

31 October 2018

Report from the Cabinet



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## Purpose of the Report

To provide information to the Council on issues considered by the Cabinet on 12 September 2018 to enable Members to ask related questions.

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- 1.     Delivery Proposals for Aykley Heads Strategic Employment Site  
Key Decision: REAL/06/18  
Deputy Leader of the Council, and Cabinet Portfolio Holder–  
Councillors Alan Napier and Carl Marshall  
Contact – Sarah Robson 03000 267332**

We have considered a joint report of the Corporate Director of Regeneration and Local Services and the Corporate Director of Resources which considered the next steps in delivering the Aykley Heads Strategic Employment site in order to ensure the proposed 6,000 jobs are secured for the benefit of County Durham's economy. The report also proposed a strategy for development of the site in a flexible manner, enabling a responsive approach to opportunities and changes within the marketplace.

The strategic objectives for the strategic employment site (SES) were established in 2015 as follows:

- To maximise economic impact for County Durham;
- New job creation in Durham City;

- To generate income for the council;
- To deliver a business location of the highest quality; and
- To create an environment where people want to work.

The report provided details on the current position of the site development, delivery options and branding, marketing and procurement. The site will be delivered across three phases beginning with the northern zone (phase 1) in 2019, park gateway (phase 2) from approximately 2021 and parkland plateau (Phase 3) as a later phase depending on market demand. The site plan showing plots was attached to the report at Appendix 2.

Relevant resources are being sought in terms of capital and revenue budgets and appropriate expertise and capacity within relevant and appropriate frameworks to meet the requirements of potential business tenants. This will ensure the following benefits are realised:

- The creation of up to 6,000 jobs;
- Additional £400m Gross Value Added;
- Increased asset value for the County Council as the lead landowner and developer;
- Additional forecast revenue to the council over a 40 year timeframe
- Additional business rates income of £1.5 million - £1.7 million per annum on completion of the whole site.

The report proposed that the council will retain the freehold interest in phase 1 (plots C & D). It is proposed to commission construction to build plot C speculatively. The site will be marketed in conjunction with Business Durham and a commercial property agent who will be responsible for identifying potential tenants. Plot D will be delivered when there is market demand, or, when an end user commits to a tenancy.

The benefits of the Council delivering phase 1 of the development include:

- The establishment of a market presence for the Aykley Heads site at the earliest opportunity.
- Financial structures that are simple and allow the council to assess its appetite for delivery of phase 2 of the site based on experience of a smaller quantum of floorspace and less risk exposure.
- The council retains control over the quality of what is built.

Elements that have been considered include:

- Market need;
- Financial modelling including the borrowing required to fund the development;
- Procurement and legal advice on the best way forward; and
- The level of internal expertise to deliver the scheme and marketing.

The Economic Development and Housing Service will lead the development as a key regeneration project supported by expertise from across the council. These internal arrangements will be supported by commissioning external expertise to deliver the scheme in relation to commercial agency advice and marketing. Delivery arrangements will be kept under review on a phase by phase basis.

## **Decision**

We have:

- (a) Approved the commencement of the development of the Aykley Heads site.
- (b) Approved that plots C & D will be directly delivered by the council using the most appropriate delivery method with delegated authority to the Director of Regeneration and Local Services in consultation with the Portfolio Holder to deliver the development and occupational arrangements.
- (c) Approved the capital requirement for Plot C. The financing of Plot D be approved via delegated authority to the Director of Regeneration and Local Services and Corporate Director Resources in consultation with the Portfolio Holders for Economic Regeneration and Finance subject to a satisfactory business case and proven demand of concept on Plot C.
- (d) Approve that plot E can be acquired from the Police subject to the purchase price negotiated satisfying a self-financing business case for the site. Delegated authority to be given to the Director of Regeneration and Local Services and Corporate Director Resources in consultation with the Cabinet Portfolio Holder for Economic Regeneration and the Cabinet Portfolio Holder for Finance.
- (e) Approved the revenue expenditure of £585k to cover relevant advisory costs over the next three years with 2018/19 costs met from general contingencies with an earmarked reserve set up during the 2018/19 accounts closure process to meet any residual costs in future years.
- (f) Noted the proposals and process relating to branding and marketing.

