

DURHAM COUNTY COUNCIL

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

Present:

Councillor R Crute (Chair)

Members of the Committee:

Councillors A Batey, B Coult, S Deinali, J Elmer, P Heaviside, M Johnson, C Lines (Vice-Chair), C Marshall, C Martin, J Miller, B Moist, K Robson (Substitute) (substitute for J Charlton) and A Sterling

Apologies:

Apologies for absence were received from Councillors V Andrews, J Charlton, J Cosslett, K Hawley, L Hovvels, P Jopling, L Maddison, E Peeke, A Reed, K Shaw, M Stead, A Surtees and R Yorke

1 Apologies for Absence

Apologies for absence were received from Councillor J Charlton

2 Substitute Members

Councillor K Robson for Councillor J Charlton

3 Minutes

The minutes of the meeting held on 23 October 2023 were agreed as a correct record and signed by the Chair.

4 Declarations of Interest

There were no declarations of interest.

5 Medium Term Financial Plan (14) 2024/25 to 2027/28

The Board considered a report of the Corporate Director of Resources which provided an update on the proposed approach to scrutiny of the Budget 2024/25 and the Medium-Term Financial Plan (MTFP) (14) 2024/25 to 2027/28 (for copy see file of Minutes).

The Head of Corporate Finance and Commercial Services provided an update on the key messages within the Autumn Statement. At the County Council Network Annual Conference, the DLUHC minister had said in his speech that local government might be surprised by the 'presents' under the tree in the provisional local government settlement. Unfortunately the Chancellor of the Exchequer had decided to utilise all of his £20 billion fiscal headroom to provide tax cuts rather than to support public services with additional funding beyond the sums previously announced in the 2022 Autumn Statement. As lobbying continued for additional funding, more and more councils were facing section 114 notices and there was an expectation from government that those councils would be forced to make savings or borrow in the short term.

With regards to the settlement for next year the core spending power forecast increase of 5 - 5.5% would not be enough and Adult Services, Health, SEN would receive no more funding than what had already been forecast. For the period 2025/26 to 2027/28 it is still forecast that public services will receive an annual 1% real term increase which is expected to result in non protected government departments receiving real term funding cuts.

The Head of Corporate Finance and Commercial Services advised that there was to be a 2% reduction in employees national insurance applied from January 2024. If this was pointing to a May general election then it would be good news in terms of the timing of a future comprehensive spending review. However, if a general election was held in October 2024 the comprehensive spending review was unlikely to take place until 2025 and therefore we would receive another one year settlement in 2025/26.

He went on to advise that all North East Councils were facing the same problems it was becoming increasingly problematic planning for 2025/26 and 2026/27.

The Local Government Settlement was due to be announced on 18 December 2023 and it was not envisaged that we would receive any further funding than that already forecast, meaning that reserves would likely to be needed to be utilised in 2024/25. There might be some one-off monies received and an agreement to increase the council tax referendum to 5% every year. This would push difficult funding decisions to local members resulting in a potentially higher council tax burden which would hit communities hard, especially in the most deprived areas. Moving on to the report, the Head of Corporate Finance and Commercial Services provided a thorough overview highlighting the ongoing level of financial uncertainty brought about by a combination of the significant budget pressures in adults and children's social care and the National Living Wage (NLW) increases. The financial outlook for the Council would continue to be

extremely challenging for the foreseeable future and the impact on the budget had deteriorated since the July Cabinet report placing further pressures on the budget and assumptions.

The national living wage had been increased by 9.8% putting an added £3 million pressure onto the budget as compared to our previous forecasts. The increase in the NLW was likely to continue to place pressure upon the pay of lower paid staff in local government.

He went on to explain that the pressures around looked after children were significant and numbers were still on the increase. The £8 million in the budget accounted for the number of children requiring care now and the numbers were increasing, with the North East as a whole feeling the impact of this, and it was becoming difficult nationally too.

Paragraph 7 of the report gave assurances that there was sufficient financial resilience for the next couple of years and that we had reserves in place to support the budget. There was £26 million in general reserves which formed 5% of the net expenditure budget and £27 million MTFP support reserve that could be utilised until we had more long term financial certainty.

Discussing section 114 notices again the Head of Corporate Finance and Commercial Services reported that Nottingham were the latest Council to be issued and with the capitalisation directives revenue expenditure could be turned into capital. Councils facing section 114 notices were being forced to borrow as a short term fix or make savings.

Paragraph 12 of the report onwards advises of the financial planning difficulties that the Council faced and the difficult decisions faced by members on making cuts to services, whilst maintaining some level of reserves.

Moving onto savings the Head of Corporate Finance and Commercial Services reported that £67 million was required in order to balance the budget over the 2024/25 to 2027/28 period, £11.588 million higher than the position previously reported to Cabinet in July, with £4.1 million of this increase falling into 2024/25. Some savings had been identified however there remained a shortfall of £8.3 million and it had been considered to use the MTFP support reserve to find this and this would be based on a 5% increase in council tax. The Head of Corporate Finance and Commercial Services reminded members that £10 million had been used to balance the budget this year, and £100 million over the last 12-13 years to protect frontline services.

