

DURHAM COUNTY COUNCIL

At a Meeting of **Corporate Overview and Scrutiny Management Board** held in Committee Room 2, County Hall, Durham on **Friday 1 September 2023 at 9.30 am**

Present:

Councillor R Crute (Chair)

Members of the Committee:

Councillors V Andrews, A Batey, B Coult, S Deinali, J Elmer, O Gunn (Substitute) (substitute for L Hovvels), P Heaviside, P Jopling, C Lines (Vice-Chair), C Marshall, C Martin, E Peeke, I Roberts (Substitute) (substitute for M Johnson), K Robson (Substitute) (substitute for J Charlton), M Stead, A Sterling and A Surtees

1 Apologies for Absence

Apologies for absence were received from Councillors Charlton, Cosslett, Hovvels, Johnson and Reed.

2 Substitute Members

Councillor Robson for Councillor Charlton, Councillor Gunn for Councillor Hovvels and Councillor Roberts for Councillor Johnson

3 Minutes

The minutes of the meetings held on 16 June 2023 and 28 June 2023 were agreed as a correct record and signed by the Chair.

4 Declarations of Interest

There were no declarations of interest.

5 RIPA Q1 2023/24

The Board considered a report of the Head of Legal and Democratic Services which informed Members of the Council's use of its powers under the Regulation of Investigatory Powers Act 2000 (RIPA) during the period 1 April to 30 June 2023 (for copy see file of Minutes).

Resolved:

- i. That the quarterly report on the Council's use of RIPA for the period covering quarter 1 2023/24, be received.
- ii. That the powers were being used consistently with the Council's policy and that the policy remained fit for purpose.

6 2022-23 General Fund Revenue and Capital Outturn

The Board considered a report of the Corporate Director of Resources which provided details on the general fund revenue and capital outturn for the 2022/23 (for copy see file of Minutes).

The Head of Corporate Finance and Commercial Services provided an update on the following:

- (a) final outturn for the Council's Council Tax and Business Rates Collection Fund for 2022/23;
- (b) use of and contributions to earmarked, cash limit and general reserves in year and at year end together with the closing position regarding balances held at 31 March 2023; and
- (c) achievement of Medium Term Financial Plan (MTFP) (12) savings targets in 2022/23.

The Head of Corporate Finance and Commercial Services informed members that this was the final outturn report to scrutiny, and he highlighted the key messages from the executive summary, noting that the council had been successful in hitting the last 10 years of savings targets. There was continued pressure on the budget due to inflation rates, energy costs, recovery from the pandemic and running major contracts. Paragraph 10 of the report highlighted the £10 million earmarked reserve that had been set up as a support reserve to contribute to high inflationary costs. Concerns were highlighted around the pay award as increased in the National Living Wage had a knock-on effect to the budget provision. After the £1925 pay award for all staff on 2022/23 showed an increase of 6.6% this led to a shortfall in the budget of 3.25%.

The Head of Corporate Finance and Commercial Services referred to paragraph 11 of the report which showed service grouping budgets overspent by £31.850 million. A sum of £7.294 million was specifically available in general contingencies to cover the forecast cost of the pay award resulting in a gross overspend across all service budgets of £24.556 million.

Paragraph 15 of the report reported a cash limit overspend of £13.132 million including an overspend within the Children and Young People's Services of £14.252 million. The Head of Corporate Finance and Commercial Services stated that whilst most services were managing their budgets there were big issues in relation to CYPS partly due to the increase in looked after children.

The Head of Corporate Finance and Commercial Services reported the decrease in reserves by £39 million and quarter one for this financial year was showing a decrease of between £30-40 million. Paragraph 19 highlighted that £5.485 million had been transferred into the general reserve to replenish it to the policy minimum of £26 million as agreed by Council on 22 February 2023. This transfer had resulted in a reduction in the MTFP Support Reserve from £42.480 million to £36.995 million. £10.028 million of this reserve was utilised to set the 2023/24 budget, leaving £26.967 million available to support budget setting from 2024/25 onwards.

The Head of Corporate Finance and Commercial Services highlighted paragraph 20 of the report in terms of the capital programme where expenditure was lower than that forecast at quarter 3, with capital expenditure totalling £143.05 million last year. This was a huge capital programme that brought with it risks associated with interest rates.

Finally, the Head of Corporate Finance and Commercial Services reported that the council had delivered 94% of the £2.2 million savings target and as at 31 March 2023, and since 2011, the council had delivered over £250 million in savings / budget reductions to balance its budgets.