## **2. Forecast of Revenue and Capital Outturn 2018/19 – Period to 30 June 2018**

**Deputy Leader of the Council– Councillor Alan Napier  
Contact – Jeff Garfoot 03000 261946**

We have considered a report of the Corporate Director of Resources which provided Cabinet with information on the following:

- (a) forecast revenue and capital outturn for 2018/19;
- (b) forecast for the council tax and business rates collection fund position at 31 March 2019;
- (c) use of earmarked, cash limit and general reserves.

The report also sought Cabinet's approval of the budget adjustments and proposed sums outside of the cash limit.

In accordance with the council's constitution, Council agreed the Medium Term Financial Plan, which incorporates the revenue and capital budgets for 2018/19, on 21 February 2018. The first quarter's report provided the initial indication of the revenue and capital outturn for 2018/19, based upon expenditure and income up to 30 June 2018.

The following adjustments have been made to the original budget agreed by Council on 21 February 2018:

- (a) agreed budget transfers between service groupings;
- (b) additions to budget for items outside the cash limit (for Cabinet consideration and recommended approval);
- (c) planned use of or contribution to earmarked reserves.

The forecasted cash limit and general reserves position is a prudent one given the forecasted levels of savings the council needs to make of £35.3 million over the period 2019/20 to 2022/23 with the delivery of further savings becoming ever more challenging to achieve. The reasons for the major variances against the revised budgets were detailed in the report by each service grouping.

On 11 July 2018 Cabinet received a report which provided details of the final outturn position of the 2017/18 capital programme. This included details of budgets of £32.944 million that were reprofiled from 2017/18 to 2018/19 and adding these to the new 2018/19 capital allocations of £9.339 million approved by full council on 21 February 2018 and the existing 2018/19 budget of £94.770 million gives the original budget of £137.053 million for 2018/19. Since the original 2018/19 budget was agreed the Council's Member Officer Working Group (MOWG) has considered a number of variations to the capital programme which are a result of additions and reductions in resources received by the council. The variations of note were detailed within the report.

The report also provided information on allocation funds in respect of Council Tax and Business Rates.

## **Decision**

We have:

- (a) noted the council's overall financial position for 2018/19;
- (b) agreed the proposed 'sums outside the cash limit' for approval;
- (c) agreed the revenue and capital budget adjustments;
- (d) noted the forecast use of earmarked reserves;
- (e) noted the forecast end of year position for the cash limit and general reserves;
- (f) noted the position on the capital programme and the Collection Funds in respect of Council Tax and Business Rates.

**3. Quarter 1 2018/19 Performance Management Report  
Leader of the Council– Councillor Simon Henig  
Contact – Jenny Haworth 03000 268071**

We have considered a report of the Director of Transformation and Partnerships which provided an update on progress towards achieving the key outcomes of the council's corporate performance framework by Altogether priority theme for the first quarter of the 2018/19 financial year.

The performance management framework provides an insight into the extent to which objectives are being achieved and how effectively the council and its partners are meeting the needs of residents. It brings together key planning, monitoring and evaluation processes through an integrated suite of documents, including the Sustainable Community Strategy, Council Plan, Service Plans and the Medium Term Financial Plan, and demonstrates the contribution made at various levels of the organisation to the priority themes.

The performance report is structured around a set of key performance questions aligned to the six priority themes of the Altogether framework, i.e:

- Altogether Wealthier
- Altogether Better for Children and Young People
- Altogether Healthier
- Altogether Safer
- Altogether Greener
- Altogether Better Council

The report provided detailed performance monitoring across service groupings. Key performance messages from data released during the quarter along with visual summaries and data messages were included in each priority theme. A comprehensive table of all performance data was attached to the report at Appendix 2.

### **Decision**

We have agreed to the following changes to the Council Plan:

#### **Altogether Greener**

The Commissioning of a leachate treatment system at Coxhoe East landfill site has been delayed from December 2020 to September 2022. Only one compliant tender was returned and this was significantly above budget available. The service is currently reviewing the procurement approach.

