

# **DURHAM COUNTY COUNCIL**

At a Meeting of **Corporate Overview and Scrutiny Management Board** held in Council Chamber, County Hall, Durham on **Thursday 10 February 2022 at 9.30 am**

**Present:**

**Councillor C Martin (Chair)**

**Members of the Committee:**

Councillors E Adam, A Batey, J Charlton, B Coult, R Crute, J Elmer, D Freeman, P Heaviside, C Hood, L Hovvels, J Howey, P Jopling, C Lines (Vice-Chair), R Manchester, C Marshall, B Moist, I Roberts (Substitute), M Stead, A Surtees and M Wilson

## **1 Apologies for Absence**

Apologies of absence were received from Councillors Cosslet, Gunn and Shaw

## **2 Substitute Members**

Councillor I Roberts for Councillor Shaw.

## **3 Minutes**

The minutes of the meeting held on 21 January 2022 were agreed as a correct record and were signed by the Chair, with the following amendment:

Page 13 referring to Storm Arwen – Councillor Batey mentioned a call for a public inquiry be amended to read Councillor Batey requested the call for a public enquiry.

Matters arising:

The Corporate Scrutiny & Strategy Manager reported the following – Under item 5 - Update on the development of MTFP 12, analysis of CSR and MTFP 12 and details of provisional settlement - page 5 of the minutes Councillor Crute had asked that the Board be allowed the opportunity to respond to the Fair Funding Review. To confirm, this would be developed as part of the timetable for development of MTFP (13).

On the same page, a question was asked about the car parking strategy review – discussions on this are continuing and the service hoped to be able to confirm the timeline for the strategy review in the next couple of months. Members would see that a summary of comments made by the Board at the last meeting on the two Cabinet reports covering the development of the MTFP 12, the Comprehensive Spending Review and the provisional local government settlement was included at paragraph 90 on page 46 of the Cabinet report, the Board was considering on 10 February 2022 and which was taken to Cabinet on 9 February 2022.

#### **4 Declarations of Interest**

There were no declarations of interest.

#### **5 Medium Term Financial Plan 2022/23 to 2025/26 and Revenue and Capital Budget 2022/23**

The Board considered a report of the Corporate Director of Resources which provided an update on the Medium Term Financial Plan (MTFP) 2022/23 to 2025/26 and Revenue and Capital Budget 2022/23 capital programme for consideration and comment prior to consideration by full Council on 23 February 2022 (for copy see file of Minutes).

The Head of Corporate Finance and Commercial Services provided a detailed update to the Board which provided information regarding ongoing budget pressures and uncertainty regarding government short term funding settlements.

Regarding the finance settlement, the Head of Corporate Finance and Commercial Services explained that this had been received late on Monday 7 February 2022 and had shown no significant change from what had been reported earlier, and therefore the budget position would not change. He went on to explain the additional one-off funding that had been received for the Council in the sum of £8.8 million and assumed that this would potentially be lost in 2023/24 as a result of the Fair Funding review outcomes and that £1.9 million related to a new burden in relation to Adult Market Sustainability.

The Head of Corporate Finance and Commercial Services highlighted in detail information from the Cabinet report which provides including:

- Local Government Finance Settlement
- Covid-19 Grant Support
- High needs Dedicated Schools Grant
- Negative RSG
- Core Spending Power
- Comprehensive Spending Review, and the Fair Funding Review
- Shared Prosperity Fund/Community Renewal Fund/Levelling Up

- Consultation
- AAP Feedback
- PCC and Durham and Darlington Constabulary
- Scrutiny Committee Feedback
- MTFP Strategy
  - Revenue Budget for 2022/23
  - Base Budget Provisions 2022/23
  - Additional Front Line Service Investments
  - MTFP (12) Savings
- 2022/23 Net Budget Requirement and Council Tax
- How the MTFP 12 2022/23 to 2025/26 has been developed
- Financial Reserves
- Capital Budget 2021/22 to 2024/25
  - Capital considerations in the MTFP (12) process
  - Available Capital Financing – Capital Grants
  - Capital Receipt Forecast
- One- Off Revenue Funding
- Prudential Borrowing
- Approval of Additional Capital Schemes
- 2022/23 Savings Proposals
- Equality Impact Assessment of MTFP
  - Neighbourhoods and Climate Change, Regeneration, Economy and Growth, Resources
  - Cumulative Impacts
  - Key Findings and Next Steps
- Workforce considerations and Pay Policy
- Risk Assessment
- Dedicated Schools Grant and School Funding 2022/23
- Prudential Code, Treasury Management and Property Investment

