

DURHAM COUNTY COUNCIL

ECONOMY AND ENTERPRISE OVERVIEW AND SCRUTINY COMMITTEE

At a Special meeting of the **Economy and Enterprise Overview and Scrutiny Committee** held in **Committee Room 2, County Hall, Durham** on **Friday 12 January 2024** at **9.30 am**

Present:

Councillor B Moist (Chair)

Members of the Committee:

Councillors A Batey, G Binney, R Crute, M Currah, D Freeman, P Heaviside, G Hutchinson, C Lines, K Shaw, M Stead and A Sterling

Co-opted Members:

Mrs R Morris and Mr E Simons

1 Apologies for Absence

Apologies for absence were received from Councillors A Surtees, J Miller, R Ormerod, I Roberts and K Robson.

2 Substitute Members

There were no substitutes.

3 Declarations of Interest

There were no declarations of interest.

4 Items from Co-opted Members or Interested Parties

There were no items from Co-opted Members or Interested Parties.

5 Masterplan Activity in County Durham

The Committee received a report of the Corporate Director of Regeneration, Economy and Growth that outlined the process for managing change to the physical fabric of settlements through masterplan activity. It set out what masterplan activity relating to the settlements and town centres had taken place in the County to date; provided an update on the delivery of schemes identified within the approved local masterplans for those areas and highlighted proposed opportunities to review and replace masterplans with Strategic Place Plans, in line with the principles and priorities of the Inclusive Economic Strategy (for copy see file of Minutes).

A Kerr, Head of Economic Development introduced the report that set out how the Council had delivered masterplans with great success over the years, having a clear vision that had secured government funding. Masterplans had been a key tool in leveraging funding however there was a new approach being developed that linked into the Inclusive Economic Strategy that focused on the local community being at the heart of the vision for their local communities. He continued that DCC would work with local people, businesses and stakeholders to establish visions for each place, with a rolling programme to guide future and existing investment through Strategic Place Plans. A range of new tools would be developed through innovative engagement methods. These new plans would formulate the economic role of each town and would be developed in line with IES principles.

G Wood, Economic Development Manager commented that the masterplans had empowered the Council to gain government funding since 2009 for active regeneration efforts across the County. Spatial planning had a huge input into the masterplans that were used to draw down external funding from Government such as funding that had been invested in Bishop Auckland and through the Levelling Up Fund with additional specific masterplans for housing and strategic sites across the county. The Town and Villages programme had broadened the spectrum for masterplans in the county and a programme of Targeted Delivery Plans had been completed across the county, providing mini masterplans for key residential settlements as part of the Towns and Villages programme. He noted that the report dictated what was in the masterplans, how they were put together and who were involved in their development. Masterplans had been developed across departments and had gone through a consultation process. The level of response to the consultation exercises varied dependent on the town with delivery plans giving the direction of travel at a community level.

He continued that the IES provided a new framework for improving economic performance in the county and acknowledged the importance of building vibrant and diverse towns and villages with the resulting delivery plan for the strategy considering the role that masterplans could play in driving delivery in our towns and villages. Central to the new approach to building successful places would be empowering local communities to be at the heart of shaping the future of their Towns and Villages.

The Economic Development Manager further explained that there would be an open brief to work through a draft vision that would go out to consultation to conclude in developing a delivery plan to take things forward as there was a requirement to broaden the community buy in with the design process. Reference was made to the commitment in the IES Delivery Plan to create a new vision and delivery framework for Durham City. There were also opportunities for lottery funding. Government funding had recently been allocated to Spennymoor, Shildon and Newton Aycliffe with a requirement to have a renewed masterplan. This had resulted in the above areas being identified for a pilot programme to test the Strategic Place Plan approach which if successful would then start to be rolled out across the County. He noted that it would take approximately 18 months to refresh the suite of master plans to cover the remainder of the County.

G Smith Housing Development Manager mentioned that the Targeted Delivery Plans (TDP) directed activities in specific areas. TDP areas were identified based on a cumulative ranking of a range of issues including deprivation, income and inequality and anti-social behaviour in an area. There were 7 TDP's in place at present that included New Kyo, Thickleigh, Blackhall Colliery South, Stanley Hall West, Coundon Grange Deneside East and Wheatly Hill.

The Economic Development Manager added that town centre work had looked at other themes based on the last suite of spatial master plans that moved the town centre boundaries to focus on outlying villages and how to move forward.

