



Report of Cabinet

Electoral division(s) affected:

All

Purpose of the Report

- 1 To provide information to the Council on issues considered by the Cabinet at the meetings held on 15th and 29th September to enable Members to ask related questions by no later than midday 3 working days before the day of the meeting

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15 September 2021

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**1. County Durham Plan: Minerals and Waste Development Plan Document [Key Decision: REG/04/21]
Cabinet Portfolio Holder – Councillor Elizabeth Scott,
Contact: Mike Allum 03000 261 906**

We considered a report of the Corporate Director of Regeneration, Economy and Growth which sought approval to commence consultation on the Minerals and Waste Policies and Allocations Development Plan which supports the recently adopted County Durham Plan.

The County Durham Plan seeks to ensure that County Durham is a successful place to live, work, invest and visit by focussing on supporting and creating vibrant communities. The Plan is a comprehensive document covering all aspects of planning, however, it only includes strategic policies and allocations relating to minerals and waste. There is a need to supplement those policies with more detailed development management policies and non-strategic site allocations in a Minerals and Waste Policies and Allocations Development Plan Document (M&WDPD). This requires a number of rounds of consultation and once agreed by Full Council will be submitted for an Examination in Public by an independent Inspector. Once adopted it will replace the policies currently being used from the Minerals Local Plan (2000) and Waste Local Plan (2005).

Decision

We agreed the draft Minerals and Waste Policies and Allocations Development Plan Document for consultation from 24 September to 5 November 2021.

**2. NETPark Phase 3 Development Funding
[Key Decision: REG/05/2021]
Cabinet Portfolio Holder – Councillor James Rowlandson,
Contact: Peter McDowell 03000 265 506**

We considered two reports of the Corporate Director of Regeneration, Economy and Growth. The first report sought agreement to finance the development and expansion of a third phase of NETPark, the north east's

premier science and technology park, with up to 270,000 sq. ft. of new space, together with authorising the next stage of the programme, to appoint a design and build delivery partner.

The Council Vision for County Durham 2019 - 2035 includes the ambition “to create more and better jobs”. The development of strategic sites such as NETPark is key to this broader ambition.

Developed by Durham County Council and occupied by significant private sector employers, NETPark (The North East Technology Park) is the region’s only science park and currently home to 40 companies, including Kromek, Filtronic, IBEX Innovations and Polyphotonix and support by Durham University. The site also employs over 600 people in specialist sectors.

The Council previously agreed to both retain ownership of NETPark and to enter into a partnership agreement with Clear Futures, a procurement vehicle for public sector bodies, as a test pilot, to accelerate the development of NETPark Phase 3, as there was insufficient capacity and capability in-house to take on a project of this scale. Clear Futures, utilising Robertson Construction and Ryder Architecture, is able to create a design and build partnering arrangement that allows the Council to retain creative and leadership control and provide additional resources capable of supporting a cost-effective building programme for the development of NETPark Phase 3.

NETPark Phase 3 is owned by the Council and is some 26ha in total with 13ha of serviced land now available, this has also been supported by a £5.1 million infrastructure investment led by the Council and supported by the North East LEP.

The Council has an initial cost plan of three options for a scheme to develop up to 270,000 sq. ft of new laboratory, office, production and storage space, based on demand from existing NETPark tenants and potential further inward investment to the site.

The report considered three development options:

- Option 1a based on a single build unphased programme of two years;
- Option 1b based on a phased building programme up to five years; and
- Option 2 based on a unphased building programme but including a multi-story car park (MSCP).

A procurement options appraisal would be undertaken and completed by September 2021, to identify a suitable construction partner based on the preferred Option 1a of a single build unphased programme of two years at an estimated cost of £49.6 million.

The procurement options appraisal will review public sector accessible construction frameworks including but not limited to NEPO, Crown Commercial Services (CCS) and SCAPE, in addition to the Clear Futures option to determine the most suitable procurement route for the appointment of the design and build partner.

Developing NETPark Phase 3 would help achieve key targets of the Council Plan including the creation of up to 1,250 skilled jobs adding over £625 million GVA (Gross Value Added) to the County Durham economy. A typical business taking space on NETPark Phase 3 would provide a broad range of job opportunities including scientists, technicians, administration, accounting, marketing, IT and logistics.

