

DURHAM COUNTY COUNCIL

At a Meeting of **Corporate Overview and Scrutiny Management Board** held in Committee Room 2, County Hall, Durham on **Monday 24 October 2022 at 9.30 am**

Present:

Councillor C Martin (Chair)

Members of the Committee:

Councillors E Adam, A Batey, J Charlton, R Crute, J Howey, A Jackson, P Jopling, B Kellett (Substitute) (substitute for C Marshall), C Lines (Vice-Chair), R Manchester, A Reed, M Simmons (Substitute) (substitute for B Coult), M Stead, A Surtees and M Wilson

1 Apologies for Absence

Apologies for absence were received from Councillors R Charlton-Lainé, I Cochrane, J Cosslett, B Coult, J Elmer, O Gunn, P Heaviside, L Hovvels, L Maddison, C Marshall, B Moist and K Shaw.

2 Substitute Members

Councillor B Kellett for Councillor C Marshall and Councillor M Simmons for Councillor B Coult

3 Minutes

The minutes of the meeting held on 7 September 2022 were agreed as a correct record and signed by the Chair, with the inclusion of Councillor A Reed recorded in the attendance.

The Democratic Services Manager (Interim) informed the Board that all actions raised had been followed up and confirmed that a summary of thematic scrutiny committee's involvement in the MTFP 13 budget process had been circulated to members of the Board on 12 October 2022.

4 Declarations of Interest

There were no declarations of interest.

5 County Pound Project Update

The Board considered a report of the Head of Procurement, Sales and Business Services that provided an update on the progress of the County Durham Pound project which was initiated following CMT approval of the Social Value and Wealth Building Report on 30 September 2020, reported to Cabinet on 13 January 2021 and the launch event which took place on 29 September 2022 (for copy see file of Minutes).

The Chief Procurement Officer delivered a detailed presentation that highlighted:

- The partners involved in the project
- The core objective
- The aims and objectives
- Timeframe
- Statement of intent
- Commitments of the objective
- Mechanisms for unlocking social value
- Social value knowledge hub
- Supporters
- The launch event

At this point in the meeting the Chief Procurement Officer shared a video from the launch event and then went on to explain the next steps.

Councillor Adam thanked the officer for his presentation and for all of the positive work that had been carried out with communities and charities. He asked how the grant money of £260,000 had been used and what would happen once that money had been spent and would this affect the project going forward. The Chief Procurement Officer explained the benefits of the social opportunity through contractors whereby they would be the beneficiaries of the social role. Volunteer time and links to help deliver activities would be identified via a social value portal admin group which would also link in via Business Durham. He added that they did have the resources until March 2024 but planning would need to commence next year to fund from that point in 2024.

Councillor Howey asked what the cost to the Council was and asked was this not just a bigger version of an Area Action Partnership, as a lot of this work was already being carried out as part of the AAP. In response the Chief Procurement Officer advised that there was no additional cost to the Council as there were current resources in procurement and Business Durham to cover it. With regards to the AAP he said that this would be a collaborative arm to that work but with a focus on business and spend and was also a great voice for the community and he viewed this as complimentary to the

work of the AAP. Councillor Howey was assured that officers were not being taken away from other areas of work as it was explained that this was embedded within processes of procurement, legislative changes, social value, environment and climate change.

Referring to the vast amount of buying power Councillor Jopling asked about what opportunities there were to save money and create jobs. She was pleased that charities would benefit through this process. The Chief Procurement Officer explained that buy in power was about trying to keep things local and that all organisations would be looking at creating more jobs. He advised of a Northumbrian Water (NWL) grant which the group can help publicise aimed at the third sector and sharing of knowledge by helping and educating other organisations of Social Value in procurement.

Councillor Jopling asked if the way in which we procured services would become easier as the system was quite complicated for smaller business to understand. The Chief Procurement Officer did not know all of the rules being proposed in a new bill but they were committed to explaining how to procure to all involved and this would be supported by Business Durham through programmes such as “routes to contract success”.

Councillor Lines referred to media coverage of OPEN and asked how this would open and speed up things for small businesses as it could often be onerous and off putting for them to engage with local sector procurement, and what were the ways in which it could be improved. The Chief Procurement Officer advised that OPEN had replaced the NEPO portal and was designed to be slicker with separate teams working on it. It was discussed at the launch event and Business Durham were sharing the message about how to get on the platform and use the OPEN system and would lead people through the process. There would be more opportunities as tier 2, 3 and 4 suppliers feeding into the tier 1 bidder.

