

DURHAM COUNTY COUNCIL

At a Meeting of **Corporate Overview and Scrutiny Management Board** held in **Committee Room 2, County Hall, Durham** on **Friday 14 February 2020** at **9.30 am**

Present:

Councillor R Crute (Chair)

Members of the Committee:

Councillors A Batey (Vice-Chair), E Adam, R Bell, D Boyes, J Chaplow, J Clark (substitute for O Milburn), A Hopgood, I Jewell (substitute for M Clarke), P Jopling, B Kellett, H Liddle, R Manchester, C Martin, J Robinson, J Rowlandson, A Shield, F Tinsley, J Turnbull and M Wilkes

Also in attendance:

Councillors J Considine, J Lethbridge and A Pattinson

1 Apologies for Absence

Apologies for absence were received from Councillors M Clarke, L Maddison, J Makepeace, O Milburn, C Potts, A Savory, H Smith and A Willis.

2 Substitute Members

Councillor D Bell substituted for Councillor C Potts, Councillor J Clark substituted for Councillor O Milburn and Councillor I Jewell substituted for Councillor M Clarke.

3 Minutes

The minutes of the meeting held 27 January 2020 were agreed as a correct record and signed by the Chair.

The Head of Strategy, Jenny Haworth noted matters arising included:

- Minute six - in relation to the Digital Strategy and Digital Developments, Councillors R Bell and J Robinson had asked as regards which areas would be included in Contract Three for the Digital Durham Programme.

The Head of Strategy noted links to the appropriate maps had been circulated to Committee Members.

- Minute eight – in relation to the Notice of Key Decisions, Councillors R Bell and A Hopgood had raised the issue of the leisure centre transformations not appearing on the report to the Board. The Head of Strategy noted that a response had been sent to Councillors R Bell and A Hopgood via e-mail from the Head of Legal and Democratic Services, Helen Lynch clarifying the position in this regard. The Head of Strategy explained to the Committee that the main points were that the Key Decisions for December which included the item were published on 17 December, with the meeting of the Board in December having been held on 16 December. She added that all Members had been e-mailed as regards the Key Decisions on 17 December. She added that subsequent to that, the January meeting of the Board was held on 27 January, after the 15 January meeting of Cabinet, where the item on leisure centre transformation had been approved.

Councillor A Hopgood noted she had responded to the Head of Legal and Democratic Services and the Chief Executive as regards the matter. She noted that she fully supported leisure centre improvements, however, she noted other issues that had not been allocated Cabinet dates in the past had previously appeared on the Key Decisions document. She added that not only had Overview and Scrutiny not had the opportunity to consider the proposals, Members had not even known the proposals existed. Councillor A Hopgood noted that as the proposals had taken three years to come together, she felt that Members should have been made aware of them before now. Councillor M Wilkes noted he had to raise the issue during the Part B session of the Cabinet meeting, and he felt frustration in that he was not able to discuss proposals with the public. He also noted that within all the proposals and the budget allocated, there was one particular issue that had been raised for a number of years that had not been included.

The Chair noted that the Constitution had been complied with in terms of the process. Councillor A Hopgood noted that while that may be the case technically, she did not think it was necessarily right the way in which the proposals had been brought forward. She reiterated that the report had taken three years to come to fruition and, while she could understand some urgent issues that could emerge from time-limited funding streams or other matters, she felt this particular issue should have been listed on the Key Decisions document.

Councillor R Bell noted he did not know if it had been by accident or design, however, if the leisure proposals had taken three years to develop then it was unacceptable that it had not been included in the Key Decisions document.

He added that accordingly it may be that a change to the Constitution was required, or training for Officers so that they could comply with the spirit of the Constitution, and not bypass Overview and Scrutiny.

Councillor P Jopling noted she had not been happy as regards the costs associated with the buying out of contracts.

4 Declarations of Interest

There were no Declarations of Interest.