A long-term financial model has been fully appraised and has identified that the £49.6 million initial capital investment can be financed by the Council from future income streams from the rental of the new units over a 35-year period.

Decision

We agreed, following consideration of the corresponding private report, to progress the development of NETPark Phase 3 at a forecast capital investment of £49.6 million on a self-financing basis with the peak revenue shortfall in year 2 met from the Commercial Reserve; and delegated authority to the Corporate Director of Regeneration Economy and Growth and Corporate Director of Resources in consultation with the Portfolio Holder for Resources, Investment and Assets and Portfolio Holder for Finance to agree the final build contract value to ensure that the development can be self-financing.

3. Forecast of Revenue and Capital Outturn 2021/22 – Period to 30 June 2021 and Update on Progress towards achieving MTFP(11) savings Cabinet Portfolio Holder – Councillor Richard Bell, Contacts: Jeff Garfoot Tel: 03000 261 946 and Azhar Rafiq 03000 263 480

We considered a report of the Interim Corporate Director of Resources which provided Cabinet with information on the:

- (a) forecast revenue and capital outturn for 2021/22, based on the position to 30 June 2021;
- (b) forecast for the council tax and business rates collection fund position at 31 March 2022, based on the position to 30 June 2021; and

- (c) forecast use of and contributions to earmarked, cash limit and general reserves in 2021/22 and the estimated balances to be held at 31 March 2022.

The report sought approval of the revised 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(12) savings in 2021/22.

Since the outbreak of COVID-19 last year, the council, its partners, local businesses and local communities have together been working tirelessly to respond to the pandemic and to put plans in place for the restoration and recovery of services post-pandemic. COVID-19 had a significant and complex financial impact in 2020/21 which has continued into 2021/22. This made forecasting the council's outturn position even more challenging than usual. In addition to the financial uncertainty during 2021/22, the longer-term financial impact of the pandemic beyond 2021 was unknown at this stage. The risk in this regard will be considered and assessed in future MTFP(12) Cabinet reports.

Since the outbreak of COVID-19, the council has had to implement national support schemes at short notice such as the Business Rates Grants Support Scheme(s); the Council Tax Hardship Support Schemes; Test and Trace Payments; the Winter Support Payments Scheme; Covid Local Support Scheme; Infection Control Schemes and Contain Outbreak Management Schemes. In addition, the council has implemented a range of supplier relief schemes and addressed increased demand for support to vulnerable households whilst trying to accommodate new ways of working itself in response to the pandemic. The national lockdown periods and post pandemic recovery continues to dominate the council's financial outlook, which makes accurately forecasting the outturn position for 2021/22 difficult.

At this stage of the year it is forecast that there will be a small net surplus on council tax and business rate collection funds, after taking into account Section 31 grant receivable, due to continuation of business rate reliefs relating to the pandemic. This situation will be kept under close review throughout the year especially in relation to collection rates as the public and businesses recover from the impact of the pandemic.

The government has provided a further tranche of non-ringfenced funding to local authorities in the current year for the additional costs incurred as a result of COVID-19. The funding allocated to the council for 2021/22 is £15.56 million.

In addition, the government had extended the Income Guarantee Scheme for three months to 30 June 2021. This scheme required local authorities to bear the first 5% of any qualifying income loss after which the government would provide a grant for 75% of subsequent losses. It is estimated that the council would be able to claim circa £1.6 million from the scheme for 2021/22.

It is forecast that service groupings will overspend by a net £14.522 million. This overspend position mainly arises from additional expenditure and loss of income which are outside the cash limit associated with the COVID-19 outbreak of £21.261 million, offset by COVID-19 related underspends (relating to closure of facilities and disruption to normal service activity as a result of the pandemic) of £7.771 million. The forecast residual cash limit position is a £1.032 million overspend.

The forecast overspend in service grouping cash limits is offset by the forecast circa £17.2 million the council expects to receive from the government to cover the financial impact of the pandemic. Overall, it is estimated that the council's 2021/22 budget will be underspent by £5.276 million, representing 1.12% of the net expenditure budget of £470.515 million.

The forecasts included in the report were subject to significant uncertainty. A wide range of assumptions had been made in relation to expenditure and income over the remainder of the financial year, with significant uncertainty regarding the long term impact of COVID-19 restrictions which have only recently been lifted.