Mrs R Morris commented that she was confused over the number of different masterplans and spatial plans there were. She felt that there should be clarity established quickly on what was proposed in the new approach of Strategic Place Plans and she was concerned that members had not been involved in the development or seen the format for the new Strategic Place Plans. She perceived that towns with surrounding rural villages within County Durham also required plans and highlighted the importance of the new approach considering the impact of various development projects on villages surrounding the major town centres. She continued by commenting that some big local community issues did not feature such as transport and it was crucial that it did feature. She referred to paragraph 33 in the report that highlighted vast amounts of money and queried how this fit in going forward. She thought that most local people wanted more jobs and employment in their local area which she could not see any mention of in the plans. She queried if the Committee could have a draft of the new Strategic Place Plans.

The Head of Economic Development responded that historically master plans were based on spatial plans that looked at different areas that were coloured coded on a map across the Council to illustrate need. The new application would include historic data but move away from the spatial aspect and move more towards the strategic side to work with communities on what they wanted. The new approach was a co-design model that would allow the plans to be defined by local people with

that vision being used to develop the spatial, investment and delivery plans for that particular area. In relation to the format for this new approach he confirmed that the Strategic Place Plans currently being developed were pilots and he highlighted that not 'one size would fit all' in relation to the development of future plans however what was provided by the new approach was a framework. The framework would define the future vision for the local area and if transport was identified as a priority for that area then plans would be tailored accordingly. Concerning the funding, this was funding which had been allocated to the identified areas with the requirement that a new masterplan was produced, this was why these areas had been identified to pilot the new approach.

Mrs R Morris agreed that the plans should focus on the Inclusive Economic Strategy but was concerned that when engaging with local communities the priorities/key components within the IES would be used as cornerstones for this engagement process. This would provide local communities with an opportunity for the priorities within the IES to be considered for inclusion within their resulting Strategic Place Plans.

The Economic Development Manager replied that they would look to do so and use the Inclusive Economic Strategy as a touch stone on how to take it forward. There would be an open brief with a period of direct engagement with local people to see what they wanted and how to develop that going forward. He highlighted that there would be a need for officers together with local communities to determine how identified local priorities interpret with the priorities within the IES and then report through to DCC.

Councillor K Shaw was concerned that these plans had been originally developed in 2020 that looked at different areas in the county putting plans together for council housing but to date it seemed no progress had been made in any area.

The Housing Development Manager responded that the TDPs were distinct from the Council House Delivery Programme. He continued that TDPs had been completed in a number of areas in the county and that they were developed as part of the Town and Villages Programme. He continued that these plans focused on residential settlements and used the example of Wheatley Hill where the focus had been anti-social behaviour. He continued that there was a list of activities identified in relation to TDPs that he could share with members.

Councillor K Shaw assumed TDP's looked at areas where there was the greatest need and asked how many TDP's there were.

In response the Housing Development Manager confirmed that there were 7 TDP's that looked at the unmet housing need in the area to bring forward. However, some of the settlements that had TDPs did not have areas for housing development.

Councillor A Batey commented that she was confused at the different elements referred to in the report concerning the new approach and had concerns that it would be difficult to relay to the community and wider public. She was curious as to why Chester le Street had been referred to in relation to investigating town centres as work had already been carried out within a focused steering group that looked at the retail offer of the town centre 6 years ago. She was unsure of timelines as to when work on different areas was refreshed and highlighted the need for the local area to be looked at as a whole including links to transport to town centres from rural villages. She then continued that Pelton and Great Lumley were referenced within the Town and Villages programme and that whilst work in Great Lumley had progressed in relation to shop fronts, Pelton had not. She continued that areas which had featured within the T&V Programme no longer seemed to feature and asked whether the programme had changed in relation to areas of focus and queried if there was a pecking order. She highlighted that there were several vacant units within Chester-le-Street and although she was not the local member for Chester le Street the town had been hit hard with banks reallocating from the town centre and there being many vacant units. She questioned as to how this seepage from the main towns could be prevented and wondered how we could support our villages when businesses were leaving our town centres.

The Head of Economic Development stated that existing masterplans would be refreshed but now the service would be addressing the Strategic Place Plans that would require a process to work through to outline needs. He highlighted that we had an approach going forward within the IES and that we were looking to develop pilot programmes for Spennymoor and Shildon/Newton Aycliffe, they were top priority as they had received £30million government funding that required a renewed masterplan as part of the funding criteria. It was unclear when or what would be included in the next phase.