5 Medium Term Financial Plan (10) 2020/21 to 2023/24 and Revenue and Capital Budget 2020/21

The Board received a report of the Corporate Director of Resources which included, at Appendix Two, the Cabinet report of 12 February 2020 relating to the Medium Term Financial Plan (10) 2020/21 to 2023/24 and Revenue and Capital Budget 2020/21 (for copy see file of minutes).

The Head of Corporate Finance and Commercial Services, Jeff Garfoot referred Members to the appended Cabinet report noting that headlines included additional funding for 2020/21, though with no certainty beyond 2021, and a range of investments, some being short-term due to the levels of uncertainty. He explained that the provisional settlement from Government had been received, however, there had been further delay in receiving the final settlement with those details expected to be received the week beginning 24 February, the week of the Council budget setting meeting.

The Board were reminded that the Government's Comprehensive Spending Review (CSR) had been expected in 2019, however, this had been delayed and was expected in 2020. It was noted it had initially been scheduled for Spring, then Summer 2020, with the latest indication being that it would be Autumn 2020. The Head of Corporate Finance and Commercial Services explained that the Government's Fair Funding Review (FFR) had also experienced a delay, now 2021/22, and therefore there was no certainty in terms of the quantum of funding available to Local Government from 2021/22 onwards, or how it would be distributed between Local Authorities.

Members were reminded as regards the move to 75 percent Business Rate Retention (BRR), again delayed until 2021/22 and of the pressures on various budgets such as: Adult Social Care, Children's Social Care and High Needs Dedicated Schools Grant (HNDSG)

The Head of Corporate Finance and Commercial Services noted that assumptions of the loss of funding in relation to the Fair Funding Review amounted to around £25 million, or £5 million per year over a five-year period.

J Lethbridge and J Rowlandson entered the meeting at 9.50am

The Board were asked to note information relating to the Revenue Support Grant (RSG), and the continued need to look to identify savings and to protect frontlines services. The comparisons of core spending power for Local Authorities as set out within the Cabinet report were noted and the Head of Corporate Finance and Commercial Services reminded Members that Durham was 48 of 151 upper-tier authorities on the recently published Index of Multiple Deprivation (IMD). He explained that the reasons for higher spending need in County Durham included the ability to contribute to the costs of adult social care; the number of children in care; high numbers accessing Council Tax reduction; and low Council Tax base.

The Head of Corporate Finance and Commercial Services noted assumptions in relation to the budget included: that social care grant funding would continue for the next four years; Better Care Fund (BCF) funding would continue, but the final £4 million tranche of Improved BCF would be withdrawn from 2021/22; the losses as mentioned as a result of the FFR, mainly due to the implementation of the Advisory Council for Resource Allocation (ACRA) formula for the allocation of Public Health funding; and that the impact of the FFR transitioned over five years equating to the Council losing £5 million per annum of Government funding from 2021/22.

The Board were reminded of the various pressures in terms of the budget, including: pay inflation; National Living Wage; children services; and waste collection. The Head of Corporate Finance and Commercial Services noted a reduction in the employer's contribution to the pension fund.

In reference to investments, the Head of Corporate Finance and Commercial Services additional investments as set out at Table 6 for the Cabinet report, noting a one-off investment of £10 million in sport and leisure to generate future savings. Members were reminded of MTFP savings, noting to date there had been a total of around £250 million of savings over the last nine years. The Board noted the projected savings required in the next three financial years, as set out at Table 10 of the Cabinet Report and were reminded that Officers continually looked at savings that were required.

The Head of Corporate Finance and Commercial Services noted details of the capital programme, including Spennymoor School, highways infrastructure and investment at Locomotion.

He referred Members to Table 16 of the Cabinet report setting out changes in schools block allocation and Table 17 comparing the average increase in fund per pupil excluding growth in the English regions and noted that the increase in allocations did not appear to fairly reflect need.

The Chair thanked the Head of Corporate Finance and Commercial Services for his comprehensive report and noted some leeway in the budget, however, he agreed with the need for caution as he felt austerity was not over. The Chair asked the Board for their comments and questions.

