

# DURHAM COUNTY COUNCIL

At a Meeting of **Corporate Overview and Scrutiny Management Board** held in Committee Room 2, County Hall, Durham on **Thursday 15 February 2024 at 9.30 am**

**Present:**

**Councillor R Crute (Chair)**

## **Members of the Committee:**

Councillors V Andrews, A Batey, J Blakey (Substitute) (substitute for A Reed), J Cosslett, B Coult, S Deinali, J Elmer, P Heaviside, L Hovvels, M Johnson, C Lines (Vice-Chair), C Marshall, C Martin, J Miller, B Moist, E Peeke, K Shaw, M Stead, A Surtees, D Sutton-Lloyd (Substitute) (substitute for P Jopling) and A Watson (Substitute) (substitute for J Charlton)

## **1 Apologies for Absence**

Apologies for absence were received from Councillors J Charlton, P Jopling, A Reed, A Stirling and R Yorke.

## **2 Substitute Members**

Councillor A Watson as substitute Member for Councillor J Charlton, Councillor D Sutton-Lloyd as substitute Member for Councillor P Jopling and Councillor J Blakey as substitute Member for Councillor A Reed.

## **3 Minutes**

The minutes of the meeting held on 23 January 2024 were conformed as a correct record and signed by the Chair.

The Principal Overview and Scrutiny Officer referred to Paragraph 3 on Page 8 of the Minutes regarding student accommodation business rates. Councillor Stead referenced making representations to government on this issue and for clarification this had already been done following a debate in Council, following which a letter was sent to the Secretary of State by the Leader and Deputy Leader of the Council. The minute should therefore read in the past tense rather than the present tense.

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

There were no declarations of interest.

#### **5 Report on the Council's use of powers under the Regulation of Investigatory Powers Act 2000 - Quarter 3 - 2023/2024**

The Board considered a report of the Head of Legal and Democratic Services which provided information about the Council's use of powers under the Regulation of Investigatory Powers Act 2000 during the period 1 October 2023 and 31 December 2023 to ensure that it was being used consistently with the Council's policy and that the policy remained fit for purpose (for copy see file of Minutes).

##### **Resolved:**

- (i) That the quarterly report on the Council's use of RIPA for the period covering quarter 3 2023/2024 be received.
- (ii) That the powers were being used consistently with the Council's policy and that the policy remained fit for purpose.

#### **6 Medium Term Financial Plan (14) 2024/25 to 2027/28 and Revenue and Capital Budget 2024/25**

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

Attached to the report was a report considered by Cabinet on 14 February 2024 Cabinet report which provided comprehensive financial information to enable Cabinet to agree the 2024/25 balanced revenue budget, an outline Medium Term Financial Plan MTFP(14) 2024/25 to 2027/28 and a fully funded capital programme to be recommended to Council on 28 February 2024.

The Head of Corporate Finance and Commercial Services provided the Board with an update to the information presented to the meeting held on 23 January 2024.

Following intense lobbying on 24 January 2024 the Government announced an additional £600m of funding to be made available in 2024/25. The £600 million included an additional £500 million allocation to the Social Care Grant, £15 million for the Rural Services Delivery Grant and a forecast £85 million for an increase in the Funding Guarantee from 3% to 4%. Durham County Council would only benefit from the increase in the Social Care Grant and was forecast to receive an additional £5.880 million in 2024/25, beyond the

sums announced in the provisional local government settlement. Although this additional sum was welcome and had reduced the reliance on reserves to balance the budget next year to £3.720 million, the council still faced significant uncertainty and pressure on the revenue budget beyond 2024/25, which also reduced its capacity to invest in the capital programme.

The new additional funding came with some conditions. Local authorities were to be requested to produce productivity plans which would set out how they would improve service performance and ensure every area was making best use of taxpayers' money. The Government would monitor these plans, and funding settlements in future years would be informed by performance against these plans. The Government was to establish an expert panel to advise the Government on financial sustainability in the sector which would include the Office for Local Government and the Local Government Association. No further information on these requirements was currently available.

The Final Local Government Finance Settlement was announced on 5 February 2024 and this confirmed that the majority of government grant funding would be in line with the provisional settlement but there was an announcement of an increase in the Services Grant of £10.5 million with Durham County Council receiving an additional £0.078 million. The increase in Services Grant resulted from less funding being required for the Funding Guarantee than was previously forecast.