The Economic Development Manager added that Masterplans were not the answer to all issues and made reference to the strategic sites being developed throughout the county and the Town and Villages programme which again had been rolled out across the county. He continued that Masterplans looked at town centres and villages as part of the employment strategy to establish how things could be delivered to capture the needs of an area, they were one tool used by DCC. Masterplans worked well to engage with the community and were dependent upon funding whether internal or external via government to resource the programme. Rural England also provided funding to help look at rural areas. He concluded by confirming that the current process was vast, complicated and that it was part of a sequence.

Councillor A Batey thought that a meeting with Officers and Chester le Street Councillors would be beneficial to discuss where we were at and how we were progressing in relation to the various programmes and schemes together with detail of the various priorities within the Chester-le-Street area.

The Head of Economic Development asked Councillor A Batey if it was in terms of the sequencing and how the work delivered, progressing and planned is linked together.

Councillor A Batey responded that she was unclear as to why, the priority was as it was and the process being followed.

Councillor C Lines acknowledged that there would be difficulties and inconsistencies with local engagement and suggested that the neighbourhood plan approach could be helpful with this element. He informed the committee that the neighbourhood plan had been followed for Sedgefield with the plan being owned by the local community and led by the Town Council, local businesses and local groups. This created a huge buy in as there was a passion to deliver policies within the framework with guidance provided by Durham County Council throughout the whole process ensuring alignment with the local plan.

The Head of Economic Development confirmed that there was synergy with the local neighbourhood plan model and the new approach of Strategic Place Plans. The actual approach required co-design with diverse open engagement.

Councillor C Line suggested the approach could use the neighbourhood plan model as it included the principle of local collaboration, that was open, transparent, builds relationships and develop trust to allow the project to work well.

The Head of Economic Development agreed that it was that type of model they wanted to create that did not follow a top-down approach.

Councillor B Moist commented that he was delighted that there was to be a refocus on masterplans to move away from the spatial element. He did understand that there was a requirement for a spatial element to secure grant funding. He continued that he anticipated that the move to local targeted outcomes to regeneration and commented that Chester-le-Street was a hub for several villages and that there was a need to link issues such as transport and other common themes that apply. He was concerned that there was a total of £113 million allocated to regeneration programmes in the county with £73 million of the total funding being allocated to Bishop Auckland, a concentration of so much in one particular area with only £60m for the remaining areas of the county across the five year period, although he was delighted that Bishop Auckland had received national recognition. He continued that he wondered how priority areas were chosen and that the focus should be on areas with the most need.

He felt that Members would like a better understanding of where their area ranked. He continued that the new Strategic Place Plans approach was a 'step in the right direction' and that he would not want to see a talking shop going forward and highlighted the need for the focus to be on delivery. He thought there was a requirement so see how delivery could be achieved.

He was satisfied that the focus would be from the ground up but felt that members should have more input as they had an abundance of local knowledge and commented that member involvement was essential when developing the Place Plans. He wanted regeneration in County Durham to be area focused, appropriately costed with accountability and the resources to allocate targets with agreed time scales. He noted that the current status of Masterplans projects was 'progressing' with very few complete which he could not understand. He mentioned that although the £1.6million project to refurbish the culvert at Chester le Street had been completed it had been an Environment Agency led project rather than a Durham County Council project. Work had also been undertaken to remodel the marketplace in Chester le Street but had then been left where more could have been done.

Councillor K Shaw agreed with the points made by previous members, they were all valid. He was disappointed that very little progress had been made in relation to the Town and Villages Programme which had been put together in 2021. He continued that originally meetings had been held with all members for them to develop a 'shopping list' when it came to regeneration projects in their division. The schemes had then been costed with money set aside to deliver the schemes identified. However, these projects had not been delivered and were having to be re-costed because of the delay in delivery. He could not believe that the plans and budgets for the project put forward in 2020 had not been delivered.

Councillor B Moist stressed that the role of scrutiny was to scrutinise activities of the Council in delivering public services. He questioned why these activities had not been delivered. He suggested that this needed to be addressed with Executive Members and that there was a need to start asking questions of the relevant Cabinet members.

Councillor K Shaw thought that it was down to the change in administration as to why projects were not delivered.