Councillor R Bell noted the positive elements within the report, including the £22 million of investments as mentioned and the additional £16 million from Government as set out in Appendix Eight of the Cabinet report. He asked where the £22 million would come from, where the £10 million additional for Town and Villages would come from, and what the Council's plans were for the allocation of the £20 million Town and Villages budget. The Head of Corporate Finance and Commercial Services noted that Appendix Eight of the Cabinet report set out the estimated variances in the budget and the base budget pressures. He added this gave approximately £40 million of additional resource for 20/21, of which £20 million would be utilised for short-term investments. In respect of the Town and Villages funding, the additional £10 million had come from a combination of a review of the required amount set aside for equal pay, around £5 million, and £5 million from the Budget Support Reserve (BSR). The Chair asked if the estimated variances were subject to the Government confirming their quantum of funding. The Head of Corporate Finance and Commercial Services referred to the column at Appendix Eight referring to 2021/22, which forecast a reduction in resource available of £6.5 million and while this was an estimate, he did not feel future years would have the resource levels as set out in the 2020/21 budget proposals. Councillor R Bell asked as regards the Town and Villages fund, how it would be spent and why BSR was being used to top it up. The Head of Corporate Finance and Commercial Services explained that plans were still being formulated as regards how funds would be allocated and added that the BSR would retain sufficient funds of around £16 million. The Chair noted he would have thought the investment in Towns and Villages would be to help drive the local economy.

Councillor J Robinson noted the newly appointed Chancellor of the Exchequer was a resident and MP from North Yorkshire. He added that on this basis he would hope the new Chancellor would recognise the issues faced by the North of England. Councillor J Robinson welcome the £20 million investment for Towns and Villages and the additional funding allocated to tackle potholes. He added that as Chair of the Adults, Wellbeing and Health Overview and Scrutiny Committee he had concerns as regards Public Health funding, noting that the impact would be felt across all the thematic areas looked at by Overview and Scrutiny, not just health.

He added that his concern was that the good work and achievements of Public Health in Durham would be lost if the £19 million shortfall per year was not found. Councillor J Robinson hoped that all MPs including the four recently appointed would lobby in support of our area. He noted the £500,000 for flood mitigation which the Council invested with the Environment Agency, County Durham being the largest Council contributor, and asked what the county got for its investment. The Chair noted that the Environment and Sustainable Communities Overview and Scrutiny Committee had received a report as regards flood risk at its last meeting. The Head of Corporate Finance and Commercial Services noted he would defer to the service as regards issues raised in respect of flooding, though he did note the capital investment in flood mitigation within the budget. In respect of lobbying, he explained many associations and organisations the Council was a member of or partner with were lobbying Government in respect of the FFR, examples being the Association of North East Councils (ANEC), the Rural Services Network, and the County Councils Network (CCN) amongst others. The Head of Corporate Finance and Commercial Services noted that the three newly elected Conservative MPs had attended County Hall and had been fully briefed as regards the issues such as the FFR, Area Cost Adjustment and Council Tax Equalisation.

Councillor D Boyes also welcomed the investment in town and villages, however, he hoped there would be a focus on villages as in the past he felt there had been too great an emphasis on towns at the expense of the villages. He noted as Chair of the Safer and Stronger Communities Overview and Scrutiny Committee he had concern as regards the threat to the Public Health grant. He explained that there had been significant investment in the Drug and Alcohol Treatment Service which was now providing a positive impact with a good increase in performance. Councillor D Boyes noted he felt that performance could fall back to previously levels if the funding was to go and asked if in the future such funding would go back to a regional pot. The Head of Corporate Finance and Commercial Services noted as he understood the region would lose around £40 million with all north east councils losing funding. He reminded the Board that prior to 2013/14, Clinical Commissioning Groups (CCGs) held the budget and Public Health had been seen as a major priority by the CCGs. He noted that funds should be allocated upon need with funding levels being at those which were set by CCGs previously. The Head of Corporate Finance and Commercial Services added that a tailored distribution of funding was required, and that there was concern that the separate Public Health grant could lose its individual identity after the FFR.

