P Jopling, C Lines, L Maddison, B Moist and A Surtees

2 Substitute Members

Councillor C Hunt for P Jopling and Councillor J Miller for L Hovvells.

3 Minutes

The minutes of the meetings held on 17 June and 7 July 2022 were agreed as a correct record and signed by the Chair.

The Democratic Services Manager (Interim) informed the Board that all issues raised had been covered, and with regards to fuel poverty a letter to the relevant Government minister had been sent and a response received, which had been circulated to members.

Councillor Marshall asked for a copy of the correspondence to the Cabinet members regarding their engagement in the scrutiny budget process. The Chair confirmed that he had e-mailed all Cabinet members but was happy to request a formal response.

Councillor Crute enquired as to the response received so far from the Cabinet members on the process and how each thematic committee was

going to deal with this. The Chair clarified that it had previously been agreed that it would be a matter for each thematic scrutiny committee to determine how they wished to approach the issue. However a summary of this information could be compiled and circulated for information.

4 Declarations of Interest

There were no declarations of interest.

5 Report on the Council's use of powers under the Regulation of Investigatory Powers Act 2000 - Quarter 1 - 2022/2023

The Board considered a report of the Head of Legal and Democratic Services which informed Members of the Council's use of its powers under the Regulation of Investigatory Powers Act 2000 (RIPA) during the period 1 April to 30 June 2022 (for copy see file of Minutes).

Resolved:

- i. That the quarterly report on the Council's use of RIPA for the period covering quarter 1 2022/23, be received.
- ii. That the powers were being used consistently with the Council's policy and that the policy remained fit for purpose.

6 Regulation of Investigatory Powers Act 2000 - Annual Review of the Council's use of powers

The Board considered a report of the Head of Legal and Democratic Services which informed Members about the Council's use of its powers under the Regulation of Investigatory Powers Act 2000 ('RIPA') during the period of 1 April 2021 to 31 March 2022, and of any changes to the legislation, policy or other developments in respect of the Council's use of its powers under RIPA (for copy see file of Minutes).

Resolved:

That the report be received.

7 2021/22 Final Outturn for the General Fund and Collection Fund

The Board considered a report of the Corporate Director Resources which provided details of the final outturn for the general fund and collection fund (for copy see file of Minutes).

The Head of Corporate Finance and Commercial Services informed the members that the impact of COVID had resulted in net additional expenditure

of £14.5 million and with government support funding received of £18.2 million, resulting in an underspend of £3.7 million. He added that there continued to be an ongoing impact upon services due to the pandemic.

In addition, there continued to be inflation pressures and he reported that the total net underspend was £11.425 million which represented 2.48% of the revised net expenditure budget of £461.251 million.

Moving on to reserves the Head of Corporate Finance and Commercial Services advised that the total general, earmarked and cash limit reserves (excluding school reserves) reduced by a net £10.258 million in 2021/22, from £271.685 million at 31 March 2021 to £261.427 million at 31 March 2022. The general reserve at 31 March 2022 was £25.898 million, and during the year, a review of all reserves enabling the realignment of £14.9 million of cash limit and earmarked reserves enabling the investment of earmarked reserves in council priorities. This included a £10 million transfer into the Cabinet Priorities Reserve supporting one off investment priorities.

The Head of Corporate Finance and Commercial Services went on to advise about profiling into future years, the collection fund, business rates and delivered savings totalling £5.312 million.

Councillor Marshall thanked the teams involved in re-aligning staff during the pandemic, providing support to communities. He asked what the £10 million Cabinet Priorities Reserve was, what it was for and how other councillors could access it. In response, the Head of Corporate Finance and Commercial Services explained that the detail around this was detailed in the February 2022 Council's budget report.

Councillor Crute expressed his concerns about the level of reserves and asked if there was a safety net in place. The Head of Corporate Finance and Commercial Services advised that the general reserve was the Council's safety net. He explained that there was no statute to say what should be set aside but that it was important for the Council to set a fair budget and create a reserve. Any underspend was put into the general reserves or would be identified for investment. He was satisfied that it should be sufficient to cover any unexpected spending. He added that the pandemic had caused an enormous strain on the budget and with the pressure of inflation it was essential to keep reserves.

Regarding the Cabinet Priorities Reserve Councillor Batey asked for further detail around this and what the money would be used for. The Head of Corporate Finance and Commercial Services explained that the £10 million investment had already been discussed at this committee and was included within the Council's budget report. He went on to report that £2.8 million had

been allocated for the levelling up bid feasibility study to ensure that if successful work could be delivered.

In response to a question from Councillor Shaw the Head of Corporate Finance and Commercial Services confirmed that the general reserves contained a £14.9 million cash limit of which £10 million had been put into the Cabinet Priorities Reserve.

Councillor Marshall asked why the decision had been taken to take the hit on Council Tax over a three year period rather than put less into reserves and to help with business rate retention. The Head of Corporate Finance and Commercial Services explained that the three year roll over from previous years was following the pandemic and a significant deficit on the collection fund. With the loss of funding from government the Section 31 grant had been netted off and could be applied for the following year.

Resolved:

That the content of the report be noted.

8 Resources - Revenue and Capital Outturn 2021/22

The Board considered a report of the Corporate Director of Resources which provided details of the final revenue and capital outturn position for the Resources service grouping in 2021/22, highlighting major variances in comparison with the budget (for copy see file of Minutes).

Resolved:

That the content of the report be noted.

9 Medium Term Financial Plan(13), 2023/24 to 2026/27 and Review of the Local Council Tax Reduction Scheme

The Board considered a report of the Corporate Director of Resources which provided an update on the proposed approach to scrutiny of the Budget 2023/24 and the Medium-Term Financial Plan (MTFP) (13) 2023/24 to 2026/27 (for copy see file of Minutes).