Councillor M Stead commented that he thought there had been delivery and that there was a need to take a wider view across the county. He continued that he had found the including of a RAG reading in previous reports showing progress and delivery very helpful. He suggested that a wider view was required if external funding was awarded and that if there was external funding available for a specific area then it made sense to progress in that area and that area took priority to access the available funding. He noted that Town Centres could not be addressed in isolation and required partnership working and not to rely on the private sector for financial aid as was the case in Bishop Auckland. He continued that it was wrong to push one particular area during meetings and queried why Councillor B Moist continued to make reference to his ward of Chester le Street at every meeting he attended. He continued that Chester-le-Street had a World Class Cricket Club, that could not be said of any other town in the county and continued that Newton Aycliffe

his local community had a Golf Club however this was paid for by local residents via the Council Tax.

Councillor B Moist commented that he was sorry if the member felt that Chester-le-Street was mentioned too many times however he was aware of the issues and concerns in relation to Chester-le-Street and that he would gladly speak to Councillor M Stead outside of the meeting. He confirmed that the focus of the committee was on the economy of County Durham. He acknowledged that he mentioned his ward as an example of how proposals could relate and that he was concerned for every resident and had no favouritism.

Councillor R Crute felt that Members had a valid point in raising their own areas when discussing masterplans as this local input was vital.

Councillor M Currah commented that any future criteria for Strategic Place Plans needed to be transparent with a pecking order. He continued that the funding allocated to Shildon/Newton Aycliffe and Spennymoor was unexpected however going forward there was a need for a transparent criteria that would be applied across the county.

The Head of Economic Development noted that it was important to work through government funding as a priority when allocated but it was disheartening to be told where to spend the money as it should be down to the Local Authority to define the transformation for the community.

Mrs R Morris commented that she would be interested to see how the planet theme within the Inclusive Economic Strategy would play into discussions with local communities and gave the examples of food production, retrofitting and energy production. She continued that DCC had a role to raise the priorities within the IES with local communities, identifying areas for inclusion in their Strategic Place Plans that they may not have previously thought about.

The Head of Economic Development noted that the approach was for the local community to take the lead and responsibility for the macro effects on everything and not just at a local level but also on a national level. These would be different in each area and would need to be worked through but if they were local priorities they would be addressed and responded to.

He continued that clear and achievable outcomes should be identified as some could present challenges that were unattainable. He gave an example of local communities wanting banks to be brought back to the high street which would not be achievable.

Councillor B Moist thanked Officers for the report and commented that it was a step forward. He recognised that there was no magic wand and a pot of money

available for regeneration in divisions and therefore the Council should take advantage of any money that it could get.

Resolved

- i) That the previous programme of masterplan development and associated scheme delivery undertaken across County Durham be noted.
- ii) That the proposals to refresh the approach to the development of masterplans through a new programme of Strategic Place Plans in line with the principles and priorities of the Inclusive Economic Strategy be agreed.
- iii) That the Chair of the Economy and Enterprise Overview and Scrutiny Committee write to the relevant Cabinet Portfolio Holder expressing the various concerns raised by members in relation to the report and request that a response is provided to those concerns.

6 Council House Delivery Programme: Update

The Committee received a report of the Corporate Director of Regeneration, Economy and Growth that provided an update on the Council House Delivery Programme that set out the context to the programme outlining the objectives of the programme along with the delivery approach, current stage of the programme and next steps (for copy see file of Minutes).

G Smith, Housing Development Manager gave a detailed presentation on the Council House Delivery Programme that provided the background, the objectives, the approach to the delivery of the programme, the sites that had been identified, the key challenges faced by the programme and the next steps.

In relation to the background the Housing Development Manager highlighted that in 2020 the Council had agreed to begin a council House delivery programme to deliver up to 500 homes by 2026 with phase 1 and phase 2 sites agreed by Cabinet in 2021. However, the progress of the programme had been impacted by macro-economic factors including the Covid 19 pandemic, the war in the Ukraine and the global energy crisis, impacting on both the construction industry costs and the Council's budgetary position. In July 2023, Cabinet approved an updated business case for the programme which responded to the three macro-economic factors above and included a revised financial model.

The Housing Development Manager confirmed that the objectives of the programme were to deliver affordable housing, homes for older people and to reduce the cost of the provision of temporary accommodation in the county. In relation to providing affordable homes it was highlighted that the programme provided an additional source of supply to meet the shortfall in affordable housing provision which was around 40% each year. County Durham had seen a demographic shift with the

number of older people increasing with a projected increase of 65.6% between 2016- 2035 of those aged 75 and over.

