



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 meeting held on 15 December 2021 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 December 2021

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Key Decision No. REG/06/21

- 1. Mainstream Primary and Secondary Formula Funding 2022/23**
Cabinet Portfolio Holders – Councillor Richard Bell and
Councillor Ted Henderson
Contact: David Shirer 03000 268 554

We considered a joint report of the Corporate Director of Children and Young People's Services and the Corporate Director of Resources which provided an overview of the forecast Dedicated Schools Grant School Block and proposed

local formula for 2022/23, with the proposal that the Council continued to align the mainstream primary and secondary formula funding in 2022/23 with the National Funding Formula (NFF).

The Schools Block is part of the Dedicated Schools Grant and is the main source of funding for the mainstream primary and secondary funding formula. This provides the bulk of funding for these schools. Mainstream primary and secondary funding formulas are set locally by each local authority. A single formula applies for both primary and secondary schools. Funding regulations limit the discretion of local authorities when setting local formulas and requires the majority of funding to be distributed through pupil-led factors.

Nationally, core school funding, which includes the Schools Block is to increase in 2022/23 by £2.3 billion. The increase represented a 3.2% increase on funding available for the current year. Most of the funding had been used to increase factor values in the NFF by between 2% and 4%, with the minimum per pupil funding guaranteed through the formula increasing to £4,265 per primary pupil and £5,525 per secondary pupil. Whilst the increase is welcomed it was recognised that schools would face future pressures linked to inflation and the lifting of the public sector pay pause, which had already affected schools.

Funding in the NFF for small primary schools in sparsely populated areas, (known as sparsity funding), had been substantially increased nationally and the eligibility criteria had changed. This would benefit more schools and allocate more funding through this factor. The changes would result in additional funding for the Schools Block.

It was forecasted that the number of schools benefitting from sparsity funding in County Durham would increase from 13 to 30 schools. The funding available under this formula factor had increased from £0.5 million per annum to £1.2 million per annum.

The local formula in Durham in 2021/22 was aligned to the National Funding Formula (NFF). It is expected that the NFF will replace local formulas in the future and the DfE was consulting on how to progress this issue. For 2022/23 it was recommended that the council continued to set a local formula aligned to the NFF. The council was planning to use growth funding to support one school experiencing basic need growth in pupil numbers. The local formula factor values would be finalised upon receipt of the DSG settlement in January 2022 and the full local formula would be included in the MTFP(12) and 2022/23 budget report in February 2022.

Decision

- (a) We agreed to the continued alignment of the local formula to the NFF in 2022/23, including the changes to sparsity funding;
- (b) We also agreed the adjustment for basic need growth funding for Framwellgate Primary School; and
- (c) noted that the formula factors would be finalised upon receipt of the finance settlement, with the detailed formula included in the MTFP(12) and 2022/23 budget report presented to Cabinet in February 2022.

2. Council Homes Programme Update

Cabinet Portfolio Holder: Councillor James Rowlandson

Contacts: Laura Martin 03000 261 260 and

Ian Conway 07551 301 513

We considered a report of the Corporate Director of Regeneration, Economy and Growth which set out the strategic rationale behind the Council Homes programme and an update on current progress. The report sought approval to commence work on phase two of the programme and set out the Council's strategy for the development of new council homes within the rural west of the County.

The Government had established ambitious targets to deliver 300,000 affordable homes each year within the Government White Paper "Fixing Our Broken Housing Market" 2017. The White Paper included proposals to build the right homes in the right place, building homes faster, diversifying the housing market and helping people now.

Within County Durham, even with the best efforts of the Council working with Registered Provider partners, the Council had failed to deliver on Affordable Homes Targets. The Strategic Housing Market Assessment SHMA identified a net shortfall of 836 affordable dwellings per year (2016 – 35). Taking account of delivery of all types by all developers, the Council had struggled to meet 50% of this need on an annual basis. The White Paper signalled a new active role for local authorities to become involved in the direct development of affordable homes. The main hurdle that prevented councils from delivering to capacity had seen the removal of the debt cap which provided the opportunity for councils to make significant contributions to the national effort and locally helping to close the gap in affordable housing delivery for local people. Proactive councils were stepping forward to play their part in meeting the acute housing need that existed.

Since the approval of the Council Homes programme by Cabinet in October 2020, officers had been working hard on a comprehensive strategy to deliver 500 new council homes between now and 2026. This work had centred around five strategic themes covering governance, development, finance, housing management and regulatory standards.

Work had progressed on preparations for the development of seven sites already included in phase one of the programme. Approval was sought for sites to be included in phase two which would see the commencement of onsite investigation work, viability assessments, site layout and designs to ensure delivery of the programme in conjunction with the set timetable. The Council had specific challenges in delivering essential affordable housing within the rural west of the county where a small number of new affordable homes would make a significant difference in local communities. The Council's approach needed to be different as it did not have its own land holdings for the development of new homes. The report detailed the Council's strategy for developing new affordable homes in rural communities.

The Council was setting out to deliver high quality energy efficient homes with a focus on the provision of around 65% of the homes developed as bungalow accommodation for the County's aging population.