Referring to page 37 of the report stating that services should remain deliverable net year, Councillor Crute expressed his concerns about the risk to service delivery and the holes within the budget. He asked what options were available to the Council to offset budget pressures. With reference to page 100 of the report, Councillor Crute went on to talk about the possible risk of losing out from the Fair Funding Review and not receiving the one-off funding totalling £8.8 million and the significant impact of this from 2022/23. He asked if the Public Health grant had been missed out of that assumption, and asked for an accurate estimate of where the Council stood financially after this year.

In response the Head of Corporate Finance and Commercial Services said that he was uncertain about it and to take an accurate view would be impossible. The Council were prudent in their assumptions in the past and

added 25% on top of contingency planning. He assured Members that planning for MTFP13 would commence next week and part of that process was to look at ways to identify savings to meet the £16.6 million shortfall in 2023/24. Members and officers would look at this in great detail over the next 6-9 months and put options on the table. He added that as the Fair Funding Review outcome was unknown there would still be significant pressures in the 2023/24 budget and reserves would be used to fund any shortfall. He said that option to identify increases in income and reduce costs would also be looked at. If necessary a full consultation would take place. He explained about the Fair Funding Review being linked to Council Tax Equalisation with an 85% assumption that underpins it. With reference to the Public Health Grant he explained that this was built into the plan and would stay as a specific grant. Public Health had been hit hard by the pandemic and the life expectancy figure in the North and North East were increasing. Overall the Council expected to lose the £10 million PH grant but were now likely to lose the £8.8 million one-off funding so the position was balanced.

Councillor Crute was concerned about the government not knowing the boundaries, losing out on the one-off funding of £8.8 million service grants and had serious concerns about the Fair Funding Review. He said that there was a huge hole in the budgets and the limited option we had to backfill. There were also capacity issues in future to address pressures in the budget for the years ahead.

Councillor Jopling said that we needed to be realistic with our aspirations following the covid pandemic but believed we had a good budget and were doing well. She was pleased to see the investments being made and asked if we could bring in more income by looking at our assets. She asked what councillors could do to feed into the process, how they could suggest services that need enhancing and how to bring in more revenue.

In response the Head of Corporate Finance and Commercial Services explained that there was a process in place for identifying savings since re-organisation in 2009/10 of £25 million which rolled into the austerity period. He assured Members that early decisions made previously would identify effectiveness and made it clear where we should disinvest from services that were not a priority for members and officers. The Council looked at the impact of services, income generated by charging for services and finding any efficiency savings. Members were part of that process by taking part in scrutiny discussions. With regards to assets and any proposed selling of buildings or land would result in a capital receipt and would be re-invested in the capital programme, not the revenue budget. Any rental from buildings and land would generate revenue. He said that he would be stunned if the Council could create any efficiencies in the budget beyond £3 million but suggested that any Member could speak to the Finance team, Head of

Service or Corporate Director with any suggestions they have. With having to tackle the £16.6 million shortfall every service would be asked to look at where they could make savings.

The Chair advised Members that he had lobbied Cabinet Members so that any big budget decisions in the future to cut services should come to COSMB so that we could get involved and suggest alternatives. He added that it was important for all members to have a say on any major budgetary decisions.

Councillor Surtees thanked the team for the hard work in preparing the budget and asked if she could have a full list of earmarked reserves from last year and this year so she could see the comparisons. The Head of Corporate Finance and Commercial Services advised that this would be included in the Quarter Three Outturn report to Cabinet in March. Councillor Surtees asked for sight of this earlier than March and it was agreed that the information would be circulate to COSMB.

With reference to potential future savings Councillor Elmer commented that significant capital investment was made on the unclassified roads network. He added that any new roads built were a burden for the Council to maintain. He would like to see a planned strategy to encourage people to use public transport, to walk and cycle which would also help with carbon targets. He believed that the opposite was being done by investing big money into roads and transport. The Head of Corporate Finance and Commercial Services explained that in the short term all investments were to the current network and so no expansions were planned in that time. He believed that Toft Hill Bypass was the only expansion which was part of the levelling up bid. Going forward he advised that if savings could be made on highways spend that this would be a saving in the capital budget.