In relation to temporary accommodation members were informed that the Council's cost of providing temporary accommodation had increased from £10,343 in 2016/17 to £806,179 in 2022/23 and that this was the result of several factors including new responsibilities placed upon the Council through the Homelessness Reduction Act.

In relation to the approach to delivery to overcome challenges within the programme, the Housing Development Manager confirmed that this included an updated financial model based on revised assumptions, delivering bungalow accommodation alongside a range of house types to meet identified needs although bungalows remained the core intention and a move towards a design and build' approach to development.

It was confirmed that the report considered by Cabinet in July 2023 identified three sites with other phase 1 and 2 sites to be progressed subject to viability considerations. In relation to rural delivery, three distinct model delivery approaches had been identified which included identifying suitable land to purchase or to swap, making use of existing buildings or the purchase of s106 units where there was no interest from Registered Providers.

In addition, it was intended that alongside development a programme of acquisition would be undertaken to acquire homes to help meet our housing needs. It was highlighted that key challenges to the programme included the viability of the development, the viability of some of the sites allocated in terms of the topography and scale of the sites. The Housing Development Manager confirmed that the procurement exercise for the appointment of a contractor was going through the required process now and would conclude in the first quarter of 2024.

Councillor C Lines observed within the report that the costs associated with temporary accommodation had increased at an alarming rate. He asked if Officer's thought this trend would continue and whether this was a result of the extension of the duties placed on the Authority under the Homelessness Act and if it would impact on budget pressures.

The Housing Development Manager responded that they were stark figures. There were several factors that had impacted and caused the increase in costs including the additional duties that had been placed on the Council through the Homelessness Reduction Act 2017.

I Conway, Programme Lead (Council House Build) added that along with the extra duties from the Homelessness Reduction Act 2017 other factors had increased the cost of temporary accommodation that included the settling in period following the stock transfer of council houses to the Registered Providers in 2015. During the initial transfer both organisations had similar policies but over time the Registered

Providers developed their own policies that saw each organisation deal with homelessness in different ways.

During Covid the government embargoed tenants from being evicted for any reason but following the pandemic landlords started serving section 21 notices to evict tenants who had not paid rent. Registered Providers having their own policies which made them more critical when assessing applicants and refused to house people if they had previously had bad experiences with that applicant in the past. This left the duty of care on the Local Authority to find alternative provision with some applicants being left in temporary accommodation for longer periods than in the past.

The Housing Development Manager in response to Councillor C Lines' enquiry believed that the trend would continue to increase. However, the Council had put measures in place to respond to the issue. This included a refresh to both the Housing and Homelessness Strategies. It was also noted that the council house delivery plan would provide an opportunity to prove 'move on accommodation' to support bringing households out of temporary accommodation. The Council had looked to create its own temporary accommodation by acquiring properties to reduce costs.

Councillor A Batey was aware of pressure on the Council's budget and queried if there was any interest in using either existing unoccupied buildings or untenanted buildings that landlords wanted to sell in rural areas as temporary accommodation.

The Programme Lead (Council House Build) confirmed that the Council was looking at a strategy for County Durham to look at the high levels of empty properties that potentially could be put back into use as council houses.

The Housing Development Manager verified that it was proposed that there would be 130 council houses in the Council's ownership by the end of the year. Any acquisition undertaken by the Council would need to be assessed to ensure they were financially viable. There would be 32 units for supported accommodation for rough sleepers as part of a targeted programme.

Councillor A Batey commented that in relation to the rural delivery slide and making use of existing buildings had the council done any work looking at vacant terraced housing owned by private landlords who may want to sell their properties.

The Programme Lead (Council House Build) made the Committee aware that although there were 10,000 vacant buildings across County Durham which seemed a complete waste of resources not all would be financially viable to use and would require a lot of money spent on them to bring them up to the required standard. He continued that some of these empty properties were normal churn however for those that were not there was a range of activities ongoing to bring empty properties back into use across the county.

The Housing Development Manager continued that empty properties were assessed in relation to location, whether the property met the housing need of a particular location, current state of the property and it was then determined as to whether it was viable to bring the property back into use.

The Programme Lead (Council House Build) continued that some properties were not within DCC's resource to bring back into use viably and confirmed that there was government funding available for specific targeted programmes in relation to empty homes which DCC was tapping into.

Councillor A Batey queried if there were financial constraints on housing associations for them not to look at new builds.