Councillors Batey and Deinali joined the meeting at 10.00 am

The Head of Corporate Finance and Commercial Services informed members that there would be significant changes to the core financial planning assumptions for 2024/25 and in future years as well as consideration of increased costs and demand linked to the impact of high levels of inflation. He went on to highlight the key adjustments and major areas for consideration including council tax base, business rate taxbase and price inflation.

The table in paragraph 84 of the report highlighted the savings required and identified the shortfall unless additional funding was received.

In conclusion the Head of Corporate Finance and Commercial Services said that some major decisions made over the next five years nationally would impact upon us locally.

Councillor Martin expressed concerns that by increasing the minimum wage the government are pushing more low earners into paying tax. He asked if this had any other knock on effects from the local authority. With regards to the benefits of the council tax discount scheme, for example, would we be paying less as wages increased. Moving onto reserves Councillor Martin asked if the council were comfortable using the £8 million to balance the budget and at what level would the council be comfortable going down to without raising alarms. In response the Head of Corporate Finance and Commercial Services said that the target set by the National Living Wage was 66% of national median wages at £11.44 per hour and there were concerns that in the future private sector wage accelerated higher than the public sector. The local authority grades 1 and 2 would always need to be accelerated to keep up with the NLW. With regards to reserves he said that he would be really uncomfortable should the MTFP Support Reserve drop below £10 million. He fully understood that as we moved into an election year that priorities would change but with a £25 million shortfall we needed to be more resilient to balance the budget by making some very tough decisions. He added that the January Cabinet report would show the settlement figures, the consultation responses, and the shortfall for the next four years.

The Chair suggested that clear communications were used when explaining any increases to the council tax as residents were often confused by the 2.99% rise in council tax and 2% for adult social care. He was thankful that the previous administration had built up reserves over the years as this was now paramount to being able to balance the budget. He added that central government were key to raising any further funding for local authorities.

Referring to paragraph 79 of the report that proposed a 50% reduction in funding over two years for Town and Parish Councils, Councillor Miller expressed his concerns that this could bankrupt some of those councils and

he asked what plans the county council had to address this. In response the Head of Corporate Finance and Commercial Services explained that every other council in the country introduced these cuts to town and parish councils and it was only now when it was becoming increasingly difficult to balance the budget that we were considering doing the same. He said that consultations were carried out on this in June and July so they were aware that this would happen and pointed out that Town and Parish Councils had not faced the same level of austerity over the last 10 years. Town and Parish Councils had the choice to seek to become more efficient or cut costs or to increase council tax.

Councillor Elmer expressed concerns that the government would keep squeezing local authorities until services would have to be picked up by the private sector when it was no longer sustainable for the public sector to do this. As a wealthy country where we taxed people based on what they earned we did not then invest well a change in government should focus on whole sale reform of taxation including land value tax. The Head of Corporate Finance and Commercial Services commented that the current taxation arrangements required a thorough review including council tax..

Councillor Miller left the meeting at 10.30 am

Councillor Marshall said that a lot of work had been undertaken over the last six months to identify savings and go out to consultation on the budget, including a town and parish council review and he was still disappointed with the response from government. He thought that with having 3 local conservative MPs and a conservative Deputy Leader of this Council and Portfolio Holder for Finance that this might have had some weight and an impact when lobbying on funding from government. Moving on to paragraphs 51 and 52 of the report highlighting £52 million savings which would be reduced if further funding was received from government he was concerned about the direct impact of children and adults social care and the support services being removed. With regards to fees and charges he was concerned that as we increased other income streams as well as council tax people would need more support services, not less and this would increase poverty as a result. He understood the need to save the council money through invest to save initiatives but could not understand the decision to sell off the HQ building in Durham and provide elsewhere for staff to work as this decision was no closer and had increased fuel bills and maintenance at County Hall. He believed this decision had cost the council revenue. He was concerned with the £8 million and £52 million savings figures and how we would tackle that and asked that members receive further information on capital investments, the funding for those and how investments were being made.

The Chair commented that by introducing parking charges this could impact visitor and tourism numbers and that we needed to look closely at the cuts being recommended and how they impact services.

The Head of Corporate Finance and Commercial Services commented that the County Councils Network was used to lobby government and the need for extra funding and that they did have the backing of the three conservative MPs in the area. With regard to fees and charges, this had been benchmarked against other local authorities and the likes of Newcastle who generate car park charges of £15 million and Westminster who generate £33 million we were proposing small increases in comparison. The HQ saving was still included in the medium term financial plan budget plans.

Councillor Elmer said that it would be hard to propose future savings due to political reasons and suggested that the council come together in doing so to be more effective.

The Head of Corporate Finance and Commercial Services commented that there had been £250 million of savings since 2011 with a reduction of 3,000 posts or 30% of the workforce. The problem now is that although we were receiving additional government funding it was not enough to cover our inflation and demand increases.

