

DURHAM COUNTY COUNCIL

At a Meeting of **Corporate Overview and Scrutiny Management Board** held in Committee Room 2, County Hall, Durham on **Monday 9 December 2024 at 1.00 pm**

Present:

Councillor R Crute (Chair)

Members of the Committee:

Councillors V Andrews, A Batey, J Cairns (Substitute), J Charlton, B Coult, J Elmer, P Heaviside, L Hovvels, M Johnson, B Moist, E Peeke, A Reed, K Shaw, M Stead, A Sterling and A Surtees

1 Apologies for Absence

Apologies for absence were received from Councillors S Deinali, C Marshall, C Martin, J Miller and S Zair.

2 Substitute Members

Councillor J Cairns substituting for Councillor C Lines.

3 Minutes of the meeting held on 28 October 2024

The minutes of the meeting held on 28 October 2024 were confirmed as a correct record and signed by the Chair.

4 Declarations of Interest

There were no declarations of interest.

5 Forecast of Revenue and Capital Outturn 2024/25 - Period to 30 September 2024 and Update on progress towards achieving MTFP(14) savings

The Board considered a report of the Corporate Director of Resources which provided details of the forecast revenue and capital outturn budget position based on the position to 30 September 2024, and progress towards achieving MTFP (14) savings in 2024/25 (for copy see file of Minutes).

The Head of Corporate Finance and Commercial Services explained that the council continued to operate in a period of financial uncertainty and volatility,

however the government had committed to providing multiyear settlements for local government from 2026/27 onwards to provide greater certainty however, there was no commitment yet given in relation to increasing the overall resource that was available to local government in the immediate or longer term.

The Head of Corporate Finance and Commercial Services went on to explain the key issues and risks in respect of cost pressures to the council which were largely driven by Children's Social Care and pressures within the CYPS budgets. In addition, the ongoing inflationary impact of the national living wage increases and Consumer Price Index inflation (CPI) were also driving further uncertainty and risk to the councils' budgets. In addition, he provided information relating to a concerning development in relation to the increased placement costs in Looked After Children's budget, which are significantly overspending in 2024/25 and require additional budgetary growth of £23.857 million across the Medium-Term Financial Strategy. .

Further details were reported in respect of the councils combined forecast cash limit and corporate net forecast position, and specifically the impact upon council reserves. It was explained that total earmarked and cash limit reserves (excluding school reserves) were forecast to continue to reduce. Earmarked reserves were being expended in line with their expected use, with a forecast reduction in overall reserves of £12.888 million in 2024/25, from £176.307 million to £163.419 million. Of the reduction, £3.720 million had been utilised from the MTFP Support Reserve to balance the 2024/25 budget.

In referencing the table included under paragraph 147 of the report in relation to the 2024/25 to 2027/28 Capital Programme, he explained that this was financed by £418 million worth of borrowing and provided details around the councils' capital financing requirements and ensuring that any debt does not exceed the CFR. The council as at 31 March 2024 held an estimated gross debt of £463 million with an authorised limit of £800 million, which while not desired, reflected the level of external borrowing which could be afforded in the short term.

In relation to 2024/25 savings the Head of Corporate Finance and Commercial Services provided an update on progress towards achieving MTFP(14) savings noting that of the £8.083 million savings agreed by the Council in February 2024, 74.6% had now been achieved (£6.033 million). He advised that approximately £1 million of MTFP savings had not yet been achieved in year mainly in relation to car parking, library and leisure services.

Councillor Crute noted his concern regarding the ongoing challenges in respect of Dedicated Schools Grant/High Needs Block forecast retained deficit and asked what the risk was to the council should the existing

statutory override provision be discontinued in March 2026. The Head of Corporate Finance and Commercial Services Members provided an explanation which explained that if the ongoing pressures continued the deficit on the budget could rise to £40m by March 2026 at which point the Council, as a number of local authorities had already experienced, may find themselves in a position where a section 114 notice was unavoidable. The expected Finance Settlement in the coming week would hopefully provide more clarity in that regard.

