

# Overview and Scrutiny Management Board

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Cabinet

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Implications for Durham County Council  
of the Government's policy programme



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**Report of Corporate Management Team**  
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## Purpose of the Report

- 1 On 16 December 2015, Cabinet considered the most recent report on the implications of the government's policy programme. This report provides Members with an update on the major policy developments and announcements since then and analyses the implications for the council and County Durham.

## Executive Summary

- 2 Since the last report to Cabinet, the most significant announcements from the government which will affect the county, have been the immediate next steps following the European Union membership referendum, the 2016 Budget, devolution, and the white paper on education and schools.
- 3 The policy announcements since the last report to Members, covered in this report include:
  - European Union exit next steps;
  - Budget 2016;
  - Queen's speech;
  - Education White Paper;
  - National funding formula for schools;
  - Devolution;
  - Planning and housing;
  - Adoption;
  - Health and social care funding;
  - Benefit Cap;
  - Modern crime strategy;
  - Parliamentary boundary changes review;
  - Local Government Transparency Code.
- 4 The government under the current leadership has continued to maintain several elements of the previous coalition government policy programme, with

financial austerity, welfare reform and decentralisation retained as policy priorities.

- 5 The continuation of austerity and the emerging policy proposals in relation to the council's role in education will have major implications for the council and its ability contribute to the 'altogether better Durham' agenda.

## **Background**

- 6 Cabinet considers regular reports on government policy, the most recent of which was on 16 December 2015. Where necessary, Cabinet also receives further policy reports on specific topics, such as changes to the NHS, health and social care and welfare reform. This report builds upon these previous briefings and complements the more specific report on children's services which is also on the agenda for this meeting of Cabinet.
- 7 The most significant announcements since the last report to Members are outlined below.

## **European Union next steps**

- 8 On 23 June 2016, the referendum on the United Kingdom's membership of the European Union (EU) took place, with 51.9 percent of electors voting to leave the EU.
- 9 Following the outcome of the referendum, the Prime Minister announced that he will stand down to make way for new leadership within the government to take forward negotiations with the EU about the timescales and terms for the United Kingdom's exit.
- 10 The intention is that the new leadership will negotiate with the European Council and member states and then decide when to invoke Article 50 of the European Treaty, which would set a two-year timeframe for the country's withdrawal from the EU.
- 11 The Prime Minister said that he intends to continue in office for three months and that the new leadership will be in place by the time of the Conservative Party Conference in October.

## **Budget 2016**

- 12 On 17 March 2016, the Chancellor of the Exchequer delivered his second budget since the general election last year.
- 13 Compared with the last budget, the Office for Budget Responsibility provided a more sombre growth forecast, downgrading growth estimates since the Spending Review last November:
  - 2016 2.0 percent (down from 2.4 percent)
  - 2017 2.2 percent (down from 2.5 percent)
  - 2018 2.1 percent (down from 2.4 percent)

- 2019 2.1 percent (down from 2.3 percent)
  - 2020 2.1 percent (down from 2.2 percent)
- 14 As a consequence, the deficit/surplus forecast was re-profiled with a slower rate of return to structural surplus. It is now expected that the economy will run a deficit of £21.4 billion in 2018/19 (compared with an estimate of £4.6 billion at the time of the spending review) before returning to surplus in 2019/20.
- 15 As a result of the poorer growth forecasts, the government announced that it would need to make a further £3.5 billion of public sector spending reductions by 2020, but provided little detail as to where they would fall. It was confirmed however, that there would be no further increases to the spending reduction targets already set for local government.
- 16 The government sought to maintain its approach of tightening spending on welfare and initially proposed £4.4 billion of cuts to disability benefits (Personal Independence Payments). The proposal was heavily criticised and prompted the resignation of the Secretary of State for Work and Pensions. The government then announced that it would drop the proposal and would confirm in the autumn statement later this year how the £4.4 billion gap would be met.
- 17 In relation to local government finance, the government confirmed its intention that councils would retain 100 percent of the revenue from business rates generated from their area by 2020, as part of a general move to local government services being self-financing.
- 18 However, at the same time the Chancellor announced that future business rates increase would be linked to the lower Consumer Price Index as opposed to the Retail Price Index, alongside various business rates discounts and threshold changes, designed to ease the burden of business rates on businesses, and smaller enterprises in particular.
- 19 The other major announcement affecting local government was that all remaining local authority maintained schools would be required to convert to academies by 2022 at the latest. This is covered in more detail in the section on the education white paper below.
- 20 Appendix 2 provides a more detailed summary of the main announcements made in the Budget. Following the Budget, the government updated the National Infrastructure Plan which includes details on a wide range of projects across the North East as well as nationwide programmes.