Councillor D Freeman asked as to why the registered providers in the county were not addressing the housing need by building the new homes required and queried as to whether it was land availability preventing them from building the required new homes.

The Housing Development Manager commented that there was a shortfall of affordable homes in the county and the council house delivery programme provided an additional source of supply to meet affordable housing needs. He continued that potentially registered providers also had to direct resources towards their existing stock. It was noted that registered providers often operated across local authority boundaries. It was thought that if the Council built their own council homes they could manage them directly which would support a reduction in the cost of the provision of temporary accommodation.

The Programme Lead (Council House Build) commented that there were business plan issues in relation to new builds that needed to be considered as significant borrowing would be required resulting in them representing a greater risk for registered providers in their business plans. At the same time there were financial pressures to deal with issues such as decarbonisation and in retrofitting within their existing stock. He added that the Council were at a stage where they could look to build new properties without the pressure to also maintain an ageing housing stock.

Councillor K Shaw explained that he was the former portfolio holder for housing and was disappointed that the Council had not progressed the Council House Build work since 2021. He noted that between 2017 and 2018 Theresa May, Prime Minister had highlighted a national housing crisis and the Registered providers were in a standstill position, with housing needs not being met with 11,000 residents on the housing list. The only way to meet that need was a total change of direction for Councils to start building their own homes. He added that previously Government legislation had prevented borrowing in relation to transferred housing stock. He noted that there had been £70 million to build 500 homes from 2021 to 2026 and if

progressed when originally planned Council homes could have been delivered by now so the opportunity had been missed.

He continued that Registered providers were now using their land to build market housing which again reduced the number of affordable homes available within the county. He concluded by questioning as to why when cabinet had approved this programme in 2020 there had been no development, a two-year delay when nothing had progressed.

The Housing Development Manager responded and put into context that following approval in 2020 and allocation of sites in 2021 it was determined at the cost estimate stage that some of the sites were not viable. This led to the business models, costs estimates, designs and layouts for the sites having to be reviewed.

The Programme Lead (Council House Build) explained that all the prep work on the site layouts, pre-planning applications, costings and issues had to be revised due to the changes in the market as it was found that new builds were no longer affordable using the existing financial model. Following soft marketing exercises the approach to tendering, bespoke house designs and financial modelling had to be reconsidered. Although it appeared that there had been no progression on the project Officers had worked continuously to encompass the additional work of refreshing every element of the original plans. He advised that presently the project was at the procurement stage which took several months. There was an expectation that tenders would be submitted to engage the contractors to develop the programme as quickly as possible. He highlighted that there had been several factors across the timescale in question which had prevented the scheme from progressing as quickly as originally envisaged.

Councillor K Shaw commented that he acknowledged the points made by officers however he could not understand following all the necessary preparatory work being undertaken in 2020 and the project ready to proceed with the relevant finances in place how it had not progressed any further within the time scales from 2021 until 2026. He continued by expressing concern and disappointment that four years later with two years delay the project had failed to deliver any of the proposed 500 homes.

Councillor R Crute commented that the delay was not a criticism of Officers as they were bound by policy decisions and external factors. He commented that what was to be considered was set in front of them. He continued that where we find ourselves today was the result of political decisions and highlighted that the increase in interest rates had resulted in the programme having to be remodelled. He continued that the project formed part of the wider DCC Capital Programme of £700 million that had cost £900 million and he questioned why the initiative had appeared to be given a lower priority than other elements of the top heavy programme with undeliverable schemes.

He continued by expressing concern that the project could assist significantly in addressing the ongoing levels of revenue costs being incurred by DCC as part of its responsibilities in relation to homelessness and lift the pressure on the revenue budget. He was aware that it was down to political choice where the priorities lay. He continued that in considering how the large capital programme was funded through borrowing and the ongoing high levels of interest applied to this borrowing, he suggested that priority within the capital programme should be given to those initiatives which would deliver savings against the revenue budget whilst at the same time provide valuable homes for residents of County Durham. Mr E Simons noted that the report had indicated within the business case review that there was a reduction in the capital costs within the programme. He queried why that was as he knew from a background in construction that the costs of bricks had not gone down.