Resolved:

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

6 Medium Term Financial Plan (15) 2025/26 to 2028/29

The Board considered a report of the Corporate Director of Resources which provided an update on the development of MTFP (15) covering the period 2025/26 to 2028/29 and 2025/26 revenue budget which had been considered by Cabinet on 4 December 2024 (for copy see file of Minutes).

The Head of Corporate Finance and Commercial Services provided a detailed update on the key messages within the Autumn Budget Statement and feedback following phase 1 of budget consultation which concluded on 1 November 2024. He explained that whilst this was fast moving situation the settlement which was expected on 19 December should provide more clarity around additional funding for local government and a further report would be considered by the Cabinet in January 2025 on the updated position.

Details were provided in relation to the updated MTFP forecast as highlighted in paragraph 8 of the Cabinet report, and members noted information in relation to the significant budget pressure in relation to the Children and Young Peoples' Services, particularly regarding the costs associated with external Childrens residential placements and care costs; SEND support, Home to School transport and the Dedicated Schools Grant/High Needs Block forecast retained deficit.

The Head of Corporate Finance and Commercial Services explained that factoring in those various updated assumptions it was expected that the MTFP(15) Budget Deficit / Savings Requirement, had worsened since the last report was presented in September. The escalating challenges were driven by continuing inflationary and demand pressures and significant uncertainty in terms of future financial settlements for local government. However, the Comprehensive Spending Review planned for 2025/26 to inform a multi-year settlement was welcomed.

Members further noted details of capital financing requirements and the risks to the council should there be a continuation of higher than profiled interest rates and details of the impact of the cost differences was explained.

On a more positive note there were some improvements to the council's funding position mainly in relation to the allocation of an additional social care grant, which full details as to how that would be distributed were yet to be received, and an increase in the council tax base, which presented an additional yield of around £3 million, based on an assumption of a 3% increase together with the additional social care precept of 2%. Further information was also expected in relation to compensation for local authorities for the increase in employers' national Insurance costs for directly employ staff.

Moving on the Head of Corporate Finance and Commercial Services provided details in relation to MTFP (15) additional savings which had been developed. Over the four-year period of MTFP (15) the new savings proposals totalled £15.836 million, with the bulk of these savings (£14.654 million - 93%) forecast to be deliverable in 2025/26 with limited impact upon front line service delivery, however noting that savings from back office and operational areas were becoming increasingly difficult to achieve and the council would be faced with some difficult decisions to make in the future.

In relation to Phase 1 feedback from the budget consultation exercise, 237 survey responses were received and a summary of the responses were detailed within Appendix 6 of the report. The second round of consultation which would build upon the first phase began on 6 December and would run until 17 January 2025. Details of the budget timetable were also provided which highlighted further opportunity for Overview and Scrutiny Management Board to provide comment before the budget was considered by Council in February 2025.

Councillor Surtees commented that she welcomed the proposed needs-based funding and referenced the years of lost funding due to austerity. She reiterated that a comprehensive spending review and multi year settlement was needed as the council were at the frontline now and services which people needed and relied upon the most could be affected. Councillor Surtees raised a query around costs and expenses of third-party providers of Adult Social Care and whether it was expected that a significant increase in costs charged to the council would be seen. In response the Head of Corporate Finance and Commercial Services provided detail around wage bills, the national living wage and inflationary impacts upon organisations.

Councillor Cairns suggested that it was time for a fundamental step change in how Adult Social Care was delivered, noting the increasing pressures faced by the council to help those in most need. She further commented that

council-tax payers were being expected to pay more council tax but getting less in return.

Further to a question from Councillor Peeke relating to financial assessment of those requiring care, the Head of Corporate Finance and Commercial Services advised that financial assessments were undertaken and there were stringent rules on what services could be charged for. Councillor Peeke further commented on non-profitable transformational reviews whilst demand for social care was controlling services, and suggested that reviews of leisure and libraries which were non self-financing should be carefully scoped.