The Chair noted that this was a real concern for statutory service provision.

Councillor Batey welcomed the suggestion to work together but felt kept in the dark on important decisions as funding decisions were often not published or shared such as the DLI and HQ buildings. She did feel that there were many open and honest discussions needed about what was coming up or what was being spent on projects and did not know how members could work together.

The Head of Corporate Finance and Commercial Services said that normally budget savings were only included in budget reports in February but this year savings were in the public domain in July and October assisting the scrutiny of the budget. He assured members that funding was in place to finance the capital programme and the Capital Member Officer Working Group were informed throughout the year of the budget detail around projects.

Councillor Marshall said that there was no issue with the way the capital programme was administered from an officer point of view but he was concerned about political choices being made that would show the true cost of the coalition in place and who was being bought off. He asked what had been spent over the last two years as that information was never shared at scrutiny and would show the inexperienced leadership of the council.

The Chair said that we could not do much about the systems in place.

Councillor Martin asked if the Labour group would do the same things and share that level of information with the rest of the political groups should they take back control of the council. He added that this council had never been more transparent and continued to open up and share more.

The Head of Corporate Finance and Commercial Services confirmed that there was transparency in the Cabinet forecast of outturn reports with quarterly updates on changes to the capital programme. He said that the capital programme was very large which generated its own delivery risks. There were tight deadlines and some costs to be revised however he added that at least £200 million was forecast to be spent in 2023/24 which would be the highest ever capital spend in the council.

Councillor Elmer left the meeting at 11.05 am

Councillor Sterling was uncomfortable with the term used by Councillor Marshall of 'people being bought off.' She did not wish to debate the matter but wanted it noted.

Resolved:

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

6 Resources - Quarter 2 September 2023: Forecast of Revenue and Capital Outturn 2023/24

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 September 2023 (for copy see file of Minutes).

The Principal Accountant, Resources reported a quarter two forecast position showing that the service was forecasting a cash limit underspend of £0.926 million against a revised budget of £23.252 million. The Resources cash limit balance carried forward at 31 March 2024 was forecast to be circa £1.955 million and other earmarked reserves under the direct control of Resources Management Team (RMT) were forecast to total £6.145 million at 31 March 2024. The revised Resources capital budget was £8.576 million for 2023/24, with a total expenditure to 30 September 2023 of £1.845 million.

Resolved:

That the forecast of outturn position be noted.

7 Chief Executive's Office - Quarter 2 September 2023: Forecast of Revenue and Capital Outturn 2023/24

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 September 2023 (for copy see file of Minutes).

The Finance Manager, Resources and Regeneration highlighted the quarter 2 forecast position showing that the service was forecasting a cash limit underspend of £0.548 million against a revised budget of £4.130 million. The CEO cash limit balance carried forward at 31 March 2024 was forecast to be circa £0.608 million. Other earmarked reserves under the direct control of CEO were forecast to total £1.274 million at 31 March 2024 and the revised CEO capital budget was £1.892 million for 2023/24, with a total expenditure to 30 September 2023 of £0.531 million.

Resolved:

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

8 Overview and Scrutiny six monthly update to Council

The Board considered a report of the Corporate Director of Resources which provided Members with the six monthly update report which was to be submitted to Council on 24 January 2024 (for copy see file of Minutes).

The Principal Overview and Scrutiny Officer highlighted the work undertaken by the Overview and Scrutiny Team in supporting the delivery of the current Scrutiny Work programmes which included formal Committee meetings, online focused briefing sessions and workshops delivered and the key areas of work covered during this six month period. The report highlighted several key areas of policy development and service improvement where overview and Scrutiny had informed their development.

The Chair emphasised the need for training and that all members should be encouraged to take up the training arranged.

Resolved:

That the content of the report to be submitted to Council on 24 January 2024, be noted.

9 Update in relation to Petitions

The Board considered a report of the Head of Legal and Democratic Services which provided for information the quarterly update in relation to the

current situation regarding various petitions received by the Authority (for copy see file of Minutes).

The Democratic Services Manager advised that the schedule provided a list of those petitions that were active, and those that were to be closed and which would be removed from the list prior to the next update.

Since the last update three new e-petitions had been submitted. One e-petition was currently ongoing and collecting signatures via the website, two were closed and awaiting responses. One new paper petition had been submitted and was awaiting a response.

The schedule provided a list of those petitions that were active, and those that were to be closed which would be removed from the list prior to the next update.

Resolved:

That the report be noted.

10 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 advised that new to the plan were the following:

- Council Plan 2024/25 - 2027/28
- Medium Term Financial Plan 2024/25 to 2027/28 and Revenue and Capital Budget 2024/25
- School Admission Arrangements Academic Year 2025/2026
- Proposal to close Rookhope Primary School
- Durham City Regeneration Milburngate (Exempt Report) (date to be confirmed)
- Concessionary Fare (ENCTS) Budget

Resolved:

That the content of the report be noted.