The Chair thanked the Head of Corporate Finance and Commercial Services for the detailed report and asked what provisions had been made to cover the CYPS overspend. He was advised that there was sufficient money available in the budget to address the overspend from last year. A further £5 million had been added this year due to the increase in looked after children. CYPS had a strategy in place to look at opening up more of our own children's homes to bring children back into the County. He went on to say that all North East Local Authorities had seen an increase and that there was not enough capacity within the region.

As interest rates were expected to rise again Councillor Jopling asked if this would be balanced out with investments. The Head of Corporate Finance and Commercial Services explained that as the Council had cash reserves, we did not have to borrow at this time, however it was forecast that we would need to borrow £300 million over the next three years. The strategy was to wait until interest rates dropped however the risk was that they were not coming down and we would therefore need to borrow short term. There had

been an increase in investment budgets this year by £7 million which the capital programme would utilise.

Councillor Martin referred to the underspend and ability to budget being out of control and unpredictable and asked if CYPS could meaningfully predict what they would spend for this MTFP. He was concerned as other authorities were in a much worse position, going bankrupt and waiting for help from the government. In response, the Head of Corporate Finance and Commercial Services explained that the service had been approached (CYPS) about their strategy to look at high-cost children and how we could seek in house provision back in the County. The Children's team were working on solutions around this, but it was seen as more of a problem in the North, whereas Adults Services were more prevalent in the South, which was offset by the Adult Social Care precept. With regards to our Council, he added that members had identified savings plans and had to make some difficult decisions however there was still not enough funding from central government especially when it was ringfenced.

Councillor Elmer commented that there was a huge difference when comparing the care home sector with foster carers and that there had been a push for people to become foster carers, which was cheaper for the Council but had better outcomes for the children. The Head of Corporate Finance and Commercial Services said that this had been uplifted by 10% in the budget. There had been a significant decrease in numbers coming out of the pandemic but that we had 300-400 in Durham. There was a risk that the private sector could recruit them with better pay offers but it was important to keep recruiting and investing in this area.

Councillor Surtees asked why there had been an increase in looked after children and where those impacts were. She also asked about the £4 million deficit on Council Tax and Business rate collection and if the council were being careful in how we pursued that in the current climate. Thirdly, she asked what was the impact on using cash balances against the capital projects and were the earmarked reserves being used for what they were originally intended to be used for, and if we could deliver on capital projects if we did not borrow. In response the Head of Corporate Finance and Commercial Services said that Children and Young People's Overview and Scrutiny Committee would look at the reasons for the increase in looked after children in more detail. In relation to Council Tax and Business Rate collection he explained that there was an assumption made as to how we would collect it and was based around how many houses were built, demolished and how many people claim the benefits. This Council collected 99% and the fund was slightly down due to not as many houses being built and an increase in unemployment. There was always help and support available to people who could not pay, and the council were pro-active in this area. Moving on to cash balances he reported that the Capital Programme

was fully funded from grants from government, capital receipts and from loan borrowing and confirmed that the Capital Programme was fully funded. There was a review of the earmarked reserves each year to ascertain what was required.

Councillor Gunn congratulated the Head of Service and his team for the work carried out. She agreed with an earlier point made that fostering does show a better outcome for children, as well as adoption and kindred carers. She was also concerned about the increase in children being looked after and what interventions and strategies would be put in place. She did feel that the bidding process for Children and Young People's Services did hamper the way in which the funding worked. The Head of Corporate Finance and Commercial Services commented that funding had not been cut but that there was just not enough of it as inflation cancelled that out. In terms of the constant bidding for funding he said that could be debilitating for staff and what was required was fairer funding and an adequately funded system.

The Chair said that this was in parallel with what had happened to police officers and reporting crime. He added that austerity was still a major factor, and a lack of resources could be seen across the public sector. He said that we should be looking at how to deal with the problems around inflation, fuel costs, the war in Ukraine and coming out of the pandemic. He asked members to look at the service reports through each thematic scrutiny going forward and the narrative behind them.

Resolved:

That the content of the report and comments made be noted.

7 2022-23 Q4 Resources Revenue and Capital Budget

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 four cash limit variance overspend of £0.567 million against a revised budget of £25.943 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 2023-24 Q1 Resources Revenue and Capital Budget

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 £4,000 against a revised budget of £23.013 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.