Councillor A Hopgood thanked the Head of Corporate Finance and Commercial Services and asked for thanks to be passed to his team for all the hard work involved in the budget setting process, and the help given to Councillors in this regard.

She urged Members to read all of the Cabinet report to see if there were any issues in their areas as she had noted an issue as regards her Electoral Division that she had not been previously made aware of. She explained there was reference within the report to the extension of Hawthorn House, which was welcomed, however, the site had been allocated for social housing. She noted she would speak to the Corporate Director of Adult and Health Services as regards the matter and added that in terms of communication, there were 126 Members.

Councillor M Wilkes noted the comment from Councillor J Robinson as regards additional funding to tackle potholes. He explained the extra money was a drop in the ocean as compared to the £180 million backlog of repairs and maintenance and he felt the Council and Government should be doing more on the issue. In respect of the £20 million Town and Villages fund Councillor M Wilkes noted that of the original £10 million, £8.4 million had not been allocated. He added he felt Councillors should be given some of the funding to allow them to start spending the money now within their towns and villages, and not to await allocation of remaining funds later in the process.

Councillor M Wilkes noted within Appendix 11 of the Cabinet report, there was investment of £750,000 allocated for replacement of a Residential Children's Care Home. He noted that he did not believe a four-bed property in that area, including works, would warrant a cost of £750,000 and asked if there was a breakdown of costs to help Members understand the figure. Councillor M Wilkes noted that some of the investments proposed were only funded for one or two years and that over the last ten years Councillors had been told that spending had to be costed and funding on an ongoing basis. He asked if there had been a rule change as regards such allocations. The Head of Corporate Finance and Commercial Services noted the additional funding made available for potholes was a balance in terms of tackling other pressures on Council services. The Head of Corporate Finance and Commercial Services added that in respect of the Residential Children's Care Home it was not accurate to describe it as a four-bed property there would need to be accommodation for staff and various adaptations to bring the property up to the required standards. In respect of the short-term investments, none would be recurrent except for the additional Neighbourhood Wardens, and those that were for two years could be stopped after one year if required. Councillor M Wilkes noted that in respect of the Children's Home he would have felt that it may be cheaper to build a facility from scratch rather than convert an existing property and any money generated from redeveloping the former site could be reinvested into Children's Services. The Head of Corporate Finance and Commercial Services noted the funding for the home was from the Capital Budget, not Children and Young People's Services budget.

Councillor E Adam noted a number of positives within the report, although some were only short-term, for the reasons given. He added that there had been a lot of promises made to people of County Durham during the general election campaign and those would need to be honoured.

Councillor E Adam noted the report referred to pay inflation and the National Living Wage (NLW); however, there did not appear to be any mention as regards to pay differential, with the NLW increasing and lower grades therefore looking for their wage in turn to rise. The Head of Corporate Finance and Commercial Services noted that no one was saying local authority staff did not deserve a pay increase, given the previous years of pay freezes, an effective 10 percent cut over the period of austerity. He reminded Members that around two years ago there had been a review of the lower pay grades points to address the point Councillor E Adam had mentioned. The Head of Corporate Finance and Commercial Services added that there had also been the “Durham Living Wage” in place. Recent national restructuring of pay grades had resulted in some lower grades receiving pay awards of 6-7 percent.

Councillor E Adam noted he welcomed any increase for staff, especially those in the lower grades particularly those working in social care. As Chair of the Environmental and Sustainable Communities Overview and Scrutiny Committee he reiterated the comments made by the Chair on the report received at the last meeting of that Committee in respect of flood risk. He noted there was a six-year programme of pro-active works that was approaching its conclusion, with over £127 million having been spent by the Council and partner organisations. Councillor E Adam noted that for the next six years there would be £8 million and 31 projects were in the pipeline, adding he felt that the Council was very hands on in this regard.

Councillor P Jopling noted the £10 million for Sport and Leisure marked as “invest to save” and asked for more details of the up-front investment. The Head of Corporate Finance and Commercial Services noted the investment was commercially sensitive and therefore he could not give further details at this stage. He explained that there were significant savings circa £1.5 million and that the upfront nature of the investment was felt to be the best approach operationally.