Councillor Marshall commented that there was a lot of uncertainty around the MTFP and the decision in future years of £40 million cuts. He was concerned about the running costs of County Hall as savings had been built into the MTFP. With regards to the new building at the Sands and subject to the review which should come out over the next few months, he asked for an explanation around any mitigations in the budget to staff staying in County Hall. He went on to say that should Durham University Business School purchase the new build for £100 million that money would go back into the capital programme. He believed that there would be revenue implications with the increase in energy prices and maintaining County Hall so that it was safe for staff to return to work. He added that the Judicial Review from the Parish Council would need to be accounted for which he understood to be in the region of £1.7 million. He asked for clarity around the budget and the costs implications from the capital receipt.

In response the Head of Corporate Finance and Commercial Services said that details for the headquarters would be reported to a future Cabinet meeting as part of the review but any capital gained from the sale of the new build would move into the capital programme. There would be £275,000 revenue savings in all buildings running costs and the savings sat in the 2023/24 budget, shown in Appendix 6 of the report. He referred Members to the original Cabinet report and explained that the running costs would be met from general reserves. The Cabinet report this Spring would cover the possible capital costs and likely capital receipt if sold, the running costs and the firm re-assessment of the revenue impact. He added that if savings were greater than £250,000 there would be less pressure. With regards to the HQ issue he referenced paragraph 109 of the report. All options would come out in the report to Cabinet.

Councillor Marshall asked what income could be expected from fees and charges next year. The Head of Corporate Finance and Commercial Services referred to Appendices 4 and 5 of the report and advised that each service management team looked at their own fees and charges and that there was an expectation to increase by 3%. Services could carry forward any underspend but they would review based on demand. Councillor Marshall said that it would be helpful to see the total expected income from fees and charges.

Councillor Marshall referred to EU funding of £300 million that would have been received had we remained in the EU, and that the government had said they would honour. He was concerned about the uncertainty of streaming funds for County Durham and asked how many staff were currently employed using this funding and how many were at risk. He was aware that we had staff from the Carbon team, Durham Works, Innovation and Business Support, and that there was a huge risk if funding was top sliced. He said that this would be dependent on whether we did stay in the building at County Hall but those options would come out in the report to Cabinet. The Head of Corporate Finance and Commercial Services made reference to Paragraph 74(d) of the report which identified CSR and shared prosperity funding but that we had very little detail about this at the current time. If there was a bidding process this would have significant risk to the Council. With regards to EU funding he was aware that staff from the Low Carbon Team were funded from the base budget but he would enquire with Regeneration colleagues and report back about the number of posts that would be at risk. He added that there would also be impact to the staff that worked on the capital programme.

Referring to page 111 of the report, Councillor Adam welcomed the frontline service investments being made. He asked if any additional funding had been factored into the budget should the Ecological Emergency be approved at the Environment and Sustainable Communities Overview and Scrutiny

Committee on Monday 14 February 2022. He stated that no investment was referenced in this area looking at the MTFP from 2023 to 2026 and asked if this was being considered. The Head of Corporate Finance and Commercial Services said that there was nothing in the budget report to reflect this as it would be for the Council to adopt as a strategy in the same way they had for Climate Change. He said that decisions would need to be made on capital and revenue investments and priorities. He referred to the cost of making the Council's fleet of vehicles electric and this would have a budget pressure of £8 million. He advised that a fully costed plan would need to be prepared to show what the financial liability the decision we were committing to. Choices would need to be made to invest in services but with decisions on where to find the savings would also need to be made.

Again looking at page 111 of the report, Councillor Adam referenced Councillor Jopling's comments at the last meeting around funding and the answer given that this service would be free to certain people. He had recently seen an article that stated the pest control service would be free to all in our community. He asked if there was a costing associated with that and referenced the income from domestic pest control treatment of £10,000. The Head of Corporate Finance and Commercial Services was not aware of this so would look into it and report back. He added that not all decisions needed to come through the budget reports as Heads of Service would make decisions that affected their service.