There will potentially be a range of interventions required by the council and ongoing impacts post pandemic that will have as yet unquantified financial pressures. The Cash Limit and General Reserves will potentially be required to meet any shortfall that ultimately arises.

In terms of service grouping cash limits, the projected revenue outturn is a forecast cash limit overspend of £1.032 million (0.22%). The cash limit position excludes any COVID-19 related issues which are considered to be outside of the control of service groupings and have been managed corporately. The costs associated with COVID-19 have been offset against government grant support provided.

Within the service grouping cash limits there is a forecast overspend in Children and Young People's Services of £4.754 million and a forecast underspend of £3.886 million in Adult and Health Services. Consideration is being given to whether a permanent budget transfer should be considered between these two service groupings.

In terms of sums outside the cash limit, there is a forecast underspend of £6.308 million. This position will be kept under careful review, especially in

relation to the possibility of additional costs and loss of income linked to the ongoing impact of COVID-19.

Total earmarked and cash limit reserves (excluding school reserves) are forecast to reduce by £47.077 million in 2021/22, from £245.532 million to £198.455 million.

The forecast cash limit and general reserves position is a prudent one given the significant financial uncertainties facing local government beyond 2021/22. The MTFP(12) report to Cabinet on 7 July 2021 highlighted ongoing budget concerns for the council with a forecast savings shortfall of £43.7 million over the 2022/23 to 2025/26 period, with the delivery of further savings becoming ever more challenging to achieve.

The projected capital outturn this year is £199.218 million, with the capital budgets having been augmented with reprofiled budget from underspending against the 2020/21 capital programme.

To the end of quarter one, the council has delivered savings totalling £3.931 million, which is 74% of the £5.312 million target for the year. By 31 March 2022, since 2011, the council will have delivered over £246 million in savings in order to balance its budgets.

Decision

We noted:

- (a) the council's overall financial position for 2021/22 and the uncertainty associated with the outturn forecast resulting from the continuing impact of COVID-19 as set out in the report;
- (b) the review being undertaken of base budgets for Children and Young People's Services and Adult and Health Services in light of the respective in year forecast overspend and underspend positions;
- (c) the forecast use of earmarked reserves in year;
- (d) the forecast end of year position for the cash limit and general reserves;
- (e) the additional costs and income loss faced as a result of COVID-19 which is offset by additional grant funding provided by government;
- (f) the position on the capital programme and the Collection Funds in respect of Council Tax and Business Rates; and
- (g) the amount of savings delivered during the first quarter of 2021/22 and the total savings that will have been delivered since 2011.

We agreed the proposed 'sums outside the cash limit' for approval as set out in the report and the revenue and capital budget adjustments outlined in the report.

4. Maintained Schools Budget Plans and Permission to Set Deficit Budgets 2021/22
Cabinet Portfolio Holders – Councillor Ted Henderson and Councillor Richard Bell
Contacts: Jeff Garfoot 03000 261 946 and David Shirer 03000 268 554

We considered a joint report of the Corporate Director of Children and Young People's Services and the Interim Corporate Director of Resources which provided an overview of maintained schools' initial budget plans for 2021/22, as agreed by the relevant Governing Bodies. The report highlighted where the Interim Corporate Director of Resources has exercised his judgement in terms of approving the setting of deficit budgets, in accordance with the Council's constitution and the Scheme of Financing for Schools. The report also included details of changes to sparsity funding for the 2022/23 funding formula and a consultation about the future of locally set funding formulas, which was currently considered via the Schools Forum.

Schools carry forward under and overspends against their budgets as part of their retained balances. This came as a concern for the council, because deficit balances could become a cost to the council if a school closes or converts and becomes a sponsored academy.

At the end of 2020/21 the net balances carried forward by maintained schools were £30.087 million, an increase of £11.831 million during the year. This was a significant underspend compared to schools' initial budget plans, which envisaged a £7.624 million reduction in reserves to fund planned expenditure in year (based on the schools that are still maintained and setting a budget for 2021/22).