Councillor Surtees said she was overjoyed with this project and was glad that the social value aspect which had been around for year, and through COVID, was giving the best opportunity to maximise on the assets in County Durham. She believed it was about money staying in County Durham and about people learning skills through training. She agreed that the AAPs had used social value for years and measured some of their outcomes on this. She welcomed being able to put this out there in the community and to create more jobs and training opportunities in County Durham. She asked if this was a Council led directive. The Chief Procurement Officer replied that this was not being advertised as Council led but was about all twelve partners being equal and coming up with ideas through a collaborative effort.

Referring to the launch event Councillor Stead asked how companies fed into the process and what they go out of it. He further asked if there was due

diligence about who could join, if bringing people together was helping the Council and if the projects would be more cost effective. The Chief Procurement Officer said that companies had to sign up to attend the launch event, there were opportunities to engage with all partners and knowledge was shared. He advised that there was a due diligence process for supporters but it had not yet been determined how they would be brought on board but assured members that they would all be validated. Discussions around this would take place in quarter three. He said that there would be a link to the economic strategy and that bidders would need to talk to local business to score higher in the marking assessment.

The Chair thanked the officer for his presentation and believed that this was truly revolutionary. He asked if we were qualifying what social value meant within the procurement process without affecting value for money for the best quality services at the best price for the tax payer. The Chief Procurement Officer said that a quality solution offering value for money would still stand and that social value would add to the tender.

Resolved:

- That the success to this point of the County Durham Project culminating in the successful launch event be noted; and
- That the next phase of the Project and procurement activities outlined to enhance the desired project outcomes be supported.

6 Medium Term Financial Plan (13) 2023/24 - 2026/27

The Board considered a report of the Corporate Director of Resources which provided an update on the development of the 2023/24 budget and the Medium Term Financial Plan (MTFP(13)) covering the period 2023/24 to 2026/27 (for copy see file of Minutes).

The Head of Corporate Finance and Commercial Services gave a detailed overview of the report including the impact of the pandemic, the future of Local Government funding and the sharp high level of inflation which impacting across the whole Council especially around fuel and energy costs. He went on to inform the board about interest rates, the national living wage, the increased pressures around looked after children.

Moving on to paragraph 10 of the report the Head of Corporate Finance and Commercial Services reported that the local authority settlement could be received late December providing financial uncertainty and security and little time for the Council to react. Paragraph 12 highlighted the partial risk for the County on the fair funding review and paragraph 16 gave an explanation of the small inflation uplifts.

The Head of Corporate Finance and Commercial Services reported that once again, the Council was heading into unprecedented times with a £30-40 billion gap in national finance resulting in further public sector funding cuts.

The Board were advised that there was a forecasted funding shortfall of £22 million and an overall shortfall of £37 million. A full savings plan was included within the report amounting to £17 million over the next four years. The forecasted savings of £11.8 million in 2023/24 would reduce the shortfall in 2023/24 to £25 million. The Head of Corporate Finance and Commercial Services that a savings plan to balance the budget for 2024/25 was in place and went on to talk about the MTFP reserves, the ER/VR reserve and the support reserve.

Members were appraised of a number of significant changes to the core assumptions for 2023/24 and in future years as well as consideration of increased costs and demand increases specifically linked to the impact of high levels of inflation. The key adjustments and major areas for consideration which were:

- Revenue Support Grant (RSG) / Fair Funding Review
- Business Rates, Section 31 Grant and Top Up Grant inflation uplift
- Pay Inflation
- National Insurance
- Price Inflation
- CPI Uplift impact upon adult care fees
- Energy Price Increases
- Cost of the Implementation of Adult Social Care Reform
- Children's Social Care Demographic Pressures
- Forecast increase in major contracts resulting from high levels of inflation
- Prudential Borrowing

In summary, the Head of Corporate Finance and Commercial Services reported a funding reserve of £40 million with plans in place to re-prioritise planning for the future, with some difficult decisions ahead. A report would go to Cabinet in December or January depending upon when the settlement was received.

Councillor Crute said that he was disheartened by the level of reserves and believed the 'rainy day' had come. He asked how the Council could be sustained in future years. He appreciated that it was difficult to plan ahead with so many changes in central government and was concerned with interest rate rises and cuts to benefits, the increase of base rates and the impact on the capital programme. He asked the Chair to confirm that this committee would have a say in the future of the capital programme. The Head of Corporate Finance and Commercial Services confirmed that general reserves were still in place and a report to Cabinet in November would be

reporting £21 million of general reserves. The interest rates would be reported through the treasury management activities report to Council with a clear strategy around borrowing. He said that the Council had borrowed at very low rates over recent years to lock in the low interest rates. With regards to cash balances at £400 million this would be invested and by lending money at 4%. The capital programme would burn into that and the interest rates risk would be based on the forecast of spend but he assured members that the Council did not need to borrow any money for the next three years. He added that the capital programme was based on a balanced budget and would need the settlement figures to determine how much the Council could afford to invest.