Referring to staffing Councillor Marshall asked if there had been an increase in buying outside services. He asked what measures were in place when trying to appoint to critical posts and what measures were taken to fill posts internally. The Head of Corporate Finance and Commercial Services said that the whole of the employment sector were struggling to recruit and that the council were carrying a high level of vacancies so did need to utilise agency staffing. He advised that HR used a number of methods to try and recruit including social media platforms. He referred to Internal Audit who had been out to advert to fill posts without success a number of times before being able to appoint. He went on to say that the council were good at training our own staff and recently appointed two graduates in the Finance Team.

Resolved:

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

9 2023-24 Q1 Chief Executive's Revenue and Capital Budget

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 Chief Executive's Office, highlighting major variances in comparison with the budget based on the position to the end of June 2023 (for copy see file of Minutes).

The Finance Manager, Resources and Regeneration highlighted quarter one forecasting a cash limit underspend of £76,000 against a revised budget of £4.004 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.

Referring to the table in paragraph 11 Councillor Marshall asked for an explanation for Communications and Marketing, £156,000 unachievable income budgets created prior to budget transfer and £93,000 unachievable

Design income. The Finance Manager explained that there had been transfers to the new service grouping at the start of the financial year with offsets to vacant posts, and the £156,000 figure had now been removed as part of the quarter 2 report. The £93,000 figure was reporting an early indication, but this was being monitored as could change through quarter 2.

Resolved:

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

10 Medium Term Financial Plan (14) 2024/25 -2027/28, Review of Local Council Tax Reduction Scheme and Council Tax Discretionary Discounts and Premiums Policy - 2022-23 Q4 Resources Revenue and Capital Budget

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

The Head of Corporate Finance and Commercial Services provided a thorough overview of the report highlighting the ongoing level of financial uncertainty brought about by a combination of the ongoing impact of the pandemic, our inherent low tax raising capacity due to our low tax base, and significant budget pressures in social care brought about by National Living Wage increases and enduring demographic pressures in Children's Social Care and in waste services alongside other unfunded pressures arising from the present high levels of inflation impacting on energy and fuel costs in particular plus uncertainties surrounding the pay award that will ultimately be agreed. The financial outlook for the Council will continue to be extremely challenging for the foreseeable future. He added that the Council were active in lobbying government and had already written to the new Prime Minister regarding the financial pressures faced in County Durham.

He went on to explain that this level of uncertainty made financial planning difficult and required the council to be flexible and adaptable in its financial planning. He highlighted the key adjustments and major areas for consideration including:

Councillor Deinali referring to the recent announcement of unsafe concrete in schools, asked if it was known how many buildings and the number of children affected. The Head of Corporate Finance and Commercial Services was aware of three schools in County Durham, all academies. It was expected that government would need to fund the costs of repair and if any county maintained schools were affected the Council would also expect the government to intervene.

Councillor Surtees commented on the Council Tax Support Scheme and the cuts that local councils faced. The Head of Corporate Finance and Commercial Services agreed that local government needed more money, but the Council were legally bound to setting a balanced budget.

Councillor Marshall was concerned about the condition of some of the maintained schools with no additional money available to maintain them properly, causing safeguarding issues. He was aware that some schools sectioned off parts of school buildings that were not fit to teach in. He asked that information was circulated to all members urgently about the schools involved and what support and provision was being made for them. Moving onto the MTFP he said that this Council had failed to make adequate adjustments to services, some of which could not deliver. He was pleased to see a balanced budget with reserves but at a depleted level over the last couple of years. He added that it was important to invest in communities and deliver what was in the capital programme, which should be fully funded, costed and ready to implement. He went on to talk about investing to save in leisure centres, greener buildings with lower energy costs and with the announcement that County Hall would be open until March 2025 he blamed the political choices being made.

In response, the Head of Corporate Finance and Commercial Services said that we did have a grip on the financials and advised members of such, and were in a much better position than most councils. He advised of the balanced reserves and the savings that had been made over the last 10 years in order to balance the MTFP. He advised of the investment into maintained schools, street lighting, energy reduction schemes and the ER/VR programme. In relation to capital schemes, he informed members that there had been increased construction and material costs, higher rates for borrowing and the choices our members made were to keep investing in our services and infrastructure. He added that the role of officers was to advise members who made the decisions and that the budget put before them was financially balanced.

The Chair asked what other public buildings were affected by the concrete and was advised that property colleagues had carried out condition surveys on council owned buildings so that information should be to hand.