The initial budget plans submitted by schools for 2021/22 sees a significant forecast use of schools' reserves to balance individual budgets in year. Plans agreed by individual governing bodies show that schools are currently planning to utilise £7.752 million of their retained balances in 2021/22, reducing the forecast schools' balances as at 31 March 2022 to £22.335 million.

The continuing pandemic and the need for schools to help pupils to catch up following a year of disrupted education means that there is significant uncertainty about what schools will need to spend during the current year. This will be monitored closely and updated forecasts will be presented to Cabinet as part of the quarterly forecast of outturn reports.

Six schools had deficit balances at 31 March 2021. The initial budget plans for four of these schools has resulted in the Corporate Director of Resources having to exercise his judgement in terms of approving the setting of deficit budgets, in accordance with the Council's constitution and the Scheme of Financing for Schools. The other two schools have been able to balance their budgets in 2021/22.

The approved accumulated deficits of the schools that have set a deficit budget in 2021/22 is £3.710 million.

One of the schools that has had a licensed deficit approved is due to convert to be sponsored by a Multi-Academy Trust in September, as part of the Roman Catholic Diocese academisation plans. The licensed deficit at the point of conversion will be written off and charged against the Schools Reserve, which had a balance of £3.357 million at 1 April, 2021, having been utilised to write of deficits totalling £4.720 million last year.

The main source of funding for mainstream primary and secondary schools is the funding formula. This will be considered in consultation with the Schools Forum and all schools and implications factored into the local formula proposals for 2022/23 that Cabinet will consider later this year.

Decision

We noted the contents of the report and the actions taken under delegated powers by the Interim Corporate Director of Resources to approve licensed deficits for four schools in 2021/22.

We also noted the proposed changes to sparsity funding for the 2022/23 funding formula and the current consultation about the future of locally set funding formulas – the outcome of which will be reported to Cabinet in December.

5. A Patient Group Direction Policy for Durham County Council Cabinet Portfolio Holder - Councillor Paul Sexton Contact - Claire Jones, Public Health Pharmacy Adviser. claire.jones2@durham.gov.uk

We considered a report of the Director of Public Health which reviewed the contents of the Patient Group Direction (PGD) Policy attached to the report. Some services commissioned by Public Health supply medication to service users as part of the service, using a PGD. The Council is required to have in place a PGD Policy to support this process.

Decision

We agreed to adopt the PGD Policy and noted the contents of the report and the PGD Policy and the good practice that this policy applies.

**6. Leisure Transformation New Build Site Selection Update Key Decision REG/07/21
Cabinet Portfolio Holder – Councillor James Rowlandson
Contacts - Alison Clark 03000 264 550 and Susan Robinson
03000 267 332**

We considered a report of the Corporate Director of Regeneration, Economy and Growth which provided an update on the due diligence activities undertaken since Cabinet approved the site preferences for three proposed new build leisure facilities in March 2021 subject to further due diligence and feasibility work. The report sought approval of the final site selection for two of the three new build leisure centres at Chester-le-Street and Bishop Auckland, and highlighted the need to carry out further due diligence on the sites at Seaham before making a final decision. The report also provided an update on the wider programme of leisure centre improvements across the County.

In March 2021, Cabinet approved preferred sites for new build leisure centres in Bishop Auckland, Chester-le-Street and Seaham, subject to further due diligence and feasibility work.

Between April and August 2021, further due diligence had been undertaken across all sites to assure the deliverability and value for money for the preferred sites of the new centres and for the redevelopment and refurbishment works to be undertaken across the other facilities. A report to Cabinet in March 2021 provided the analysis for Bishop Auckland showed two viable sites, the existing site at Woodhouse Close and Tindale Crescent. Following consideration of the analysis, Tindale Crescent was identified as the preferred site for Bishop Auckland. A key part of this option was the expectation of an associated proposal to develop a community hub on Woodhouse Close, the vacated site of the existing leisure centre.

Further work had been carried since the report to Cabinet in March, to identify likely accessibility and transport improvements to fulfil access and equality issues as outlined in the Equality Impact Assessment (EIA) and public consultation, and on likely land and planning issues. An updated Equality Impact Assessment relating to the proposed new build sites at Chester-le-Street and Bishop Auckland was included in the report.

Key to this, was the further work undertaken to identify an alternative Temporary Stop Over Area (TSOA). This was required to mitigate the displacement of the current TSOA at Tindale Crescent where the proposed new build leisure centre was to be located. Alternatives had been explored and a suitable alternative had not been found.