### **Queen's speech**

- 21 On 18 May 2016, the government outlined its latest legislative programme through the Queen's speech at the state opening of parliament. Twenty one new bills were announced including:
- a) Neighbourhood Planning and Infrastructure Bill (England and Wales);
  - b) Digital Economy Bill (England, Wales, Scotland and Northern Ireland);

- c) Better Markets Bill (England, Wales, Scotland and Northern Ireland);
- d) Modern Transport Bill;
- e) Bus Services Bill (England);
- f) Local Growth and Jobs Bill (England);
- g) Criminal Finances Bill;
- h) NHS (Overseas Visitors Charging) Bill;
- i) Children and Social Work Bill (England);
- j) Education for All Bill (mainly England);
- k) Higher Education and Research Bill (mainly England);
- l) Prison and Courts Reform Bill (England and Wales);
- m) Counter-Extremism and Safeguarding Bill (England and Wales);
- n) National Citizen Service Bill (discussion with devolved administrations);
- o) Bill of Rights (subject to consultation);
- p) Pensions Bill;
- q) Lifetime Savings Bill (England, Wales, Scotland and Northern Ireland);
- r) Small Charitable Donations Bill (England, Wales, Scotland and Northern Ireland);
- s) Cultural Property (Armed Conflicts) Bill;
- t) Intellectual Property (Unjustified Threats) Bill;
- u) Draft Law of Property Bill.

22 Appendix 3 provides a summary of the new legislative proposals and other announcements made in the speech.

### **Education White Paper**

23 Alongside the budget, the government published *Educational Excellence Everywhere*, its white paper for education.

24 The government contends that while progress is being made in improving educational attainment in many areas, there remain too many pockets of educational underperformance which need to be tackled. It therefore proposes to extend the reach of what it considers to be the most successful leaders in education, while acting promptly to reduce the influence of those that it considers aren't delivering for children.

25 The government describes its approach as 'supported autonomy': putting the best leaders at the heart of the school system, with the support to thrive;

recruiting and developing great leaders wherever they are needed; setting high expectations for all – supported by fair, stretching accountability measures; and enabling pupils, parents and communities to demand more for their schools.

- 26 In line with the above, the white paper set out seven elements which the government intends to pursue.

***‘Great teachers, everywhere they’re needed’***

- 27 In order to improve recruitment, the government intends to reform the National College of Teaching and Leadership to enable it to deliver well-targeted incentives, teacher recruitment campaigns and opportunities to attract high quality people into the profession.

- 28 It also proposes to reform initial teacher training (ITT) so that it is delivered by what it considers to be the best higher education institutions and school-led providers, with a greater proportion of ITT delivered by the best schools. It also intends to strengthen the content of training so that new teachers are better equipped to improve performance in the classroom.

- 29 Teacher accreditation is to be changed with the introduction of more challenging accreditation based on a teacher’s effectiveness in the classroom as judged by great schools. The best headteachers will be in charge of accrediting new entrants to the profession and schools will be given more scope to bring in experts from other fields and put them on a pathway to accreditation, where their skills can be recognised.

- 30 The new National Teaching Service will continue to be developed in order to ensure that the best teachers and school leaders work in the most challenging areas and a new standard for Teachers’ Professional Development is to be introduced to help schools improve the quality and availability of continuing professional development.

- 31 The government says it will also continue to address some of the main issues which cause teachers to leave the profession and will support the establishment of a new independent College of Teaching, as a professional body to share best practice, along the lines of the Royal medical colleges.