The Head of Corporate Finance and Commercial Services provided a thorough overview of the report highlighting the ongoing level of financial uncertainty brought about by a combination of the ongoing impact of the pandemic, our inherent low tax raising capacity due to our low tax base, and significant budget pressures in social care brought about by National Living Wage increases and enduring demographic pressures in Children's Social Care and in waste services alongside other unfunded pressures arising from the present high levels of inflation impacting on energy and fuel costs in particular plus uncertainties surrounding the pay award that will ultimately be

agreed. The financial outlook for the Council will continue to be extremely challenging for the foreseeable future. He added that the Council were active in lobbying government and had already written to the new Prime Minister regarding the financial pressures faced in County Durham.

He went on to explain that this level of uncertainty made financial planning difficult and required the council to be flexible and adaptable in its financial planning. He highlighted the key adjustments and major areas for consideration including:

- Revenue Support Grant (RSG) / Fair Funding Review
- Business Rates, Section 31 Grant and Top Up Grant inflation uplift
- Pay Inflation
- National Living Wage/CPI Uplift impact upon adult care fees
- Energy Price Increases
- Cost of the Implementation of Adult Social Care Reform
- Children's Social Care Demographic Pressures

The Head of Corporate Finance and Commercial Services said that all of these areas contribute to significant financial pressures on the Council and highlighted the timetable.

Referring to the cost of care and the new Prime Minister's pledge to cancel funding to the NHS and move into social care, Councillor Crute asked if national funding had been factored of social care would be scrapped. He further asked how this would impact the provision in future years. The Head of Corporate Finance and Commercial Services said that the new Prime Minister had reversed the national insurance increase but that the investment in the NHS would continue to help reduce the backlog of patients waiting for health care with a lot of work being carried out in the private sector. With the uplift in national insurance there was an assumption that next year £12 billion would go to the NHS with £1 billion to adult social care, and for 2024/25 that would increase to £2 billion.

Councillor Crute expressed his concerns about public funding and energy costs and asked how this would impact the local authority. In response the Head of Corporate Finance and Commercial Services said that the extra funding was part of the overall package, part of which would cover the overall uplift.

Councillor Marshall commented that best case scenario would be a £20 million shortfall and next year realistically that could double to £40 million. He pointed out that £250 million of savings had been reached over the last ten years and that services and the community had been affected by that so it was important to set a balanced budget for next year. He commended the officer and his team on doing a fantastic job over the last ten years. He went on to say that the cuts in EU funding needed to be taken into account as

were well in excess of what has been faced over the last ten years. Referring to the buildings and the extra energy costs associated with the Sands building and other financial implications around the HQ he enquired about the VAT exemption threshold. In response the Head of Corporate Finance and Commercial Services advised that plans were underway to identify where we could be more efficient and where we could make savings through strategies that would be flexible and adaptable. He added that any savings would be pulled together in order to ride out the next year whilst awaiting announcements about energy costs for local government and settlements. He clarified that savings would be identified to assist in setting a balanced budget and that reserves may need to be used to balance the budget. Savings for next year would be identified in a report to Cabinet in October. He advised that EU provision was not an issue for the Council. With regards to the HQ he confirmed that figures had been recalculated based on two buildings and that the business rates at the Sands building were higher than at County Hall. He did not expect energy prices to be the same in two or three years' time and with the new build at Aykley Heads being financed from the sale of the Sands building it would be cost neutral. He advised that there were no VAT issues for the Council and explained in detail about the exemption activities and limits, giving an example of the Leisure Transformation Programme receiving dispensation from HMRC to build this. Chelmsford Council had recently challenged VAT exemption around leisure facilities and could have an impact for all Councils.

Councillor Miller said that it was imperative that everyone engages with the process and with each other and would encourage Cabinet members to be part of the scrutiny process around budget discussions. He asked about the council tax reduction scheme grants for town and parish councils and if this would change. In response the Head of Corporate Finance and Commercial Service said that the expectation would be that the County Council would pay this grant in 2022/23 although it was noted that most councils had ceased doing this.

Referring to the timetable, Councillor Crute asked that this Board be sighted on the budget report this side of Christmas and was concerned that the scheduled meeting was early December. The Chair said that there could be a need for a special meeting to be arranged in December but wanted this Board to have a say in this process.

Resolved:

- (a) That the content of the report and comments made be noted.
- (b) Note the indicative timetable for scrutiny discussions subject to receiving the funding settlement from government.

10 Update in relation to Petitions

The Board considered a report of the Head of Legal and Democratic Services which provided for information the quarterly update in relation to the current situation regarding various petitions received by the Authority (for copy see file of Minutes).

The Democratic Services Manager (Interim) advised that the schedule provided a list of those petitions that were active, and those that were to be closed and which would be removed from the list prior to the next update.

Since the last update five new e-petitions had been submitted. Three were ongoing and two were not valid petitions.

Four new paper petitions had been submitted, three of those had closed and the other one was awaiting a further response. A list giving details and current status of all active petitions was attached as Appendix 2 to the report.

Resolved:

That the content of the report be noted.

11 Notice of Key Decisions

The Board considered a report of the Head of Legal and Democratic Services which listed key decisions which were scheduled to be considered by the Executive.

The Democratic Services Manager (Interim) advised that new to the plan were the following:

- MTFP – Update on the development of MTFP including consideration of options for consultation;
- Council Tax Base 2022/23 and Forecast Surplus / Deficit on Collection Fund;
- MTFP - Update on development of MTFP including analysis of the Autumn Statement;
- Inclusive Economic Strategy; and
- Concessionary Fares Budget.

Resolved:

That the content of the report be noted.