Initial assessments and feasibility studies have been completed on the potential construction costs of a new facility and Community Hub on the vacated Woodhouse Close site. It was estimated that the costs of such a development could be in excess of £5 million. The potential impact and mitigations that could be put in place during the construction phase at Woodhouse Close have been further considered. The existing Leisure Centre at Woodhouse Close would not need to close for the full construction period, although more detailed work would be required before the final project schedule could be produced.

Further consideration has been given to the key components of a community hub. The benefits and outcomes relate to the services and programmes that will be delivered and co-delivered to users, rather than from the actual building itself. These services could be incorporated into a leisure centre designate at a much lower level of additional cost than an independent building and site. The March 2021 report, which at that time identified the preferred location as Tindale Crescent, subject to further due diligence being undertaken, included analysis of the appraisals of the various sites in Bishop Auckland. At the time this showed a marginal preference for Tindale Crescent over Woodhouse Close. The public consultation however showed a preference for the Woodhouse Close site over any others. In terms of the appraisals at that time, both sites met the criteria for a leisure investment.

The preferred location for a new leisure centre in Bishop Auckland has been reconsidered to take account of the more detailed work undertaken. Having taken account of the further work and due diligence, a change to the preferred site option for Bishop Auckland was recommended and the Woodhouse Close area was the preferred location for a new build leisure centre that will incorporate a Community Hub within the leisure centre itself.

Further public engagement would be carried out in due course on the overall facilities mix for the new build facility.

The further due diligence undertaken on the Chester-le-Street site had revealed no new significant issues or causes for concern beyond the car parking and traffic issues initially identified, with the conclusion that these could be mitigated or dealt with during the next delivery phase. Therefore, the recommendation would be for Chester-le-Street to progress as originally planned and move to further public engagement on the facilities mix for this site.

Further work on the Seaham dual sites and new build proposals set out in the March 2021 report had identified significant deliverability challenges that needed to be addressed in order to be able to progress with this preferred option. These included mitigating displaced car parking and the need for

further planning considerations as a result of the height of the proposed buildings. These matters had not yet been satisfactorily resolved and further work would be required before final proposals could be brought forward for Seaham.

The previous report identified a significant capital investment requirement of £78 million and it was noted that investment at that level would pose challenges in terms of the Council's VAT partial exemption limit which was calculated on a seven-year average and seeks to cap the level of input tax that can be recovered on exempt (from VAT) activity. At the time of the March report, discussions were ongoing with HM Revenues and Customs (HMRC) to seek further special dispensation to exceed the partial exemption seven-year average threshold.

Since the previous report, HMRC has provided the Council with special dispensation, albeit with clear instruction that the overall investment must not exceed £78 million. Any additional capital spending on the leisure facilities above this level would be outside the approval given by HMRC and would expose the Council to financial penalties in the region of £14 million. The budget for the Leisure Transformation programme therefore must not exceed £78 million and all projects must be scoped within this cost envelope and with due regard to the need for significant levels of self-financing income, as previously identified.

In order to maintain a programme of appropriate pace and phasing to ensure optimum delivery in line with VAT regulations and the early health and wellbeing benefits of the investment in the County Durham Leisure Transformation programme, it is proposed that a number of individual centres refurbishments from the wider programme are initiated as soon as possible.

To facilitate this, a 'Leisure Conversation' phase is proposed, which would provide the opportunity for local public engagement on the programme and the facilities mix proposals on each site across the County. This would run alongside and throughout the first phase of the investment in order to maintain public engagement and involvement and for the Council to identify new and dynamic ways to engage, listen and respond to residents.

Decision

We agreed to the final recommended site selections as follows:

- i) Bishop Auckland: The existing site (Woodhouse Close); and
- ii) Chester-le-Street: Former Civic Centre site;

We agreed to carry out further due diligence on the viability of the dual site build proposals at Seaham;

We noted the refurbishment projects (with the exception of Wolsingham, Shildon and Freeman's Quay, which would be considered in a second phase) to be commenced in 2022, subject to engagement with all key stakeholders and progress with design development;

We also noted the special dispensation provided by the HMRC for the seven-year average partial exemption limit, provided on the basis that the Council restricts total capital expenditure on the Leisure Programme within £78 million;

Updates would be provided in due course on the further due diligence and development work of this major capital programme, with regular updates also provided through a wider communications and engagement plan across the County.