In response to a comment made by Councillor Hovvells, the Head of Corporate Finance and Commercial Services provided an explanation around external care providers, noting that whilst he accepted that those care providers would also be faced with difficult decisions around costs of delivering care. He acknowledged that there was a risk to the council in respect of increased charges and it was important that these risks were captured when setting the budget for this service area.

Councillor Moist referenced the Council's asset and estate holdings and suggested that the corporate land and property service could be more proactive in terms of disposal of those assets which could generate capital receipts and could be reviewed further with member input. He further made reference to Durham County Cricket Club, and questioned whether the ongoing support DCC provided was appropriate given the council's financial position.

The Head of Corporate Finance and Commercial Services noted some of the complexities around selling off vacant properties, however agreed that unsold vacant properties did present an ongoing cost to the council. He further provided an explanation in relation to the financial arrangement in place with Durham County Cricket Club, noting dates for the redeemable preference shares to be repaid.

Councillor Coult expressed her concern at the volume of consultation responses received and questioned how the council could get the message out as to how critical this was. In addition, she noted that only 4 members had responded and suggested that local members should be leading by example.

Councillor Batey made reference to the Leisure Transformation Strategy and in particular the equality of provision within County Durham. She noted that that it was important that the county was not disadvantaged in relation to offerings outside the county and added her concerns that the council had taken cultural decisions over leisure focused outcomes. In addition, she

further referenced the AAP consultation and suggested that it would be beneficial to let the people know, who had taken the time to respond to the consultation and what the outcomes were.

Resolved:

That the content of the report be noted and that comments be forwarded to Cabinet for their consideration.

7 Council Plan 2025-2029

The Board considered a report of the Chief Executive which provided details of consultation feedback and proposed changes to the content and priorities in the revised Council Plan 2025-2029. (for copy see file of Minutes).

The Corporate Policy and Partnerships Manager explained that the council plan was reviewed each year to ensure that it remained relevant, within budget and to timescale. The public consultation exercise which took place over a period of 7 weeks resulted in 307 responses a summary of which could be found in Appendix 2 of the report.

It was further explained that the revised draft plan contained 55 priorities, 13 more than the previous year with some of those which had been rolled over, being updated to make it clearer what the expected outcomes were and or reflecting on progress to date.

Subject to feedback the Council Plan would move to the design phase and furthermore once the Local Government Finance Settlement had been confirmed, the finance sections of the plan would be updated. The draft plan would then be presented to Cabinet on 15 January 2025, followed by full Council for approval on 19 February 2025.

Councillor Moist commented that he did not feel it was appropriate for the Board to consider this report at this time as he felt that the number of strategies was overwhelming and whilst he understood that the council wished to promote good news stories, he felt that it was premature.

Councillor Crute also commented that he did have some concerns regarding the references to achievements, especially around the Local Networks, given that they had not yet been established. He added that he didn't have an issue with the proposed format if it reflected the ambitions and priorities of the people they represented and noted that progress could be tracked via the thematic scrutiny committees.

Councillor Cairns commented that she was uncomfortable with the references to the report moving to a 'glossy' document via a design phase,

given the discussions which had just taken place around the council's financial position. She also added that the low number of public responses raised concerns as to how reflective it actually was of the public's priorities.

In referencing the council's budget, Councillor Surtees agreed that the report was being presented too early and until the full extent of the financial settlement was known many of the aims may be unachievable because of ongoing budgetary pressures. As an example, she referred to indicator targets for customer services call handling times, noting that if cuts were made to this area, call wait times would likely increase and the targets set would simply be unachievable.