The Chair agreed that there were a lot of big decisions that would need to be made and scrutiny was an integral part of the process with reports coming to this board or the thematic scrutiny committees first and be consulted upon. He was lobbying Cabinet to do just that.

Councillor Crute believed that this committee was the most appropriate way for members to scrutinise the capital programme and how communities were being affected. The Chair agreed that it was a priority for him for scrutiny to be involved and indeed last year was the first year that a report had come to scrutiny before Cabinet.

Referring to capital investment and borrowing Councillor Jackson asked why programmes were being paused and projects funded from earmarked reserves and what were we doing to address that. In response the Head of Corporate Finance and Commercial Services explained that there was no risk on the majority of loans and should interest rates move dramatically then debt could be paid in full on those. The risk occurred with any future loans and therefore the decision to pause major capital programmes had been taken. He added that there would be no pause on any projects that were funded by grant but those that were based on borrowing had paused for now. The decision would buy time whilst the settlement was awaited.

Councillor Adam said that after 12 years of austerity it was looking increasingly likely that the Council would face another period of austerity which would impact on frontline services and result in having to make £17 million of savings. He asked where the Council would replenish the ER/VR money from. The Head of Corporate Finance and Commercial Services explained that if inflation was running at 10% then effectively this meant 10% of cuts to be made. He advised that reserves would pick up any costs of ER/VR.

Councillor Adam went on to ask if there would be a consultation exercise about the £70 million savings target. He expressed concern about revenue spend and the review of specialist care provision for adults and children's

services, peer reviews, AAP review and income generation from fees and charges, and asked how we knew if we would save money. The Head of Corporate Finance and Commercial Service clarified that the savings targets provided did not touch the frontline services. He confirmed that consultation on the MTFP would begin at Durham on 26 October 2022 and there was an opportunity to take part online for schools and partners. He advised that service improvements and savings targets were monitored constantly and any underspend would be carried forward. He added that all services were trying to find efficiencies and everything was being reviewed. He assured members that quality impact assessments were carried out for each savings target.

Councillor Stead asked what percentage of time was being spent looking at revenue and income. He was interested to see how we could speed up making efficiencies and accelerating projects and asked how we could work smarter. In response the Head of Corporate Finance and Commercial Services explained that the Revenue and Income teams were in place to advise. As far as benchmarking was concerned they looked at what income we were generating and were tracking where we were raising income compared to others. For example £3 million was generated for car parking compared to Newcastle generating £20 million however he explained that most areas where we generated income were reasonable. In terms of commercial income and helping the economy it was about hitting the right balance. Referring to the points about accelerating the capital programme and spending money faster he advised that we did not have the capacity to do that and that the private sector were also struggling with staffing and the rising costs of materials. The levelling up bids would add more capital on top of the current programme if successful. He assured members that the Council was well managed financially and had a good capital programme.

Councillor Stead commented that a lot of commercial properties were empty leaving a £16 million target to be funded from capital receipts.

Councillor Jopling was concerned about the amount of money owed to the Council from fees and charges and asked what was being done to recover that. The Head of Corporate Finance and Commercial Services explained that the Council had a council tax collection rate of 99% and that all monies would be collected eventually but if written off this would be against the debt provision. Some collection was paused during the pandemic for council tax, care and business rates however this was being followed up.

Resolved:

- That the updated MTFP forecasts and the requirement to identify additional savings of £52.569 million for the period 2023/24 to 2026/27, but also note that this forecast could change significantly based upon outcome of future government funding settlements, the ongoing impact

of the pandemic, demand for services and inflationary pressures upon the council be noted;

- That that at this stage a forecast £37.389 million of savings are required to balance the 2023/24 budget be noted;
- That the expected challenges in balancing the capital programme in light of increased cost of borrowing and construction price inflation be noted;
- That the savings included at Appendix 3 to support MTFP(13) are consulted on be noted;
- That the planned review of earmarked reserves and the need to replenish corporate reserves should these forecasts prevail be noted; and
- That the MTFP(13) consultation process as outlined in the report be noted.