**7. Review of Durham County Council Headquarters
Cabinet Portfolio Holders – Councillor James Rowlandson
and Councillor Richard Bell
Contact - Susan Robinson 03000 267 332**

We considered a joint report of the Corporate Director of Regeneration, Economy and Growth and the Interim Corporate Director of Resources on the review of Durham County Council Headquarters. At a meeting held on 16 June 2021, Cabinet agreed that a review would be carried out into the options for use of the newly constructed Durham County Council Headquarters (HQ) at the Sands in Durham City.

The scope of the review was as follows:

- (a) review the options for utilising the new building at the Sands, Durham City;
- (b) consider the options for the location of HQ functions taking account of the review of the new building and assessing the options for the existing HQ site at Aykley Heads; and
- (c) ensure that the strategic employment site proposals for Aykley Heads are fully considered as part of the review.

The report provided evidence from the review findings and made a series of recommendations linked to this evidence. The analysis included contractual, legal and financial implications including those relating to the timescales of any decision. The report addressed wider considerations including the economic outcomes, Council office accommodation and an options appraisal for the new HQ building that is being constructed on the Sands. The report also addressed the public interest and value for money considerations that

needed to inform any change in the original plans for the Council to occupy the building.

The outcome of the review into the options for use of the newly constructed Durham County Council Headquarters at The Sands demonstrated that the only viable alternative to the Council taking occupation is for it to be occupied by a single third party. The market for such a third party is limited however, there was potential interest from a third party. Preliminary discussions had taken place although further, more detailed negotiations would be required.

The findings from the review into whether County Hall could be refurbished concluded that this option was not viable option due to the estimated costs that would be incurred because of the design, age and condition of County Hall. In addition to this, the redevelopment of Aykley Heads would be negatively impacted by leaving County Hall either partially or totally in situ. Therefore, the only viable option was for the current County Hall to be demolished and the Aykley Heads site redeveloped as a strategic employment site.

The review found that it would be feasible for a new Headquarters to be constructed on the Aykley Heads site although further, more detailed work would be required including determining the size, scale and cost of a building, the location on the Aykley Heads site and how this would fit with the overall Aykley Heads masterplan.

The outcome from the review as to whether there were alternative locations to both Aykley Heads and the Sands for a new headquarters suggested that, based on the strategic objectives set out in the original business case, along with the size of site needed to accommodate a building of the scale of the HQ, there were unlikely to be any other sites in Durham City which met the criteria.

However, there were sites and buildings across the county (both in DCC and private ownership) that could potentially be suitable to provide office and civic accommodation. An options appraisal needed to be carried out in order to review site and building availability based on the Council's aspirations for its office and civic accommodation. This would need to have regard to economic, financial, commercial management and strategic objectives.

If the decision was taken not to occupy the newly built HQ on the Sands then a viable, value for money alternative that delivered the benefits of the original plans would be required.

Based on the current position and evidence gathered to date, and considering the interest shown in the building on the Sands, there was an opportunity to explore the potential broader economic impacts that could be achieved through disposal of the building to the interested third party.

In view of this there was a need to complete, as a matter of urgency, a business case to determine the Council's options for moving forward with its office and civic accommodation. This needed to address the following factors:

- (a) the business case for the Council to follow a new strategy for provision of its HQ facilities;
- (b) the alternative plan for the Council's office and civic/committee accommodation if the new HQ on the Sands is not occupied;
- (c) the resources, costs and other implications of disposing of the HQ to a third party; and
- (d) the wider impacts of the decision, including the wider economic investment strategy for the County.

The marketing of Aykley Heads would not take place until there was certainty around the future strategy for the replacement of County Hall. However, the development work required to go to market would continue. A common element to all potential alternative scenarios is the need to consider and limit the timescales to implementation. This is a critical issue to any future decision making, as it would impact on a number of the necessary financial and economic assessments. These considerations would be reflected in the business case for any decision and it was considered that the Council needed to conclude its decision by summer 2022.

The report was supplemented by a corresponding private report.