The Programme Lead (Council House Build) explained that the cost per unit had increased to between £180,000 to £220,000 from around £140,000 per unit with a corresponding knock on for the cost of the project overall. The other factors helping to balance the revised plan included the projected increase in funding from Homes England from £35,000 per unit to £49,000 per unit, changing the loan from the initial annuity loans to maturity loans and changing borrowing over a longer time frame of 40 years instead of 30 years as recommended by Savills. He continued that he believed that the remodelled programme could be delivered without as much capital input from DCC with £4.5m held to one side to be used to assist where the viability of a site required additional subsidy or any unforeseen risks materialise. .

Mr E Simons asked if Savills had remodelled the life cycle of the cost of design as he knew that over the cycle costs could escalate at the tail end of the build.

The Programme Lead (Council House Build) commented that an element for repair and maintenance had been included in the programme with an increased amount from the rental income to pay for major repairs in the future. Savills had recommended an increase rental income set aside within the Major Repairs Reserve for each property from £700 per unit to £917 per unit per annum.

Councillor B Moist questioned that if there was £70 million in budget for 500 houses how many council homes had been delivered to date within the 5 year period.

The Programme Lead (Council House Build) stated that no new build council homes had been delivered to date however 6 new homes had been acquired from Chapter Homes and other older properties had also been acquired.

Councillor B Moist asked when it was thought that 0% of the proposed Council homes would be delivered and commented that this may be a question posed to the Cabinet Portfolio Holder.

The Programme Lead (Council House Build) advised that the Council was currently out to tender for a contractor to start the programme. The Council would be in early discussions with the appointed contractor to agree the development programme in detail and the pipeline of sites.

The Housing Development Manager clarified that it was proposed to have 42 units on the first two sites following the procurement process and have a contractor in place later this year.

The Programme Lead (Council House Build) added that the Council would have an additional 130 homes by the end of the year through the acquisition process.

Councillor B Moist felt that strategies should be written with realistic targets rather than unreasonable targets that told people what they wanted to hear. He noted that if you failed to prepare, you prepared to fail. He was shocked that there had been plans to build 500 homes within 5 years and that none had been delivered. He noted that the Capital programme for regeneration had the biggest budget however he saw no point in spending money if programmes were not going to be delivered. He was not sure of the implications but suggested that potentially some Capital Programme monies should be redirected to those activities that were needed now. He continued that he had taken on board the macro-economic issues highlighted in the presentation however we had to live with these issues and deliver for the residents. He then proposed that the relevant Cabinet Portfolio Holders should be invited to a future meeting for members to ask questions and raise concerns which had been highlighted at the meeting.

Councillor R Crute suggested that due to the size of the committees work programme the Chair of the committee write to the relevant Cabinet Portfolio Holders expressing the concerns raised by members during the meeting, asking that a response was provided to the various concerns raised by members.

Councillor Stead asked for clarification that when the sites had been originally identified that they were in the wrong areas with some sites having issues with Japanese Knot Weed, the size of the sites, some were small scale and would therefore cost more to develop. He continued that Chapter homes had been successful in their site allocations.

The Programme Lead (Council House Build) confirmed Councillor M Stead's query that some sites that had been allocated were deemed unviable and that Japanese knot weed had been found on one site.

Councillor M Stead asked who identified land with no amenities.

The Programme Lead (Council House Build) noted that some land allocated had been sold to help fund the capital programme. It was beneficial that any land used would be required to be attractive to entice investors which had not been the case

with some allocated sites as they were deemed unfit upon assessment as they were on hills or had slopes and were more costly to develop and therefore attract a lower or no capital receipt. He confirmed that Chaytor Road and Greenwood Avenue had been allocated Brownfield Land Release Fund to help with some of the site abnormalities.

Councillor M Stead commented that Chapter Homes had built two sites successfully.

The Programme Lead (Council House Build) stated that the Council had generally identified more viable sites for the Chapter Homes as the aim of the organisation was to be able to achieve the development of the site and achieve a developer profit which could be returned to the Council as shareholder to relieve budget pressures elsewhere.

The Housing Development Manager commented that the initial site allocation for the council house programme was on the basis that they were acceptable for housing development in principle and that once the viability had been investigated it was found that there were issues with some of the sites which required further investigation.

Councillor B Moist thought that other options could also be explored for Council Houses and gave an example of Newcastle Council who were looking to bring back previously transferred housing stock into their ownership.

Resolved

- i) That the report and presentation be noted.
- ii) That the Chair of the Economy and Enterprise Overview and Scrutiny Committee write to the relevant Cabinet Portfolio Holder expressing the various concerns raised by members in relation to the report and presentation and request that a response is provided to those concerns.