Councillor F Tinsley noted the positive aspects several Councillors had mentioned, however, he felt there were some dark clouds in the form of the threat to the Public Health and Social Care grants and that Government would feel that the solution to funding these areas would be business rate retention. He added that he felt this would mean local authorities would be exposed and that, reading between the lines, Government was moving away from a needs-based allocation of resources, adding he felt that such a move was wrong.

Councillor F Tinsley added he felt the Government would move to outsource more and more and that expenditure on agency and contractors would increase more and more. He explained that he felt London was cutting the rest of the country adrift and therefore it would be for the remainder to deal with issues themselves. Councillor F Tinsley noted the £400 million in capital works proposed was very good and he hoped opposition Members would support this investment, especially in relation to the Towns and Villages budget. He added that the Council's proposed investment in property was another good proposal, creating an income stream for the Council. He asked as regards the £250 million of MTFP savings over the last nine years, whether that was what was cut at the time and therefore would the figure be larger in real terms.

The Head of Corporate Finance and Commercial Services noted that in response to the issue of business rate retention, he felt that it was an aspiration of Government for local authorities to be self-sufficient, just surviving on council tax and business rates. He added the CCN was now beginning to lobby as it was realised that the burden of adult social and children's care was far greater than the money that could be generated through council tax and business rates. The Head of Corporate Finance and Commercial Services noted that the estimates of additional budget pressures in 2023/24 were £21 million. As an example, this would require a 10 percent increase in council tax to balance the budget. He noted that in this case of the only funding being via council tax and business rates, there may need to be cuts to frontline services. He added some comments from Government as regards allowing Local Authorities to raise taxes in other ways would not be good and he felt that there was still the need for funding nationally for local authorities. He added that the £250 million MTFP savings mentioned had been in each year and would be in excess of £300 million if considered in real terms today.

Councillor C Martin noted the need to be prudent and think in the long term when setting budgets and therefore had some concerns in the use of the BSR to prop up some budgets, even though some were receiving additional funding from Government. He added that he thought the way the Authority had protected staff was very good and he was very grateful for the extra 11 Neighbourhood Wardens. He asked if there were any other staff that were protected, or where staff were at risk had they been made aware of that risk. The Chair noted that as he understood it, Government funding in that instance had not been sufficient and therefore BSR was being utilised. Councillor C Martin noted the demands on the budget and reminded the Board of issues that had been prioritised, such as climate change and protection of the environment. The Head of Corporate Finance and Commercial Services noted in relation to staffing that very few investments in staff were ever short-term, although some staff were temporary by the nature of some contracts and funding streams.

He noted Officers had received a clear message from Councillors over the last ten years that the protection of staff and frontline services was of paramount importance. He noted that in the past at Overview and Scrutiny it had been remarked by several Members there had been reluctance to utilise the BSR and now with some BSR being utilised there was some criticism. He explained that there has always been a prudent approach to budget setting, however, it was felt that the time was right to utilise the Council's "balance sheet strength" to its advantage.

The Head of Corporate Finance and Commercial Services noted the difficult decisions that Members had taken over the last ten years had meant Durham was in a strong position in terms of its finances and its borrowing position and that therefore there were some opportunities to invest in our communities. The Head of Corporate Finance and Commercial Services explained that the BSR had been in place to protect against austerity, to ensure there would be no impact upon frontline services. He noted that the proposed use of BSR and transfer to the Town and Villages Reserve, represented around 30% of the BSR and there was also a separate early retirement / voluntary redundancy reserve. He asked that Members be assured there was still contingency and support in place and that in Autumn 2020 the Council would be in a better position to plan for the future once the Government settlement going forward was known.