In addition to the recovery of £10 million use of the Medium Term Financial Plan Support Reserve to balance the 2023/24 budget, there was provision for £51.8 million of unavoidable base budget pressures in 2024/25, resulting from pay and price inflation (£14.9 million) – including £3.7 million to offset the 2023/24 pay award shortfall; increased costs of children's services (£12 million) and adults' social care (£12.6 million); increased Home to School Transport (£2.5 Page 24 million); expenditure in relation to specific grants (£2.9 million), additional demand / income loss pressures in service groupings (£4.8 million), the impact of a loss of housing benefit subsidy linked to temporary accommodation and supported housing (£2.6 million); a loss of investment income as cash balances continue to decline (£1.1 million); offset by a saving from a review of the council's minimum revenue provision policy (£0.7 million) and savings from a reduction in the general contingency budget and the unwinding of the impact of the pandemic grant funding in the collection fund (£1 million).

New additional MTFP(14) capital schemes were proposed for the period 2024/25 to 2025/26 which totalled £90.003 million. These proposals also produced a pre commitment of £2.880 million for 2026/27 taking total additional capital schemes to £92.883 million. This resulted in total investment from 2024/25 to 2027/28 being £513.656 million.

Capital investments in MTFP(14) included the MTFP(13) pre commitment of £10 million to bring the Greenfield School scheme budget to over £20 million, investment of the £14.8 million Local Transport Plan (LTP) government grant in highways maintenance, supplemented with an additional £5 million from the council; additional funding of £7.5 million provided to fund the forecast £10 million demolition of County Hall, a 23% increase in the Leisure Transformation Programme, with a further £10 million of capital investment added to the £43.2 million of budget already made available, a £5 million budget to repair bridges and structures across the county and an additional £2 million allocation for building investment to enable the council to meet its Net Zero targets.

A range of savings options were presented to Cabinet on 12 July and 11 October 2023 and subject to consultation which if implemented could help support balancing budgets across the MTFP(14) period. These were augmented with further savings totalling £0.910 million that had been developed subsequently and included in the Cabinet report on 17 January 2024. Additional savings of £0.119 million were also included in this report. After taking into account the feedback in the consultation alongside the addition of the further savings considered in the January report and this report, the savings recommended for approval were £8.083 million for 2024/25 with £16.360 million across the MTFP(14) period.

A 2.99% increase in relation to the base council tax referendum limit and a necessary increase in the adult social care precept of 2.0% in 2024/25 was proposed to help meet the significant cost pressures in the budget, giving a total overall increase of 4.99% which was expected by the Government as part of their Core Spending Power calculations and assumptions.

Although savings of £8.083 million were recommended for 2024/25 and a 4.99% council tax increase was proposed, there would still be a requirement to utilise £3.720 million of the MTFP Support Reserve to balance the 2024/25 budget. The use of the MTFP Support Reserve could only be a short-term solution to buy time to develop sustainable base budget savings to balance the 2025/26 budget, where the council faced a significant challenge and would be required to deliver £16.789 million of further savings that year based on the budget forecasts, which will be a significant challenge for the council.

Councillor Crute thanked the Head of Corporate Finance and Commercial Services for his update report. Councillor Crute expressed disappointment that the government had opted to utilise their £20bn of 'fiscal headroom' to provide tax cuts and provide business incentives to stimulate the economy rather than provide improved local government settlements. The additional £600m of funding announced by government on 24 January 2024 while

welcomed was nowhere near enough to recognise the cost pressures facing local government. Durham County Council would not qualify for any of the additional funding of £15m for the Rural Services Delivery Grant. Additionally, there was concern that the future 1% uplift may be less. Comments made by the Board would be reported to Council on 28 February and those comments previously made by the Board remained relevant.

Councillor Watson referred to the cap on a 5% Council tax increase which was the maximum permissible without a referendum. Councillor Crute clarified that this comprised an increase of 2.99% to core council tax and a 2% increase for social care. Although councils were permitted to increase council tax by more than this rate this would require a referendum at a considerable cost to local councils. Additionally, such an increase would also place considerable burden on council tax payers at a time when many were experiencing financial difficulties.

Councillor Surtees expressed concern at how the County Council would take the hit of the imposed cuts. She referred to the future of the household support fund on which no decision had yet been made and if this was cut then the perception would be that it was a county council decision rather than government decision, which would bring with it reputational damage. Councillor Surtees also expressed concern about future funding for welfare rights, welfare assistance and the Local Council Tax Reduction Scheme, which if cut, would start to lose the community focus element of the council.

Councillor Moist referred to the capital programme which had massively increased and needed to be re-examined. There had been additional costs of £5m for the DLI project, £7.6m for the bus station/ The Story. Leisure revenue was decreasing. While the proposed new leisure centres for Seaham and Chester le Street had been halted, the one for Woodhouse Close was proceeding, which Councillor Moist considered to be a political decision. There was a need for Members to put politics to one side and do what was right. Councillor Moist considered that Cabinet should be strongly advised to make savings in the capital programme.