***‘Great leaders running our schools and at the heart of our system’***

- 32 The government wants to give more power to the best schools and system leaders in order to extend their reach and build capacity in the areas that it thinks need it most.

- 33 It considers that multi-academy trusts (MATs) expand the reach and influence of the most successful leaders and envisages an expansion of MATs and teaching school alliances across the country and in areas ‘where they’re most needed’, in part funded by a new Excellence in Leadership Fund.

- 34 MAT chief executive officers, leading headteachers and other experts will be trusted to design new voluntary national professional qualifications, against which licenced providers can develop leadership development programmes.

35 The National Teaching Service and ‘rebalanced incentives’ will encourage great leaders to work in challenging schools and ‘improvement periods’ will be introduced during which schools will not be inspected by Ofsted, to allow school leaders more time to turn schools around. In addition, changes to the national funding formulae will give schools facing the toughest challenges a ‘fair chance’ of recruiting strong leaders.

36 The government envisages that as more schools become academies and operate under the governance of MATs, the best governing boards will assume responsibility for more schools and the weakest boards will be removed from the system ‘through sharper accountability’.

***‘A school-led system with every school an academy, empowered pupils, parents and communities and a clearly defined role for local government’***

37 The government argues that teachers can be most effective if they work in ‘great schools, supported by great leaders’. It believes that the academy system is now sufficiently mature to take the next step and end the ‘two-tier system’ by converting all remaining local authority maintained schools into academies.

38 The government intends to take new powers to direct all state schools to become academies. This will apply to all schools across the country and not just those in areas which are under-performing or where the local authority is judged to no longer have the capacity to maintain its schools.

39 Schools which have not started the process of becoming an academy by 2020 will be directed to do so, such that by the end of 2022 all state schools will be academies and local authorities will no longer maintain any schools. Instead, local authorities will be expected to act as advocates for their electorate, challenging school providers to deliver high educational standards and better outcomes for children.

40 It is envisaged that when every school is an academy, groups of schools will be able to span geographic boundaries which will enable the best multi-academy trusts to run schools in the most difficult areas, in a way that no high-performing local authority could.

41 The government expects most schools to form or join MATs so that ‘proven educational models can spread and grow and the best leaders can extend their influence by running multiple schools’.

42 The smallest schools will have to form or join a MAT, however in exceptional circumstances successful sustainable schools will be able to continue as single academy trusts.

43 Regional schools commissioners, who are responsible to government for the performance of academies, will be able to intervene where MATs underperform and parents will be able to petition the schools commissioner

for their school to move to a different MAT where it is underperforming or in other exceptional circumstances.

- 44 Devolving power to schools and school leaders means that the role of local authorities and combined authorities will be reviewed and changed.
- 45 The government proposes that local authorities should no longer be responsible for school improvement or maintaining some schools. Instead their educational duties will focus upon:
- a) **ensuring every child has a school place** - including that there are sufficient school, special school and alternative provision places to meet demand. Local authorities will retain responsibility for school places and the government will continue to provide 'substantial' funding to allow local authorities to deliver sufficient places, as well as by creating places through the free schools programme. Local authorities will be expected to use their strong relationships with local schools to deliver the places needed in a local area, including planning ahead where necessary to support applications through the central free schools programme or to seek proposals for presumption free schools. Where local authorities fail in this duty, the government will intervene. Local authorities will also work with schools and parents in developing local school transport policies, giving schools the opportunity to provide school transport services where that makes sense locally; and take a lead in crisis management and emergency planning;
  - b) **ensuring the needs of vulnerable pupils are met** - including identifying, assessing and making provision for children with special educational needs and disability and looked after children; promoting school attendance and tackling persistent absence; ensuring that alternative provision is available for headteachers to commission for children and young people excluded from school or otherwise unable to attend a mainstream school; leading on safeguarding responsibilities for all children, including those in un-regulated settings, educated at home and children missing education, as well as children at risk of radicalisation; working with schools to ensure that they understand and discharge their safeguarding duties; and supporting vulnerable children, for example, acting as the 'corporate parent' for looked after children, using the statutory Virtual School Head role to work with schools and other agencies on promoting their educational achievement and progress, and deciding how to spend the Pupil Premium Plus;
  - c) **acting as champions for all parents and families** - including listening to and promoting the needs of parents, children and the local community – working alongside elected mayors; supporting parents in navigating the system through a continuing role in admissions; supporting children, young people and parents to navigate local SEND arrangements (such as providing information, advice and support) and engaging them in designing and co-producing local SEND policies, service commissioning and delivery; and championing high standards