Decision

Having regard to the corresponding exempt report, we:

- (a) agreed that the only viable alternative to the Council occupying the building on the Sands would be for disposal or letting to a single occupier;
- (b) noted the key risks that need to be considered prior to any final decision not to occupy the building and dispose of it to a third-party interest;
- (c) agreed to the development of a business case that considers a range of relevant issues including the alternative options for office accommodation and civic space for the County Council whilst ensuring the achievement of outcomes for the Aykley Heads development;
- (d) noted that the role of the business case, (which will be reported to Cabinet not later than Summer 2022) is to assure the decision-making process of the council and have clear regard to economic, financial, commercial, management and strategic objectives;

- (e) delegated authority to the Corporate Director of Regeneration Economy and Growth and Interim Corporate Director of Resources in consultation with the Cabinet members for Resources, Investments and Assets and for Finance to agree the scope of the business case;
- (f) noted that officers will progress negotiations with the interested third party on a subject to contract basis at the same time as preparing a business case;
- (g) agreed that refurbishment of County Hall either for DCC staff or to let in the marketplace as office accommodation does not represent a viable alternative or good value for money;
- (h) agreed that partial demolition of County Hall is not a practical or viable option and does not represent value for money;
- (i) agreed that the Council remains committed to the development of Aykley Heads as a Strategic Employment Site and that to facilitate this, County Hall is to be demolished to enable this development; and
- (j) agreed that should it not be possible to reach a satisfactory outcome from negotiations with the interested third party within agreed timeframes set out that the Council will occupy the building on the Sands as its new HQ.

8. Review of Durham Light Infantry (DLI) Collection and Archive and the potential future use of the former DLI Museum & Art Gallery and Grounds at Aykley Heads
Cabinet Portfolio Holder – Councillor Elizabeth Scott and Councillor James Rowlandson
Contacts - Alison Clark 03000 264 577, Susan Robinson 03000 267 332, Sarah Glynn 03000 266 071, Mark Ede 03000 261 238

We considered a report of the Corporate Director of Regeneration, Economy and Growth which presented the findings of the Durham Light Infantry (DLI) review. The report outlined an approach to bring back into use the former building as an exhibition centre, gallery and café venue. The report also set out the benefits of this approach which include providing dedicated exhibition space for the DLI collection items to complement the History Centre exhibition plans; provision of storage capacity for smaller non DLI Council collections as well as the provision of an art gallery facility in the city, which would meet a current gap in the cultural offer. Benefits also include the provision of a new cultural visitor attraction and café which would contribute to the county's City of Culture 2025 bid and fill an identified gap in the visitor economy in the city.

The DLI object and archive collection is one of the most coherent regimental collections in the UK with full chronological coverage from its 1750s origins to amalgamation of the Regiment in the 1960s and beyond.

The collection is owned by the trustees of The Regimental and Chattels Charity of the Former Durham Light Infantry (referred to as the DLI Trustees). Its managed and cared for under a partnership arrangement with Durham County Council.

The DLI Museum & Art Gallery was built at Aykley Heads to house the DLI collection and was opened in 1969. The DLI Museum & Art Gallery stored the object collection and displayed around 5% of the collection. A contemporary art gallery displaying touring exhibitions was a key feature of the facility along with education space and a café.

In December 2015, Cabinet considered and agreed a report that recommended closure of the museum and a new model of service delivery for the collection, agreed in consultation with the DLI Trustees.

The building subsequently closed in March 2016, and a new 'deconstructed museum' model of operation commenced - rebranded as the DLI Collection. The new operating model comprised a research and study centre open to the public, with secure object stores and a public programme of temporary exhibitions, outreach and learning opportunities. A new permanent DLI gallery and display was opened at Palace Green Library in Durham City and access to the medal collection through the Barker Reading Room was made possible via a formal agreement with Durham University.

In 2019, it was confirmed that the DLI Collection would become part of plans for a new state-of-the-art History Centre to be developed on the site of Mount Oswald Manor House in Durham City. This was fully supported by the DLI Trustees.