Councillor Elmer commented that he felt that the consultation for the council plan and council tax budget consultation should form a joined-up approach and start to engage constructively allowing residents to feel like they have a real stake in the process. He further noted a typing error on page 212 of the report under the heading 'Our environment' which should read *ecological* emergency not economic as stated.

Councillor Crute in summing up following the debate agreed that he was concerned regarding the inclusion of achievements and suggested that the plan should be forward thinking rather than offering reflection.

Resolved:

That the recommendations contained within the report be agreed.

8 Community Engagement Review

The Board considered a report and presentation of the Corporate Director of Regeneration, Economy, and Growth which provided an update on the community engagement review project, in particular proposals for the governance, funding, and branding arrangements to replace Area Action Partnerships with a Local Network model (for copy see file of Minutes).

The Principal AAP Co-ordinator provided a detailed presentation which provided background to the review and the commitment by Cabinet to review LN boundaries following the publication of Local Government Boundary Commissions new electoral division boundaries which would contribute towards achieving MTFP savings of £500k.

It was explained that during the consultation period 299 survey responses were received, 24 responses were submitted by email and presentations were delivered to all 14 AAPs. Overall, 12 Local Networks would be established to cover County Durham and boundaries for those area had been agreed.

Further details were provided in relation to funding, governance arrangements and identity and branding; including details of the next steps and timeline for implementation, with first meetings of the Local Network Panels taking place in September 2025.

Councillor Reed raised a number of questions including around the proposed boundaries and how existing communities and settlement links would be brought together and relationships built. A further query relating to scrutiny of funding decisions and the associated costs of establishing the new Local Network model adding that it could potentially have been more cost effective to amend arrangements within the existing AAP model.

The Principal AAP Co-ordinator in response advised that Neighbourhood Budget funding applications would still be reported through the Local Networks, but the aim was to speed up the approval process for Neighbourhood Budget applications. Regarding the query around building relationships with non-linked communities, he explained that the onus was on the LN staff and partnership to make it work and the team were confident that this could be delivered. He noted that boundaries had been set with consideration given to the 2025 electoral boundary changes. In relation to the query around costs, he explained that these could be provided after the meeting however the reduction from 14 AAPs to 12 LNs would reduce costs to the council and generate MTFP savings.

Councillor Surtees added that this had been an Area Action Partnership Review not a full Community Engagement Review as it had been badged. She added that the process had been a lost consultation opportunity noting that the consultant's report acknowledged the positive outcomes delivered by AAPs, however, still went on to recommend a root and branch change which lacked in any other viable options and came with a significant cost to the council. She went on to raise a number of questions arising from paragraphs 56, 64, 71, 73, 75, 85 and 86 of the report. The main points being around arrangements for declarations of interest, and appointment of partner representatives or community members, voting procedures and four-year planning cycles.

The Principal AAP Co-ordinator advised that he would be able to provide answers to all questions following the meeting however noted that in relation to paragraph 75 of the report, the removal of the ability of LNs to apply for LN funding or be the lead deliverer of projects resulted from inconsistencies across AAPs and Cabinets desire to bring uniformity to the process. In addition, in relation to paragraph 86 of the report he explained that the proposed four-year planning cycle would seek to influence partners and how they deal with local issues, both individually and collectively.

Councillor Surtees asked a further question as to whether the County Durham Partnership would have the authority to veto Local Network plans/decisions under the revised governance arrangements. The Principal AAP Co-ordinator advised that they would not.

Councillor Moist added that he was pleased that a review had been undertaken and referenced issues with his own AAP, he further supported the alignment of local network proposals and staffing arrangements with the Regeneration, Economy and Growth directorate.

Councillor Cairns in reflecting upon her experiences expressed concern that smaller groups/organisations based in smaller settlements/communities would struggle to attract funding for projects, as there was not the capacity within these groups/organisations to apply for funding resulting in those smaller or more rural communities being left behind with less capacity and higher deprivation. She failed to see how the proposed model would improve the offer for residents at Chilton.