locally for all pupils, for example, by encouraging high performing providers to establish new school places and where necessary calling for action from the regional schools commissioner to tackle underperformance.

- 46 The review of local authority functions and responsibilities will include the roles of the Director of Children's Services and the lead Member for children.

***'Preventing underperformance and helping schools go from good to great: school-led improvement, with scaffolding and support where it's needed'***

- 47 Responsibility for school improvement will be transferred from local authorities to schools and school leaders, including 300 more teaching schools, 800 more National Leaders of Education appointed by the government and other designated system leaders.

- 48 The government says that it will ensure that there are enough strong academy sponsors from businesses, charitable organisations and existing strong schools to help transform schools where it is needed most.

- 49 Where schools are performing well, they will be trusted to organise their own school improvement and support. Only where schools are underperforming or do not have an improvement plan or the means to improve, will regional schools commissioners intervene.

- 50 In areas affected by 'chronic, persistent underperformance', the government will establish 'Achieving Excellence Areas' to accelerate and provide an intensive focus on school improvement.

***'High expectations and a world-leading curriculum for all'***

- 51 The government intends to embed recent curriculum and assessment reforms to establish a 'knowledge-based curriculum' as the cornerstone of education up to the age of 16, with the majority of pupils studying the English Baccalaureate (EBacc).

- 52 More support will be provided to schools to expand the range of evidence-based, character-building opportunities they provide to pupils, with additional funding made available to support 25 percent of secondary schools to extend their school day to include a wider range of activities, such as sport, arts and debating. The National Citizen Service is also to be expanded such that every pupil has the opportunity to take part.

- 53 The government intends to reform the alternative provision system so that mainstream schools remain accountable for the education of pupils in alternative provision and are responsible for commissioning high quality provision.



54 In addition, the government wants to ensure that schools stretch both their lowest-attaining and most academically able pupils and that support for children with special educational needs and disabilities is improved.

***'Fair, stretching accountability, ambitious for every child'***

55 The government intends to embed existing reforms to primary, secondary and 16-19 accountability, giving greater emphasis to the progress of children at every level of attainment and their destination, so that schools with high-attaining intakes are challenged to improve further and school leaders are not disincentivised from taking on the most challenging schools.

56 The inspection regime is to be reformed so that it is targeted at tackling under-performance and adding most value. A proportionate risk-based approach to assessment will be taken to good and outstanding schools and Ofsted will consult on combining the separate grading judgements on teaching, learning and assessment, to reduce burdens on teachers and schools and to give more emphasis to outcomes rather than processes.

57 Performance tables will be published for MATs alongside performance data at individual school level.

58 The government will rely upon the expert educational judgement of regional schools commissioners where it needs to take a view on how to respond to school performance and headteacher boards, comprised of top headteachers elected by their peers or appointed for their track records will scrutinise and challenge the decisions of the commissioners.

***'The right resources in the right hands: investing every penny where it can do the most'***

59 Amongst its educational reforms, the government is placing a priority on the design and implementation of a new national funding formulae for schools, which is intended to reflect the circumstances of children and local costs, so as to weight the level of funding by the challenges a school faces, as opposed to being based on 'arbitrary historical factors'.

60 It has pledged to continue with the pupil premium and to provide schools with the necessary training, tools, guidance and access to better national procurement frameworks so that they are able to deliver better value for money and to manage their finances more effectively.

61 In relation to school properties, the government has pledged to continue to rebuild and refurbish schools in the worst condition across the country and to ensure that the bodies responsible for school buildings get a fair share of funding according to their needs.

