



RECORD OF EXECUTIVE DECISIONS

The following is a record of the decisions taken at the meeting of **CABINET** held on **Wednesday 13 September 2023**. The decisions will come into force and may be implemented from **Monday 25 September 2023** unless the Corporate Overview and Scrutiny Management Committee or its Committees object to any such decision and call it in.

Forecast of Revenue and Capital Outturn 2023/24 – Period to 30 June 2023 and Update on Progress towards achieving MTFP(13) savings

Summary

The Cabinet considered a report of the Corporate Director of Resources which provided:

- a) the forecast revenue and capital outturn for 2023/24, based on the position to 30 June 2023;
- b) an update on the dedicated schools grants and forecast schools' outturn as at 31 March 2024, based upon the position to 30 June 2023;
- c) the forecast for the council tax and business rates collection fund outturn at 31 March 2024, based on the position to 30 June 2023; and
- d) details of the updated forecast use of and contributions to earmarked, cash limit and general reserves in 2023/24 and the estimated balances that will be held at 31 March 2024.

The report sought approval of the revised 2023/24 capital programme, 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 (13) savings in 2023/24.

The Council continues to operate in a period of financial uncertainty, driven by continuing short term local government finance settlements, inherent low tax raising capacity due to the low tax base, alongside ongoing significant demand pressures, enduring demographic / cost pressures in Children's Social Care and the inflationary impact of the expected pay award and service provision.

The financial outlook for the Council is forecast to remain extremely challenging for the foreseeable future. In 2022/23 the Council encountered

considerable financial challenges, mainly resulting from the impact of the Ukraine conflict. Consumer Price Index inflation (CPI) in the UK economy peaked at 11.1% in October 2022 and although this has reduced to 7.9% for the twelve months to June 2023, CPI is now forecast to stay higher for longer than the Chancellor originally set in his budget forecasts. This continues to drive upward pressure across a range of expenditure budgets.

In late February 2023, the government announced that national fostering allowances for 2023/24 were to increase by 12.4%. The timing of the announcement was too late for the council to include in the 2023/24 budget, where a 5% price increase had been included. The additional 7.4% increase applied from April has added a forecast circa £0.590 million increase to costs in the current year. This additional spending requirement will need to be built into the base budget next year.

The Local Government Employers pay offer, which was made in mid / late February and is still to be agreed, set out an increase for 'Green Book' employees of £1,925. This represents the vast majority of Council employees and equates to a circa 6.5% increase in the Council's 2023/24 pay budget. The 2023/24 base budget included provision for up to a 5% pay award this year. The additional 1.5% budget uplift required will add a forecast £3.711 million per annum to Council costs in the current year if this is ultimately agreed.

Attendance at leisure centres has not fully recovered after the pandemic, however budgeted levels of income remain at pre-pandemic levels. The under recovery of leisure income suffered over the past two years continues into 2023/24 with a projected shortfall of circa £1.650 million forecast this year, which includes the impact of temporary closures whilst refurbishment works are undertaken as part of the Leisure Transformation Programme. The ongoing shortfall of £1 million will be addressed in the 2024/25 budget. The 2023/24 underachievement of leisure income has been treated as outside the cash limit and picked up corporately for the last two years with this treatment continuing in 2023/24. The 2023/24 reduced income as a result of the closure of leisure centre during refurbishment of circa £0.650 million has also been reported as outside services cash limit.

Aycliffe Secure Service continues to struggle to realise budgeted income levels. This is particularly linked to problems in recruiting staff to ensure income targets can be achieved. In 2022/23 the shortfall was circa £1.448 million, but in 2023/24 the shortfall is expected to be circa £0.720 million. This ongoing budget pressure is being addressed in the 2024/25 base budget. The pandemic accelerated growth in the use of temporary accommodation, which has continued into 2023/24.

The Housing Benefit Subsidy Grant does not allow for full recovery of payments linked to temporary and supported accommodation, which has also increased in recent years and this in turn has led to a forecast shortfall in

recoverable income of circa £3.2 million in 2023/24. This ongoing budget pressure will also be addressed in the 2024/25 budget.

These and other inflationary pressures are resulting in overspends in 2023/24 and driving additional unavoidable budget pressures across the MTFP(14) planning period. The detailed updated impact upon the MTFP(14) forecasts was reported to Cabinet on 12 July 2023.