#### **Altogether Better Council**

The review of the Digital Strategy is under further consideration as a result of the need for wider liaison and feedback with internal stakeholders and development of a consultation strategy. A countywide consultation will begin

at the end of August for 6 weeks. Following customer feedback the strategy will be updated. A new revised target date is December 2018.

**4. Transport Asset Management Plan – Annual Update  
Cabinet Portfolio Holder– Councillor Brian Stephens  
Contact – John Reed 03000 267454**

We have considered a report of the Corporate Director of Regeneration and Local Services which provide an annual update on the Transport Asset Management Plan (TAMP).

The adopted highway network is the Council's largest and highest value asset. The asset is in a continual process of change. Not only is the infrastructure ageing, bringing with it demands for maintenance and capital improvement, but the inventory also grows with new developments. With finite resources, it is vital to ensure that investment is well directed to ensure a safe, serviceable and sustainable highway network. This approach helps maximise the condition of the highway for the available budget.

A TAMP is a key tool in delivering this. It provides an opportunity to systematically understand the condition of the highway asset, and to establish policy and priorities regarding investment. It applies a whole life cost approach and considers the asset in the long term. The TAMP was set out in full in Appendices 2 and 3 of the report. It is divided into two separate sections; section one being the policy which set out the principles of TAMP and section two being an annual update report. The Council has led the development and implementation of the North East Highways Alliance which was formally established in September 2013. This is a forum for collaborative working for all 12 North East Councils. The North East Highways Alliance has delivered a number of initiatives that are helping all Councils involved, including Durham, maximise efficiencies in highways through sharing resources, collaborative procurement and knowledge sharing.

This partnership working together with on-going collaborative working with the supply chain of competitively procured external sub-contractors has led to the Council being one of the first in the UK to be awarded British Standard BS11000 – Collaborative Business Relationships.

In addition to the TAMP, the Council has a Highway Maintenance Plan (HMP) which sets out the Council's service levels for inspections, reactive maintenance and routine maintenance in accordance with national codes of practice. This includes the highway safety inspection regime which helps ensure that the adopted highway throughout the County is maintained in a safe condition as far as reasonably practicable.

Like most Highway Authorities, the Council has a highways maintenance backlog and faces considerable challenges to maintain the condition of the highway network. However, the TAMP demonstrates that work is progressing well in helping to maximise the condition of the highway for the available budget.

The Council has been steadily increasing its own investment and has also been proactive in attracting considerable funding from the Department for Transport (DfT). This TAMP together with the top efficiency rating will ensure that it is well placed to maximise the much needed funding from the DfT going forward.

## **Decision**

We have:

- (a) Approved the annual update report;
- (b) Noted the substantial investment in programmed capital maintenance and the ongoing work to maximise funding going forward.

### **5. Update on North East Combined Authority Leader of the Council, and Cabinet Portfolio Holder– Councillors Simon Henig, and Carl Marshall Contact – Adrain White 03000 267455**

We have considered a joint report of the Chief Executive and Corporate Director of Regeneration and Local Services that updated Cabinet on proposals to amend the boundary and membership of NECA, to create a new North of Tyne Mayoral Combined Authority and to establish a new statutory Joint Transport Committee covering the two combined authorities.

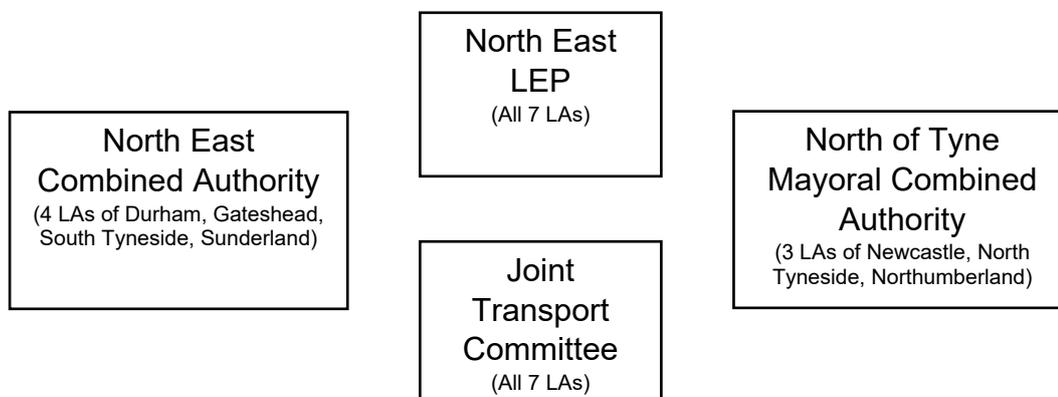
In addition the endorsement of Cabinet was sought to a decision taken under urgency provisions to agree to a Deed of Cooperation between the seven Local Authorities and NECA setting out the proposed joint working arrangements in relation to transport and the North East LEP.