In preparation for the plans to move the DLI collection and archive to the new Durham History Centre, updated terms have been agreed with and signed by the parties. Whilst these terms were agreed in April 2021, the agreement needs to be formally executed to satisfy the requirements of the NLHF in respect of grant funding awarded for the History Centre project. In June 2021, Cabinet agreed to review options for the potential future use of the former DLI Museum and Art Gallery building and surrounding grounds. The review addressed two key questions:

- a) can the former DLI Museum be brought back into use to house the DLI collection?
- b) what are the options to repurpose the former DLI building/site for alternative uses?

The review was undertaken throughout July and August 2021 and has been supported by two separate independent reports that were commissioned to underpin the review. The Director of the National Conservation Service

provided an assessment of the current and planned care and storage of the collection and archive, as well as a high-level observation of the former DLI Museum and Art Gallery building from a conservation perspective. Global real estate advisors, Avison Young, provided architectural, planning and market appraisals for the building and its prospective potential uses should it be brought back into use.

A meeting of the Corporate Overview & Scrutiny Management Board (COSMB) took place on 28 July 2021. The meeting was open to the public and was broadcast live. It provided an opportunity to consider the review questions and key stakeholders were invited to submit representations on the issues from their perspectives. The outcome of that meeting had been fully considered as part of the evidence base for the review.

The review considered the current condition of the building and options for displaying, storing and care of DLI collection in the former DLI Museum and Art Gallery building, including a full assessment of risks, financial, legal and value for money issues.

The review also considered the impacts on the new Durham History Centre, including impact on funding and on the storage, display and care of other DCC collections.

It had been established that returning the former DLI Museum and Art Gallery building to its former use would not have the full support of key stakeholders such as the Army Museum Ogilby Trust and the DLI Trustees, who are committed to the History Centre proposals.

The DLI collection and archive is integral to the Durham History Centre project and withdrawing in its entirety would present significant risk to the Durham History Centre – a £19.6 million investment that is currently under construction and for which significant National Heritage Lottery Funding has been secured.

In light of the numerous implications of reopening the building to house the DLI collection in its entirety, the review concluded that this is not practicable or recommended.

In answering the second question, the review considered high level options assessments for suitable alternative uses for the former DLI Museum and Art Gallery building and the grounds and environment around the site.

The options for repurposing the building were found to be relatively limited, primarily due to location, market conditions and planning restrictions. The analysis identified that repurposing the building in line with cultural use presented the only real feasible approach, though more work is required to

firm up the costs and other implications associated with bringing the facility back into use.

This approach would have the following benefits:

- (a) provide dedicated exhibition space for the DLI collection items to complement History Centre exhibition plans;
- (b) provide storage capacity for smaller non-DLI Council collections;
- (c) provide an art gallery facility in the city which is a current gap in our cultural offer; and
- (d) provide a new cultural visitor attraction and cafe which would contribute to the county's City of Culture 2025 bid and fill an identified gap in the visitor economy in the city.

The review also concluded that the grounds surrounding the former DLI Museum and Art Gallery building should be considered sensitively, as they had been used over a number of years as an informal site for the scattering of veteran's ashes. The report identifies the opportunity to develop a peace and contemplation garden in the grounds.

Decision

We noted the review process, and the evidence and analysis and noted the options to bring the building back into use as a wider culture and visitor destination, incorporating a significant dedicated space for items from the DLI collection.

We requested officers to commission further detailed feasibility work into:

- (i) refurbishment of the former DLI Museum and Art Gallery building as an exhibition centre, gallery, exhibition and café venue including dedicated space for display of DLI collection items that will complement plans for exhibitions in Durham History Centre (DHC), noting the purpose built DHC will be the permanent base for the collection and its storage care and curation;
- (ii) an appropriate funding strategy, operational model, and business plan including a marketing strategy for the venue and an assessment of the wider opportunities of connections to new and existing sites in the city such as Wharton Park and the new History Centre; and
- (iii) an appropriate peace and contemplation garden in the grounds;

We agreed that the outcome of the further feasibility (which included full consideration of the MTFP and revenue and capital budgetary impacts) of bringing the building back into use, should be presented to Cabinet for consideration on this option in early 2022.

We delegated authority to the Head of Legal and Democratic Services to execute the agreement between the Council and the DLI Trustees, a pre-condition of National Heritage Lottery Funding awarded for the Durham History Centre Project.

**Councillor A Hopgood
Leader of the Council**

12 October 2021