Councillor Howey referred to investment in pest control, roads and footpaths and asked if it would be better to invest earlier to save money in the long run. The Head of Corporate Finance and Commercial Services advised that in the short term the aim was to find savings. He explained that the highways maintenance and winter maintenance budgets were not cut, and this was something that had been agreed through AAP consultations previously and was a protected service area. With regards to pathways/roadways the Council were maintaining at the level we could afford to so and that there was still a £180 million backlog of works to be carried out.

Councillor Jopling clarified her earlier point in that her suggestion was not to increase fees for services we provided but to add value to what we were already providing. She asked who was responsible for pest control if the property was social housing. She added that she was pleased that Councillor Marshall had highlighted that the Council could receive £100 million for the new build in Durham as the public would be delighted to hear that. The Head of Corporate Finance and Commercial Services commented that that the current HQ was not built or set up for modern ways of working. He responded to the point about pest control and said that the Council transferred its housing stock to social housing 4-5 years ago and that pest control would be their responsibility and would be bound by a legal

agreement. He added that he would be happy for Members to make suggestions about adding value to the services we provided.

Councillor Coult asked if we were receiving best value for money from contractors on the work carried out on unclassified roads as not always carried out to appropriate standards. In response the Head of Corporate Finance and Commercial Services said that he would seek clarification from Highways and feedback about the quality checking of works carried out. He added that the Council carried out the majority of works in house however there were occasions when this area of work was out-sourced to the private sector as the core workforce from within the Council could not be increased.

Councillor Moist referring to the comment made about hybrid working arrangements in the new HQ, and said that since the COVID pandemic the Council had been educated in new ways of working and said that we needed a new HQ or to embrace working from home. He added that we needed to bite the bullet in terms of accepting the massive costs that come with climate change and make those decisions. He referred to the 999 year lease at Durham County Cricket Club and the £1 per year received for that and asked if we could look to increase the revenue. With regards to EU funding he added that this was time limited funding and asked if appropriate measures had been in place for the end of the grant. Finally he said that we needed a smaller HQ as did not need a massive building.

The Chair confirmed that this would be looked at when we received the feasibility study from Cabinet.

The Head of Corporate Finance and Commercial Services made a suggestion that Members should look at the original decision reports relating to the new headquarters as they contained a full financial breakdown on capital savings. The new HQ was built on a desk ratio of 5.5:10 staff working on a hybrid model. A recent decision had been taken which meant that staff would return to work for 3 days per week from 28 February 2022, as it was felt that working from home full time was an inefficient way of working for most teams. With regards to the Cricket Club he advised that the decision on the rent was made 20-30 years previously and had afforded the club to break even. All funding had been paid back to the Council and should the club start to make profits then this would be a consideration in the future. Moving on the EU funding, he added that lots of funding was time limited so involved short term contracts. Durham Works contracts had rolled over for the last 5-6 years and they did include substantive posts that were reliant in the funding we currently had.

Councillor Hovvels queried to costs of the demolition of buildings and asked if this could be a cost to the business rather than affecting residents. The Head of Corporate Finance and Commercial Services would ask colleagues

in Property and Land to discuss this with Councillor Hovvells outside of the meeting. He advised that all demolition work was outsourced.

Councillor Stead commented that a lot of work had been put into the budget and it looked good and balanced. He asked if we could look at the money coming in and increase incomes and that we needed to be ambitious. He asked what income could be generated should the Council build it's own bungalows, and that this would ease pressure in areas where people were living in big houses and unable to move as there was no availability for a bungalow. He also asked what the furniture fit out was going to be for the new HQ. He agreed with the 0% base council tax which was fantastic for residents and agreed that the 3% precept on adult social care was necessary.

In response the Head of Corporate Finance and Commercial Services said that the Council were ambitious in their commercial approach and were one of the first Council's to set up their own housing company, Chapter Homes. A decision had recently been taken to re-open the Housing Revenue account to build 500 houses which would cost in the region of £12.5 million. The expectation that bungalows would be built was built into the housing strategy. In response to the question about the cost of furniture, which also included the cost of equipment, this totalled £1.5 million and was being held in the budget for any new building.

**Resolved:**

That the Board consider and note the contents of the report and that comments received be forwarded to Council for consideration at its meeting on 23 February 2022.