**Developments since the publication of the white paper**

62 The proposal to enforce the academisation of all schools, regardless of performance, drew immediate and widespread opposition amongst MPs, teaching unions and local government bodies.

- 63 Whilst the Prime Minister and Secretary of State initially sought to maintain the government's policy stance, in the face of mounting opposition, the Secretary of State announced on 6 May 2016 that the government would modify its proposals around enforced academisation.
- 64 While still committed to all schools becoming academies, the government confirmed that it would not compel schools to convert by 2022, unless:
- a) there were significant concerns about a school's performance which necessitated intervention (which is the current approach);
  - b) there are so many schools which have already converted to academy status in a local authority area that it makes sense for the remainder to convert;
  - c) there are concerns about a local authority's capacity to support schools and achieve the standards expected.
- 65 Whilst the policy change in effect allows local authorities to continue to maintain and support community schools where they are performing well, the government confirmed that it is still committed to supporting all schools to convert, where they want to do so.
- 66 The government announced that it has allocated £300 million to support schools to convert and in particular, to support sponsors to turn around failing schools. A further £300 million will support multi-academy trusts to grow and improve and funding will also be provided to local authorities and church dioceses in recognition of the costs they face.
- 67 The government made no further comment on the associated proposal in the white paper to change the statutory responsibilities of local authorities in relation to school improvement.
- 68 In the Queen's speech, the government provided some more detail on the proposed Education for All Bill, the synopsis for which included:
- a) moving towards a system where every school is an academy through powers to convert schools to academies in under-performing and unviable local authorities;
  - b) making the process of becoming an academy swifter and smoother for schools and local authorities;
  - c) setting out a new role for local authorities, by shifting responsibility for school improvement from the local authority to great heads and others in the school system.

### **National funding formula for schools**

- 69 As part of the Spending Review 2015, the government announced its intention to introduce a national funding formula (NFF) for schools, early years and high needs with the intention of 'matching funding directly and transparently to need'.

- 70 The level of funding for schools through the schools and high needs block varies between local authorities largely as a result of historic spending decisions by local authorities at the time the Dedicated Schools Grant (DSG) funding levels were set.
- 71 The government published NFF consultation proposals with the stated intention of providing funding that is more closely matched to need rather than historic spending decisions. The council submitted a response to the consultation proposals.
- 72 At this stage, the government has consulted on the key principles and building blocks the Department for Education (DfE) intends to use to construct the NFF. In due course, a second stage consultation will cover how the DfE proposes to balance the distribution of funding between the different factors in the national funding.
- 73 The main elements of the government's proposals are:
- a) to have a national funding formula by 2019/20, which determines funding for all mainstream primary and secondary schools, in place of local formulae (this effectively removes any local authority discretion and role in schools funding decisions);
  - b) to implement a national formula to distribute funding to local authorities in 2017/18 and 2018/19, with local formulae used to distribute funding to schools during this period;
  - c) transitional protection through a Minimum Funding Guarantee (MFG) to limit any reductions in local authority allocations in 2017/18 and 2018/19 before the new national formula is introduced in 2019/20;
  - d) to continue to provide the Pupil Premium separately (for Durham schools this equates to approximately £21 million);
  - e) to create a new Central Schools Block, for centrally retained funding, removing this from the Schools Block and allocating this on a per pupil basis;
  - f) to require authorities to pass on the whole of the Schools Block allocation to their mainstream primary and secondary schools, removing the local discretion to move funding to or from other blocks (currently, in consultation with the Schools Forum, funding is moved between the blocks in Durham to meet local pressures);
  - g) to end de-delegation by 2019/20, with any services being provided through service level agreements thereafter;
  - h) that schools forums will continue to operate until 2018/19, and their role will be reviewed prior to the introduction of the national formula in 2019/20.
- 74 In addition, there are proposals in respect of a review of local authority statutory duties (education welfare; school improvement; schools asset management; and other statutory and regulatory duties) and the funding currently provided through the Education Services Grant (ESG) to fund these duties.