Councillor Deinali expressed concern at pressures on the budget in children's services. New legislation had been introduced for early years but there was a lack of provision and recruitment. There was a significant and increasing High Needs budget deficit position which was a serious concern for the council and many other local authorities. The exceptional accounting override that allowed councils to exclude these deficits from their main council general revenue funding position was due to end in 2025/26, at which point the deficit may need to be funded by council resources requiring a significant call on reserves and further annual budget pressures that were not factored into the current MTFP(14) forecasts.

Councillor A Batey referred to the leisure transformation programme and noted that an additional £10 million capital investment had been identified in 2025/26 and ring fenced to Seaham and Chester le Street. Councillor Batey expressed her frustration at the ongoing delay in the leisure transformation programme report being considered by Cabinet and also by Overview and Scrutiny. The Council had recently agreed its joint health and well-being strategy and one of the key priorities within that was the importance of promoting health and well-being and physical activity and Councillor Batey questioned how these elements of this strategy could be delivered against given continued delays in the leisure transformation programme. Councillor Batey referred to the financial allocation the DLI project and suggested that funding should be concentrated on more immediate priorities. Councillor Batey considered that decisions made on leisure centres had been done so on political grounds.

Councillor Batey referred to the establishment of a Culture Trust and asked how the operation of this Trust including the benefits to be delivered by way of the availability of increased funding streams could be examined by scrutiny.

Councillor Marshall considered that the underlying problem was that the funding formula was not working. The impact of this and other cuts were the root causes of poverty in County Durham. The Council must cut its cloth to suit and had good financial management but over the last three years the Cabinet and Council had made the financial position worse. The council had borrowed more and spent more than it could afford and had poured more money into the capital programme. In the last three years the council had used more of its reserves than any similar sized authority. Councillor Marshall believed that the current administration was saddling the Council with debt for the future. The proposed budget contained unfunded projects which would make future budget decisions more difficult.

Councillor Marshall referred to spending on leisure centres and considered this had been done on a political basis. Abbey Sports Centre refurbishment had been delivered first and the second project was in Teesdale. However, in his opinion, a vote for the budget would be a vote for new no leisure centre for Chester le Street.

Councillor Marshall referred to the new HQ building at The Sands which was a project delivered by the previous administration and which was an invest to save project. The building was completed and sold to the University by the current administration for a sum of £70m and Councillor Marshall asked where this money had gone. The new HQ building would have brought with it significant revenue savings and this was an example of a decision made which had made the budget worse.

Councillor Hovvells sought clarification on whether leisure centres and the arts were statutory or discretionary services. The Head of Corporate Finance and Commercial Services replied that leisure services were a discretionary service, libraries were a statutory service.

Councillor Coult disagreed with the points raised by Councillor Marshall. Abbey Sports Centre had been identified as the first to be refurbished by the previous administration and the rebuild of Belmont school which was in the capital programme from the previous administration was not funded.

Councillor Crute reminded Members that scrutiny was not political and that comments made should be on the report before them. The sufficiency of the budget report would be reported by the Council's s151 officer.

The Democratic Services Manager reminded Members that the Head of Legal and Democratic Services had circulated advice that there was provision to submit budget amendments up to noon on Friday 23 February 2024. Any amendments after this deadline would only be considered in exceptional circumstances.

Councillor Lines considered that the budget had been built in a pragmatic way and was compassionate, with investment proposed in education, business and culture which was important and protected services and supported the vulnerable. Additionally, he considered that the budget demonstrated ambition.

Councillor Crute raised the issue of consultation which had taken place on the budget with some areas of the budget attracting up to 95% opposition. There was a need to recognise these pockets of real opposition to some parts of the budget.

Councillor Shaw asked what the purpose of consultation was when the subject being consulted upon, parking charges, were already built into the budget for next year.

**Resolved:**

That the Board considered and noted the contents of the report and that comments received be forwarded to Council for consideration at its meeting on 28 February 2024.

## **7 Council Plan 2024-2028**

The Board considered a report of the Chief Executive which presented the draft refresh of the Council Plan covering the four year period 2024-2028 for consideration before being submitted to Council for approval (for copy see file of Minutes).

The Corporate Policy and Performance Manager informed the Board that the Council Plan aligned to both the MTFP and the County Durham Plan. The refreshed Plan was a shorter, sharper document and the format had been reviewed to make it more understandable. More detail had been added about plans and strategies and hyperlinks to appropriate documents included. An appendix had also been added to the Plan detailing performance measures used by the Council together with links to the relevant quarterly reports.

Councillor Crute considered that the refreshed Plan was an improvement, especially the format of it. This was a live document which was reviewed annually.

**Resolved:**

- (i) That the responses summarised in the report and in Appendix 2 be noted;
- (ii) That the refreshed Council Plan be considered for approval by Council on 28 February 2024.

## **8 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 two new e-petitions had been submitted both of which were ongoing and collecting signatures via the website. One new paper petition had been submitted however could not be dealt with under the petitions scheme.

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