Energy prices are falling. The MTFP (13) forecasts anticipated that prices would fall but they are now estimated to fall slightly further and more quickly than previously estimated. Energy costs are presently forecast to be lower than budget (net of Joint Stocks power generation income shortfall) by £1.394 million in the current year. The MTFP(14) forecasts have been adjusted accordingly.

Based on the position to 30 June 2023, service grouping cash limit budgets are forecasting an overspend of £5.658 million this year. The majority of the overspend relates to Children and Young People's Services where there is a forecast cash limit overspend of £5.078 million. The service does not have a cash limit reserve to offset this overspend so, as in previous years, this overspend will need to be financed from the General Reserve. The net cash limit overspend once the CYPS position is excluded is £0.580 million. The overspends being met corporately have been offset by budget available in general contingencies, a £4.146 million underspend in the capital financing budget and an over recovery in the investment income budget of £3.465 million. Overall, therefore, after also taking into account the forecasted outturn positions on corporate budgets, it is estimated that the General Reserve position to year end will broadly be in line with the opening position, with a small increase of £17,000 forecast.

Total earmarked and cash limit reserves (excluding school reserves) are forecast to continue to reduce. Earmarked reserves in particular are being expended in line with their expected use, with a forecast reduction in overall reserves of £34.124 million in 2023/24, from £196.535 million to £162.411 million. £10 million of the reduction in reserves relates to the use of the MTFP Support Reserve in year to balance the 2023/24 budget.

The forecast reserves position, including the General Reserve, is considered to adequate and prudent given the financial commitments we have and the uncertainties facing the council and the whole of local government beyond 2023/24.

The MTFP(14) report to Cabinet on 12 July 2023 highlighted the ongoing budget concerns for the Council with a forecast additional savings requirement of £50.136 million over the 2024/25 to 2027/28 period (with £9.910 million falling into 2024/25). Additional savings have been identified for consideration and consultation totalling £6.617 million, which could reduce the shortfall to

£43.5 million over the next four years, with a current budget deficit of £6.185 million forecast for 2024/25.

The Council's current reserves policy aims to maintain general reserve balance of between 5% and 7.5% of the net budget requirement in the medium term, which equates to a range of between £26 million and £39 million. The opening general reserves balance equated to the minimum 5% at £26.017 million.

The quarter one projected outturn position increases the general reserve position slightly by £17,000 to £26.034 million, therefore remaining just above the minimum threshold.

The updated forecast position for all current maintained schools shows a forecast use of reserves of £4.541 million (£2.838 million below budget). In addition, the forecast position for Dedicated Schools Grant centrally retained block shows a £0.245 million underspend in relation to High Needs Block, which if achieved would contribute towards a reduction in the accumulated deficit from earlier years when the High Needs Block spending was significantly above the grant received.

The updated projected capital outturn this year is £321.377 million, with the capital budget having been augmented with reprofiled budget from underspending against the 2022/23 capital programme, new spending commitments and funding in year since the budget was agreed, and reprofiling proposals set out in the report to defer capital expenditure to future years where necessary.

Performance against the various prudential indicators agreed by County Council in February 2023, set out in the report show that the Council continues to operate within the boundaries agreed. The forecast outturn for the Council Tax Collection Fund shows an in-year deficit of £1.783 million, and a cumulative deficit of £2.018 million to 31 March 2024. Durham County Council's share of this forecast net deficit is £1.695 million.

The forecast outturn for the Business Rates Collection Fund is an in-year surplus of £9.861 million, but a cumulative surplus of £9.153 million. Durham County Council's share (49%) of this forecast surplus is £4.485 million.

As at 30 June 2023 the Council has delivered savings totalling £5.435 million, which is 43.9% of the £12.383 million savings target for the year.