The Principal AAP Co-ordinator added that he was sad to hear of Councillor Cairns experiences and understood her concerns and apprehensions, however it was vitally important that the Local Networks were reflective of the whole area they served and should or could not be dominated by one area or organisation and support would be available to those areas where capacity was an issue.

Councillor Elmer raised a query in respect of the rationale for splitting member area budget between revenue and capital and why the proposed restrictions were in place on how the money could be spent. The Finance Manager advised that he would provide a written explanation regarding revenue and capital spending to Councillor Elmer following the meeting. The Principal AAP Coordinator also suggested that when the training package was established for the Local Networks that a session around finance and members budgets would be provided.

Resolved:

That the content of the report be noted and feedback provided in 18 months' time.

9 Resources - Quarter 2 September 2024: Forecast of Revenue and Capital Outturn 2024/25

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 2024 (for copy see file of Minutes).

The Finance Manager, Resources and Regeneration highlighted the quarter two outturn position which showed that the service was forecasting a cash limit underspend of £1.108 million against a revised budget of £18.044 million. The Resources cash limit balance carried forward at 31 March 2025 was forecast to be circa £2.045 million. Other earmarked reserves under the direct control of RMT were forecast to total £1.935 million at 31 March 2025 and the revised Resources capital budget was £5.817 million for 2024/25, with a total expenditure to 30 September 2024 of £3.348 million.

Resolved:

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

10 Chief Executive's Office - Quarter 2 September 2024: Forecast of Revenue and Capital Outturn 2024/25

The Board considered a report of the Corporate Director Resources which provided details of the forecast revenue and capital outturn budget position for the Chief Executive's Office (CEO) service grouping, highlighting major variances in comparison with the budget based on the position to the end of September 2024 (for copy see file of Minutes).

The Finance Manager, Resources and Regeneration highlighted the quarter two forecast position which showed that the service was forecasting a cash limit underspend of £0.653 million against a revised budget of £18.059 million. The CEO cash limit balance carried forward as at 31 March 2025 was forecast to be circa £1.707 million. Other earmarked reserves under the direct control of CEO were forecast to total £3.210 million as at 31 March 2025 and the revised CEO capital budget was £1.918 million for 2024/25, with a total expenditure to 30 September 2024 of £0.496 million.

Resolved:

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

11 Overview and Scrutiny Six Monthly Update

The Board considered a report of the Director of Legal and Democratic Services which provided Members with the six-monthly update report which was to be submitted to Council on 22 January 2025 (for copy see file of Minutes).

The Principal Overview and Scrutiny Officer advised that the update set out the approach that scrutiny had been taking since the County Council elections in May 2021; regular matters which feature in the committee work programmes and highlighted some items which have formed part of more in-depth scrutiny over the six-month period to November 2024, including work

around the Medium Term Financial Plan (MTFP 15) 2025/26 – 2028/29), service strategy development and annual reports.

Resolved:

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

12 Update in relation to Petitions

The Board considered a report of the Director 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 removed from the list prior to the next update.

Members were advised that since the previous update, no new e-petition or paper petitions had been submitted.

Resolved:

That the content of the report be noted.

13 Notice of Key Decisions

The Board considered a report of the Director 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:

- Miburngate, Durham City
- Aykley Heads Durham Innovation District – Full Business Case
- County Durham Plan Review and Annual Monitoring Report 2023/24.

Resolved:

That the content of the report be noted.

14 Exclusion of Press and Public

Resolved: That under Section 100(a)(4) of the Local Government Act 1972, the public be excluded from the meeting for the following item of business on the grounds that it involves the likely discussion of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act.

15 Council funded Advice and Guidance Review: Options Appraisal

The Board considered a report of the Corporate Director Resources which provided an update and proposed recommendations in relation to a review of council funded Welfare Information, Advice and Guidance Services in County Durham (for copy see file of Minutes).

Resolved:

That the Board note and accept the recommendations contained within the report.