7 Resources - Quarter 1 June 2022: Forecast of Revenue and Capital Outturn 2022/23

The Board considered a report of the Corporate Director of Resources which provided details of the forecast revenue and capital outturn budget position for the Resources service grouping, highlighting major variances in comparison with the budget based on the position to the end of June 2022 (for copy see file of Minutes).

The Finance Manager, Resources and Regeneration highlighted the quarter one cash limit overspend of £0.139 million against a revised budget of £25.072 million. He went on to explain the actual expenditure highlighted in paragraph 10 of the report and the variances in the core budget shown in paragraph 11 of the report.

Resolved:

That the forecast revenue and capital outturn budget position be noted.

8 Quarter 1, 2022/23 Performance Management Report

The Board considered a report of the Corporate Director Resources which presented an overview of progress towards achieving the key outcomes of the council's corporate performance framework and highlighted key messages to inform strategic priorities and work programmes for Quarter 1, April to June 2022 (for copy see file of Minutes).

The Corporate Scrutiny and Strategy Manager advised that performance had already been reported via the thematic committees however the report provided details of performance relating to:

- our economy

- our environment
- our people
- our communities
- our council

Referring to sickness absence and in particular in relation to mental health, Councillor Crute was concerned about staff and asked if this was being picked up by the individual services. He asked if the reasons for absence were due to COVID or day to day life. In response the Corporate Scrutiny and Strategy Manager advised that this was a national trend but assured members that mental health awareness and training was available to all managers. He went on to advise that mental health aids were also available and as the biggest category for sickness absence it was being monitored closely. The Head of Transactional and Customer Services added that a wellbeing survey had recently been circulated to staff and that would be followed up.

Councillor Adam referred to employment levels and asked why firms were unable to recruit and was this due to skills involved. The Corporate Scrutiny and Strategy Manager would find out and report back to Councillor Adam but did say that problems with recruitment were being seen across the board.

Regarding the tourist economy, Councillor Lines asked if there would be an opportunity for the County to bring in international visitors. The Corporate Scrutiny and Strategy Manager said that he had not seen recent figures for domestic and overseas visitors but he would look into this and report back to Councillor Lines.

Resolved:

That the content of the report be noted.

9 Customer Feedback Report, Quarter 1, 2022/23

The Board considered a report of the Corporate Director Resources which provide an overview of information collected from the council's customers to describe their experiences of using our services during the quarter one period of 2022/23, April to June 2022 (for copy see file of Minutes).

The Head of Transactional and Customer Services presented a new format of the report and highlighted that the main area for concern was the cost of living crisis increasing demand for financial support and advice services. She went on to advise that although service demand had increased and requests had become more complex, both complaints and compliments, had fallen, with fewer complaints progressing to the Local Government and Social Care Ombudsman. The Board were informed that a more detailed report on the CRM would come to the next meeting.

With regards to the format between responses and timeliness, Councillor Crute referred to page 175 of the pack which seemed to show that the number of corporate complaints was worse than pre-COVID. The Head of Transactional and Customer Services would look into that. She explained that the first point of contact was working well however the subsequent contact required improvement and that key discussions with services would be needed. With regards to staffing/resources/funding/increase in demand she had started discussions with Neighbourhoods and Climate Change Service and quarter 2 would show the outcomes following those conversations.

Councillor Jopling left the meeting at 11.50 a.m.

Further to a question from Councillor Batey about the CRM she was advised that a more detailed report would come back to the December meeting and would include an update on the members pilot.

Resolved:

That the content of the report be noted.

10 Adult and Health Services Annual Statutory Representations Report 2020/21

The Board considered a report of the Corporate Director of Adult and Health Services which provided an overview of statutory representations relating to adult social care services for the period 1 April 2021 – 31 March 2022 (for copy see file of Minutes).

The AHS Service Manager Operational Support highlighted that analysis of performance had identified key messages for 2021/22 including an increase in the number of complaints investigated from 75 in 2020/21 to 79 in 2021/22, and a reduction in the number of complaints that the Council declined during 2021/22 of 4 compared to 10 in the previous performance year.

It was also noted that the most common reason for making a complaint in 2021/22 was Finance Charging Policy.

Resolved:

That the content of the report be noted.

11 Notice of Key Decisions

The Board considered a report of the Head of Legal and Democratic Services which listed key decisions which were scheduled to be considered by the Executive.

The Democratic Services Manager (Interim) advised that new to the plan were the following:

- MTFP - Details of Provisional Finance Settlement
- Ecological Emergency - Outline Strategy and Action Plan

Resolved:

That the content of the report be noted.