Decision

The Cabinet:

- (a) noted the Council's overall forecast financial position for 2023/24 and the continuing uncertainty associated with the outturn

forecast resulting from the significant inflationary and demand led cost pressures;

- (b) agreed the proposed 'sums outside the cash limit' and transfers to and from general contingencies as set out in the report;
- (c) agreed the revenue and capital budget adjustments outlined in the report;
- (d) noted performance against the various prudential indicators agreed by Council in February 2023;
- (e) noted the forecast use of earmarked reserves in year;
- (f) noted the forecast 2023/24 cash limit overspend of £0.580 million alongside the forecast contribution of £0.017 million to General Reserves resulting in a forecast net council overspend in 2023/24 of £0.563 million;
- (g) noted the net unavoidable inflationary pressures which are forecast to be managed from the General Reserve;
- (h) noted the Dedicated Schools Grant and Schools forecast outturn position;
- (i) noted the position on the capital programme and the Collection Funds in respect of Council Tax and Business Rates; and
- (j) noted the amount of savings delivered to 30 June 2023 against the 2023/24 targets and the total savings that will have been delivered since 2011.

Health and Wellbeing Board Annual Report 2022/23

Summary

The Cabinet considered a joint report of the Corporate Director of Adult and Health Services, the Corporate Director of Neighbourhoods and Climate Change and the Director of Public Health which presented the Health and Wellbeing Board Annual Report 2022/23 for endorsement.

During 2022/23, the Health and Wellbeing Board has supported and led a range of excellent work which has impacted positively on the strategic priorities in the Joint Health and Wellbeing Strategy 2021-25. The priorities, based on evidence from the Joint Strategic Needs Assessment, informs partners planning, policy, and commissioning decisions, which enable the Council to continue to improve health and wellbeing services to all sections of the population countywide. Whilst the Covid-19 pandemic stalled some of the progress made in terms of health outcomes, partnership strengths and

positive developments have placed the Council in a strong position to face future challenges.

Decision

The Cabinet:

- a) noted the work that has taken place in 2022/23 by the Health and Wellbeing Board;
- b) endorsed the Health and Wellbeing Board Annual Report 2022/23.

Durham Innovation District Aykley Heads Strategic Employment Site – Outline Business Case and Procurement of a Joint Venture Partner

Summary

The Cabinet considered a joint report of the Corporate Director of Regeneration, Economy, and Growth and the Corporate Director of Resources which sought approval of the Outline Business Case (OBC) for the development of the Aykley Heads site, and approval to proceed with the procurement of a Joint Venture partner to develop the site. The procurement process will result in the preparation of a Full Business Case (FBC) that will be brought back to Cabinet for approval before the Council enters into any formal Joint Venture Partnership Agreement.

In 2014 a masterplan for Durham City was adopted which supported the aim of establishing a business district in the city. In support of this, Cabinet agreed in 2015 the principle of releasing the Aykley Heads site for a strategic employment site. This decision was linked to the proposed relocation of the Council's Headquarters (HQ).

An Outline Business Case (OBC) for the relocation of the HQ was approved in 2016. The development of this OBC and the potential for relocation from County Hall to a new HQ allowed a development and delivery strategy to be developed for the SES, including the preparation of a masterplan for the site.

In 2018 Cabinet approved a Full Business Case (FBC) for a new HQ which saw proposals taken forward for the construction of a new HQ at The Sands, Durham Riverside.

Approval was also granted in 2018 to the progression of a planning application for the SES at Aykley heads and the demolition of the existing HQ building known as County Hall. Following associated design and development work a hybrid planning application was lodged in 2020 for the SES. The application sought outline planning consent for delivering the Aykley Heads masterplan

comprising 414,000 square feet of development floorspace, the demolition of County Hall and detailed consent to develop Plot C of the masterplan as a speculative office block.

It was the intention, subject to the granting of planning consent, for Plot C to be marketed as construction neared completion so that market interest could be determined. This would then inform the Council's strategy for developing the site further. The planning application was subsequently approved in January 2021.

In May 2021 a new Council was elected and in June 2021 Cabinet resolved to review the options for use of the newly constructed HQ at The Sands, as well as reviewing options for the Council's HQ functions. In September 2021 Cabinet agreed several recommendations about the future of the Council's estate strategy and HQ functions. It also endorsed both the proposal to develop Aykley Heads as an SES and the future demolition of County Hall.