- 75 It is proposed that ESG funding will be combined with the centrally held funds in the DSG but only after making a national cut of £600 million, announced in the 2015 spending review.
- 76 The government also consulted on NFF proposals in relation to 'high needs' and children with Special Educational Needs (SEN). Rather than basing funding on historic spend, the government proposes to use a formula which will include factors for:
- a) a basic unit of funding for pupils and students in specialist SEN institutions;
  - b) population;
  - c) Disability Living Allowance;
  - d) children in bad health;
  - e) low prior attainment at Key Stages 2 and 4;
  - f) deprivation;
  - g) area cost adjustment;
  - h) current spending levels (to provide transitional support similar to the Minimum Funding Guarantee).
- 77 It is not intended to remove any local authority statutory responsibilities for high needs SEN provision or control over the High Needs funding block as part of these proposals.

## **Devolution**

- 78 On 29 January 2016, the Cities and Local Government Devolution Act received Royal Assent. The legislation paves the way for powers, controls, and responsibilities to be devolved from central to local government and allows for directly elected mayors to be created in areas which have formed combined authorities and agreed to a change in governance, in return for powers over transport, health, skills, planning, and job support.
- 79 Alongside the passage of the legislation, the government has been negotiating devolution mayoral deals in a number of regions including Greater Manchester, the Sheffield City Region, the North East, the Tees Valley, the Liverpool City Region, the West Midlands.
- 80 As Members will be aware, Cabinet considered the council's involvement in the North East Combined Authority devolution agreement on 11 May 2016 and agreed to move to the next stage of the proposed devolution agreement process, subject to several conditions, which would not leave the county in a detrimental position in relation to the government's proposals on highways and transport funding. Other stipulations included mayoral powers and governance and continuing dialogue with government to ensure the region receives fair funding.

- 81 A final decision was made on 17 May 2016 by the North East Combined Authority (NECA) Leadership Board, which consists of the region's council leaders, to approve the proposed devolution agreement, which includes the introduction of an elected mayor. The agreement, has the potential to provide more control over funding, more control over spending on adult skills and employment support programmes, alongside other proposals and an opportunity for further devolution in the future.
- 82 Decisions made on behalf of NECA would be executed through a Cabinet made up of the region's council leaders with an embedded elected mayor. North East electors will be asked to vote for the mayoral candidates in May 2017.

### **Planning and housing**

- 83 The Housing and Planning Act was enacted on 12 May 2016. Amongst other things, the Act introduces a general duty for local planning authorities to promote the supply of starter homes. A starter home is defined as a new dwelling, available for purchase by qualifying first time buyers only and is to be sold at 20 percent of market value. Qualifying first time buyers are defined as an individual who is a first time buyer and is at least 23 years old but is under 40 years old. There is a price cap of £250,000 for starter homes outside of Greater London. The council responded to the consultation on the Act.
- 84 The government consulted on the regulations for starter homes between 23 March 2016 and 17 June 2016. The regulations will supplement the Housing and Planning Act and set out measures for the implementation of starter homes as part of the statutory framework. The consultation sought responses as to whether a proposed 20 percent requirement for starter homes on all housing sites would be appropriate and whether a viability model should be introduced as part of the regulations. The consultation also considered whether there should be proposed restrictions on the sale of starter homes following occupancy, with the government suggesting that at most it did not support extending the restricted period beyond the first eight years of occupation.
- 85 The consultation also sought views on whether any flexibility should be provided in relation to the under 40 age restriction, with exemptions being proposed in respect of joint purchasers, where one party is under 40 and one party is over 40, and for injured military service personnel or those whose partner has died in military service. The council responded to the consultation and the government's response is awaited.
- 86 The government consulted on proposed changes to National Planning Policy between 7 December and 22 December 2015. The consultation included proposals to amend the definition of affordable housing to include a wider range of low cost home ownership options. This would be achieved by removing the present national policy requirement that affordable housing products have to be subject to 'in perpetuity' restrictions or have recycled subsidy.