Councillor A Shield noted a lot of merit in the summary of the budget proposals by the Head of Corporate Finance and Commercial Services and agreed with Councillor J Robinson in hoping the new Chancellor would be less London-centric. He added he agreed with Councillor D Boyes in terms of the Town and Villages budget, hoping that villages would not be neglected, and that funding would be distributed on a fair basis. Councillor A Shield noted the additional Neighbourhood Wardens was welcomed, with three to tackle fly-tipping, two for Durham City, one for "find and fix", and five general wardens to support the existing team. He noted the cost to the authority in relation to fly-tipping of around £2 million and asked if the decision to close several household waste recycling centres a few years ago had made an impact in that regard. As regards the fly-tipping wardens, he asked where they would be allocated noting that the majority of the fly-tipping appeared to be within villages and the more rural areas. He also asked who would decide on where those Wardens would be allocated. The Chair noted that an increasing proportion of fly-tipping was linked to organised crime gangs, with a recent BBC article having been produced on the topic.

Councillor M Wilkes noted that Appendix 13 of the Cabinet report included a table setting out the salaries of the Chief Executive, Corporate Directors and other Chief Officers. He asked if the pay increase percentage would be the same for those Chief Officers as it would be for the rest of the staff and if the increases to those Chief Officer salaries had been factored in.

The Head of Corporate Finance and Commercial Services noted that the pay increase factored into the budget was for 2.5% across all staff. He added that this would depend upon the several negotiating bodies on behalf of different staff such as Unison, GMB, NHS and ALACE. Councillor M Wilkes asked if in the past all staff had received the same percentage increase in salary. The Head of Corporate Finance and Commercial Services noted this was not the case, reiterating there were several bodies that negotiated in terms of pay increases for their members, highlighting there had been an additional two year pay freeze on senior staff. Councillor M Wilkes noted the ALACE recommendations were for a pay increase and an additional day annual leave and asked if there had been a decision made by the Council or an intention to agree to the proposals. The Head of Corporate Finance and Commercial Services noted that the Council would abide by whatever collective negotiation was agreed nationally, though he noted that those organisations representing staff would often set high starting positions, for example Unison and GMB were asking for a ten percent pay increase for their Members.

Councillor R Bell referred to Appendix Four as regards additional investments, noting recurring investments included Neighbourhood Wardens, Youth Parliament and AAP Community Tree Planting and asked what involvement Overview and Scrutiny had in those proposals and how would they be monitored. The Chair noted that the Chairs of the relevant thematic Overview and Scrutiny Committees could give consideration to the issues when looking to set the work programme for their Committee for the upcoming year.

The Chair thanked the Head of Corporate Finance and Commercial Services for his hard work, noting the next stage would be for consideration of the budget by full Council. He asked the Head of Strategy to give a summary of the main issues raised by Members.

The Head of Strategy noted issues raised during the meeting had included the significant uncertainty as regards how the CSR and FFR would affect budgets beyond 2021/22 and the future financial pressures faced by the Council in respect of adult and children's social care amongst others. She noted several Members had mentioned the Town and Villages budget and that Members had felt: it was important for every local area; that the implementation be in line with the Council's new vision; have the involvement of Local Members; and ensure that villages received investment. The Head of Strategy noted Members had identified the reductions in Public Health grant as a risk and that lobbying of Government and the support of Local MPs in this regard was important. She added that Members had mentioned the elements of the budget relating to flood risk and mitigation as well as future works and prioritisation.

The Head of Strategy noted the thanks of all Members for the hard work undertaken by the Head of Corporate Finance and Commercial Services and his team. She added Members had welcomed the additional funding to tackle potholes, with some Members noting more was needed. The Head of Strategy explained that there had been general support in relation to the proposed capital budget investments and that the Head of Corporate Finance and Commercial Services had looked to reassure those Members that had raised concerns of using BSR to support some budgets. She noted the final issue raised had been in connection with the Overview and Scrutiny arrangements as regards the Youth Parliament and tree planting, noting they would be for the relevant thematic Overview and Scrutiny Committees to consider within their work programmes.

The Chair thanked the Officers for their work, asking the Head of Corporate Finance and Commercial Services to pass on thanks to the Corporate Director and staff involved.

Resolved:

That the contents of the Cabinet report and Members comments thereon be noted.