There have been several reports since relating to the Council's estates strategy, the most recent in July 2023. The conclusion of these reports is that the Council has revised its office accommodation strategy which has resulted in the disposal of the newly built HQ on The Sands to Durham University for its Business School. It has been agreed that the Council will occupy Plot C as part of its HQ requirements and secure the freehold interest in the Rivergreen Building at Aykley Heads for its civic, corporate, and democratic core functions along with some additional office accommodation and the provision of a conference facility for the wider Aykley Heads development.

This will allow County Hall to be fully vacated and demolished with the whole of the County Hall site being made available for the SES development.

In order to maximise the potential of the Aykley Heads site and release land that would be difficult to develop in isolation, it is the intention to include an area of land currently owned by Durham Constabulary in the Aykley Heads site. This is subject to Durham Constabulary agreeing to dispose of the site to the council at a price to be agreed. This land is represented by Plot E of the masterplan.

During the development of the masterplan and securing of planning permission the economy has experienced some of the greatest economic shifts in a generation, linked to wider geopolitical factors. Appropriate assumptions have been made on their impact on the deliverability of the SES.

The Council has also undertaken considerable research into the potential clustering of key value-added activities at the SES. The Council's research and understanding of these key economic capabilities has created a broader opportunity for the Council to use Aykley Heads as part of an Innovation District. Innovation Districts are geographic areas with networks of knowledge-producing organisations such as universities, research bodies, cultural institutions, and knowledge-intensive businesses. They bring together

innovators, entrepreneurs, researchers, creatives, knowledge workers and investors to work together, to collaborate, compare and compete, creating the conditions for business growth.

Aykley Heads is uniquely positioned to capitalise on these characteristics and serve as a driving force for County Durham's future economic growth as it has the scope and scale to create an Innovation District of regional, national, and international significance.

The Council and Durham University have worked collaboratively in recognition of the mutually beneficial role that Aykley Heads can play for both the University and the County's economy. A Memorandum of Understanding has been agreed affirming the commitment between the partners to collaborate and explore options in partnership.

The Council has set a Vision and agreed its desired outcomes for the Durham Innovation District so that it will be a catalyst for driving social and economic benefit across the County.

In order to understand how the market might view the Aykley Heads opportunity and gain a better appreciation of whether the Council's expectations and ambition for the site are realistic a structured soft market testing exercise was undertaken in 2022-2023. This helped gain an appreciation of the market appetite and capability to develop an innovation district and deliver Aykley Heads. This exercise demonstrated that there is significant market interest from developers, institutional investors and long term develop and hold partners.

A range of potential approaches to delivering the Durham Innovation District have been explored. It has been concluded that the Durham Innovation District will be best delivered and operated with the Council working in partnership with a strategic partner who brings the skills, networks, investment, and expertise needed.

By partnering, the Council will retain long term influence over the Innovation District's activity and a share in its future economic success.

As a consequence, approval was sought to test the market for a suitable Joint Venture delivery partner. The Outline Business Case sets out the case for that decision based on information currently available. The outcome of the market procurement process will be reported to Cabinet late in 2024 along with a Full Business Case to inform a decision on whether to progress the proposal for a Durham Innovation District at Aykley Heads.

Decision

The Cabinet:

- a) endorsed and approved the Outline Business Case; and

- b) granted approval to progress the preparation of a Full Business Case.

In so doing, Cabinet also:

- a) agreed to develop Aykley Heads as part of a wider Durham Innovation District;
- b) agreed to commence procurement for a Joint Venture partner to form a Joint Venture Partnership to develop Aykley Heads as part of the Durham Innovation District;
- c) agreed to the principle of the Council owned land at Aykley Heads being invested as equity into a future Joint Venture Partnership;
- d) noted that there may be further public investment needed to deliver the development at Aykley Heads, with any forecast future capital investment requirements being factored into the Full Business Case to inform future Medium Term Financial Plan (MTFP) capital bidding rounds.
- e) agreed to establish a budget to support the client-side development of the Full Business Case, and thereafter to support the ongoing revenue costs associated with the Council's role in the Joint Venture Partnership;
- f) noted the structured engagement with Durham University through the adopted MoU to shape the delivery strategy for the Durham Innovation District, and
- g) noted that on completion of the Full Business Case, and the conclusion of the procurement of a Joint Venture partner, a further report will be brought to Cabinet for approval, which will provide full details of the proposals.

Helen Bradley
Head of Legal & Democratic Services
15 September 2023