Referring to Council Tax and Business Rates Councillor Elmer asked how those online businesses without a premises were impacted and was advised that revenue on business rates were from government on those larger retail units such as Tesco at Gilesgate. He advised that the business rate system for online providers did not work. With regards to Council Tax, he explained that this was based on a 1990 valuation and not on ability to pay. The ability to raise council tax was lower in the North East.

Councillor Gunn informed members that the government had not produced a list of those schools affected by the sudden closures yet and it was so important to find that out as soon as possible. She asked about the 50% reduction for Town and Parish Councils and the consultation carried out. The Head of Corporate Finance and Commercial Services explained that most local authorities had stopped paying the grant support to Town and Parish Councils and what had been consulted upon was a 50% reduction in that grant. He advised that Town and Parish Councils could increase council tax to recover the costs. The consultation process would end mid-September. The Chair commented that the consultation had taken place over recess.

Councillor Robson thanked the officers for the report and asked if another revenue stream could be found to cover any shortfall within the budget. For example, to charge at refuse stations. The Head of Corporate Finance and Commercial Services said that the Council exercised caution when charging extra for services, and especially when doing so could lead to problems elsewhere. Such as, fly tipping as a result of charging at a waste transfer station. He assured members that we did raise as much income as we could and had a balanced approach in doing so.

Councillor Martin said that the main issue was not getting enough money from government to fund the rise in inflation but that was managed by the Finance Team. However, he pointed out that it had been announced that even under a Labour government there would be no more money for Council services. He referred to the joint administration's approach to properly scrutinise the budget and suggest alternative ways of doing things that would not negatively impact residents. He asked that if the Labour group were not happy with the budget then they should show the Council what they would do differently. With regards to the increase in Council Tax he asked how much more savings would the Council be asked to make now, leading us closer to bankruptcy.

The Chair clarified that it was not for this board or for individual political parties to make decisions on savings, as these were decisions made by Cabinet. It was this board's duty to scrutinise such decisions. With regards to the comments made about Council Tax he referred members to the report where all of this information was available and reminded members that they were being asked to comment on the report. The Head of Corporate Finance and Commercial Services stated that what was required was a fairer funding policy and funding that was not ring fenced so that the Council could spend where it was most needed. A fair and balanced approach was what the Council would continue to lobby government on.

Councillor Peeke asked if there would be any clawback available on the reserves carried by school and Town and Parish Councils and was advised

that there was a Dedicated Schools Grant that the Council could not touch. He explained that maintained schools had very few reserves and when in deficit the Corporate Director of Resources had the authority to start a recovery plan. There were a number of factors to consider with schools' budgets such as high need and special educational needs but confirmed that the reserves were ringfenced. With regards to Town and Parish Councils he said that it was not the Council's place to know that information.

Councillors Surtees and Deinali left the meeting at 11.50 a.m.

Going back to the consultation on support grant to Town and Parish Council Councillor Andrews commented that she did not think the timing was great especially when in recess.

Councillors Jopling and Peeke left the meeting at 11.51 a.m.

The Head of Corporate Finance and Commercial Services explained that the support grant was a saving for the Council to consider and that Town and Parish Councils had been given as much notice as possible. The consultation period had commenced as soon as the July Cabinet report had been published.

Councillor Gunn said that she was impressed in the way that the Finance Team advised schools in relation to their budgets and any plans to tackle deficits. She was concerned that should schools have to fund an increase in teachers' salaries they would go into deficit and that could have a detrimental affect in terms of education delivered to the children. The Head of Corporate Finance and Commercial Services agreed that teacher pay awards were a concern and he assured members that the Schools Finance Team were monitoring this closely by developing a 4-year plan based on forecasted pupil numbers which should forecast any future problems.

Councillor Lines found the previous process of scrutiny members coming up with ideas on the MTFP process useful and gave a better understanding and knowledge of the budget. He found that contributing with ideas and suggestions helped the MTFP evolve and change in a constructive and non-political way. The Chair re-iterated his point that he did not feel this was a role of scrutiny as we should be looking at the proposals put forward by Cabinet. He did not feel that it was the role of scrutiny to make suggestions on savings and that the opportunity already exists as part of the workplan to look at financial reports. The Head of Corporate Finance and Commercial Services said that there was an opportunity for members to look at what we spent money on and deep dive on particular specific areas.

After raising a comment about Town and Parish Councils and in particular Stanley Town Council, which was challenged as a point of order, the Chair

asked Councillor Stead to speak to Councillor Marshall outside of the meeting.

Resolved:

- (a) That the content of the report and comments made be noted.
- (b) Note the indicative timetable for scrutiny discussions subject to receiving the funding settlement from government.