The North East Combined Authority was established in April 2014 covering the seven local authorities of Durham, Gateshead, Newcastle upon Tyne, North Tyneside, Northumberland, South Tyneside and Sunderland.

In November 2017, the North of Tyne Authorities (Newcastle upon Tyne, North Tyneside and Northumberland) agreed to a “minded to” Devolution Deal with Government. In order to implement this deal there is a requirement to establish a new Mayoral Combined Authority, which in itself requires the three councils to withdraw from the existing NECA.

In considering the revised governance arrangements, Government mandated that the two combined authorities maintain joint arrangements for transport. The statutory Order amending NECA and creating the new North of Tyne Mayoral Authority will therefore also establish a statutory Joint Transport Committee, with the intention of replicating the existing approach to transport governance across the NECA area.

Once the Order takes effect the organisational structure will move from one Combined Authority and one LEP, to four entities (as set out below), which will need to work closely together to collectively deliver transport and the ambitions set out the Strategic Economic Plan.



The Joint Transport Committee will comprise four members (and four substitutes) from the revised NECA, and three members (and three substitute members) from the new Mayoral Combined Authority (MCA), one of the members being the Mayor, unless the Mayor agrees otherwise.

The Transport Committee will discharge the transport functions of both Combined Authorities, set the transport levies, and determine anything to be done in relation to property, rights and liabilities held in relation to transport.

The statutory Order will allow for different levies to be raised for Tyne and Wear, County Durham and Northumberland, and also allow for the delegation of transport functions to constituent authorities, reflecting the current arrangements for Durham.

Joint arrangements between NECA and North of Tyne MCA will be established to provide for the scrutiny and audit of the responsibilities of the Transport Joint Committee. The joint arrangements will provide for an Overview and Scrutiny Committee and an Audit Committee comprising elected Members from the constituent authorities of both Combined Authorities.

In April 2018, the NECA Leadership Board resolved to agree in principle to amend NECA's boundary to remove Newcastle upon Tyne, North Tyneside and Northumberland, to permit the creation of a Mayoral Combined Authority covering these areas, and to establish joint transport governance arrangements, which cover the seven local authorities.

The Leadership Board instructed its Officers to develop a 'Deed of Co-operation', setting out a legal framework for future joint working and co-

operation in relation to transport matters and the North East Local Enterprise Partnership, to implement the Order.

The decision to agree the terms of the Deed of Cooperation had to be taken as a matter of urgency prior to July Cabinet to ensure that formal consent to the making of the changes to NECA could be given as soon as required by Government. The decision of the Chief Executive and Corporate Directors of Regeneration and Local Services and Resources was attached to the report.

Paragraph 12 of Table One of the Constitution which authorises decisions to be taken by the Corporate Directors in the event of urgency requires such decisions to be reported for information to the next convenient meeting of the body which would normally make the decision.

### **Parliamentary process and timescales**

The draft Order was laid in Parliament before the summer recess. It was anticipated that Parliament will debate the Order during September/October, with an earliest potential implementation date of 1 November 2018.

In preparation for the implementation of the Order, officers from the existing NECA and the proposed revised membership of NECA are reviewing the operational implications of the changes.

### **Decision**

We have noted the update on changes to NECA and revised governance arrangements; and noted the decision taken under urgency powers to enter into a Deed of Cooperation with NECA and the other six local authorities setting out the legal framework for joint working going forward.

**Councillor S Henig**  
**Leader of the County Council**

23 October 2018