New homes for rent would be let under Secure Tenancies. As a consequence, they would be subject to the Right to Buy (RTB) scheme with tenant discounts in line with legislation. The RTB scheme incorporates a cost floor rule that reduces the tenant discount to zero in the event that the cost floor (i.e. the cost of building the property) is higher than the RTB value with discount. These cost floor provisions applied for 15 years in the case of new homes being built by the Council. The cost floor rules would effectively prevent purchases with any discount for 15 years and after that period RTB purchases with discounts would apply. The Council could apply further restrictions with regard to the Right to Buy in designated rural areas which were covered in the proposed Rural Affordable Homes Plan.

The overall financial arrangements modelled in support of the strategic business case demonstrated the ability of the Housing Revenue Account to be self-financing after the initial pump priming necessary to execute the programme. Importantly, the development of 500 new homes programme would result in a total capital spend of approximately £70 million with over £18 million in Government funding support through the Homes England Affordable Homes Programme. This comes at a crucial time to contribute to the economic recovery from the Covid-19 pandemic within the local construction industry and supply chain. Emerging work with procurement on a Local Wealth Building programme would ensure that local communities and businesses had the opportunity to benefit.

Decision

We:-

- (i) noted the progress to date and agreed Phase 2 of the Council House Building Programme subject to an assessment of the viability of each individual scheme;
- (ii) delegated authority to the Corporate Director of Regeneration and Economic Growth and the Corporate Director of Resources, in consultation with the Portfolio holders of Investments, Resources and Assets and Finance to consider detailed reports on scheme viability and to sign off schemes for full development;
- (iii) would agree any substitute sites to replace sites that do not pass the appropriate viability tests;
- (iv) agreed the Rural Housing Plan outlined within the report.

3. County Durham Inclusive Economic Strategy Cabinet Portfolio Holder – Councillor Elizabeth Scott Contacts - Amy Harhoff, Geoff Paul and Glenn Martin

We considered a report of the Corporate Director of Regeneration, Economy and Growth which set out proposals to develop a county wide inclusive economic strategy for County Durham.

This report included the findings of an economic review undertaken in 2021 and sought agreement for an economic statement to be used as a basis for conversations with stakeholders until the new strategy was agreed in Autumn 2022.

In March 2021, Cabinet had considered a report entitled ‘Economic Recovery and Prosperity: Levelling up and Investment for County Durham’ and noted the intention to produce an economic statement. At that time, an overview of the impact of Covid 19 on the county’s economy outlined the emerging findings of an economic review. It identified national and regional funding opportunities and provided a detailed thematic pipeline of potential projects and interventions to support future inclusive economic growth.

Following discussions with elected members and external partners, the Council had agreed to take the following three-stage approach to developing a new, Inclusive Economic Strategy for the County.

Stage one comprised an assessment of the economy in the County and the production of an Economic Review. This had been concluded in March and summarised the main drivers and structure of the current economy including the impacts of Covid 19, the future challenges and opportunities. The Economic Review detailed a series of policy focused areas for consideration.

Stage two, and the main emphasis of the report, was the short economic statement, based on the Economic Review. This provided the strategic context in advance of the production of a full Economic Strategy. The Economic Statement had been produced and was linked to the County Durham Vision 2035, and the key findings of the Economic Review. The statement proposed a '5P framework' for the development of the new strategy, based on:

- People: Supporting people into education, training, jobs, and to excel in business and their careers;
- Prosperity: Supporting innovation, inclusive opportunities, economic growth, and higher levels of productivity;
- Places: Developing, evolving, and protecting places and infrastructure so people and businesses can thrive;
- Promotion: Promotion and celebration of the County and our assets to our communities, visitors, investors, and developers;
- Partnerships: Working in a range of partnerships to develop an inclusive, greener economy.

The Economic Statement provided an overview of economic performance and suggested areas of the economy that the Council needed to collectively support. It firmly positioned the County in regional and national conversations relating to economic growth and levelling up. The report also provided discussion points to facilitate key conversations with stakeholders and partners and frame the development of the new strategy by Summer 2022.

The Inclusive Economic Strategy supported other plans such as the County Durham Plan. The strategy would potentially drive the need for detailed proposals such as a Transport Strategy and an updated Housing Strategy. It would also set the ambition and practical steps to identify, articulate and deliver what 'levelling up' meant for County Durham and set out priorities to achieve this.

Stage 3 would comprise the production of the County Durham Inclusive Economic Strategy, in partnership with key stakeholders and following consultation.

The emphasis was very much on the role of inclusivity in the county strategy, with communities, businesses and residents being the focus of the objectives and being included throughout the development process. The County Council would act as the enabler. It would be a strategy for the County and should therefore represent the many and diverse businesses, anchor institutions and communities.

Decision

We noted the content of the Economic Review and agreed the Economic Statement to be used to inform the conversations with the identified stakeholders and partners.

We agreed the timetable and outline structure for the co-production of an inclusive Economic Strategy.

4. Bishop Auckland Economic Growth Asset Strategy – Key Decision No. REG/06/21 Cabinet Portfolio Holder – Councillor James Rowlandson Contacts - Dave Wafer 03000 263 577 and Susan Robinson 03000 367 332

In accordance with paragraph 19(a) of the Overview and Scrutiny Procedure Rules, the following key decision was exempt from the call-in procedure due to the urgent nature of the decision being made.

We considered a report of the Corporate Director of Regeneration, Economy and Growth which set out a strategy for economic growth and the wider regeneration of Bishop Auckland.

Decision

We approved the recommendations in the report.

**Councillor A Hopgood
Leader of the Council**

18 January 2022