- 87 The proposed amendment would mean that starter homes would fall within the scope of the proposed definition of affordable homes. In seeking to support the delivery of starter homes, the proposed changes seek to ensure that unviable or underused commercial and employment land is utilised for starter homes. On this basis, it is proposed that local planning authorities could adopt a policy with a limit on the length of time (such as three years) that commercial or employment land should be protected if unused and there is not significant and compelling evidence of market interest of it coming forward within a two year timeframe. Again, the council responded to the consultation and the government's response and next steps are awaited.

## **Adoption**

- 88 On 27 March 2016 the Secretary of State for Education unveiled a new four year strategy '*Adoption: a vision for change*', which sets out how the government plans to address challenges in the adoption system.
- 89 The strategy details how, by 2020, the government intends to deliver a system where all children are matched with adoptive parents without delay and includes a drive to boost the educational success of adopted children. To end delay in adoption for vulnerable children, larger local pools of approved adopters will be developed by making sure every single council is part of a regional adoption agency by 2020. To support the change, the government will provide up to £14 million across 2016/18.
- 90 The strategy also sets out how the government will provide vital therapeutic services to all adopted young people up to the age of 21, as well as family and friends who care for them, backed by a new commitment totalling over £49 million.
- 91 The government will also make sure social workers have the skills to make the right decisions for adoptive families by clearly setting out how social workers must prioritise adoption where it is in the best interest of the child.
- 92 To support the spreading and development of excellent practice in regional adoption agencies and on a national scale, the government will also introduce two new funding streams totalling up to £16 million over 2016/18.

## **Health and social care funding**

- 93 In 2016/17, the Better Care Fund will be increased to a mandated minimum of £3.9 billion to be deployed locally on health and social care through pooled budget arrangements between local authorities and Clinical Commissioning Groups. The local flexibility to pool more than the mandatory amount will remain. From 2017/18, as part of the Spending Review, the government will also make funding available to local authorities, worth £1.5 billion by 2019/20, to be included in the Better Care Fund. This will be linked to compensation to local authorities with a low tax raising capacity.
- 94 The Spending Review clarified that the public health grant to local authorities will be ring fenced for a further two years, but that it will be subject to real term annual savings of 3.9 percent over the next five years whilst the remainder of the NHS budget will receive annual real terms increases. On 11 February

2016, the Department of Health confirmed that in 2016/17 there will be a reduction in total grant of 2.2 percent and a further reduction of 2.5 percent in 2017/18, which is on top of the 6.2 percent already cut in 2015/16.

- 95 In December 2015, the NHS Shared Planning Guidance 2016/17–2020/21, outlined a new approach to help ensure health and care services are built around the needs of local populations. Forty four planning footprints have been established, bringing together local health and care systems to produce and work towards a multi-year Sustainability and Transformation Plan (STP), showing how local services will evolve and become sustainable over the next five years – ultimately delivering the Five Year Forward View vision of better health, better patient care and improved NHS efficiency.
- 96 The Better Health Programme (BHP) focuses on continuous improvement across health and social care provision to enable services to meet patient needs now and in the future. The BHP wants to enable the delivery of high quality services which make best use of resources and staff to support longer term sustainability. Key outcomes focus on delivery of more services within the community on a seven-day basis, reducing the need for hospital visits with the aim of improving results for patients, life expectancy and quality of life.

### **Benefit Cap**

- 97 Since 2013 there has been a limit on the total amount of benefits that any working age (age 16-64) claimant can receive, known as the 'Benefit Cap'.
- 98 The government announced in the summer budget of 2015, that it intended to further reduce the Benefit Cap, from this autumn. The further reduction will see a claimant's housing benefit reduced if their total amount of benefit income exceeds the amount of the new cap. From autumn 2016, the total amount a household will be able to claim in benefits will be capped at:
- £385 a week (£20,000 per annum) for couples (with or without children living with them) and for single parents whose children live with them;
  - £257.69 a week (£13,400 per annum) for single adults who do not have children, or whose children do not live with them.
- 99 The cap is applied through a reduction in Housing Benefit, so other benefits will not be affected, even where reduction of Housing Benefit still leaves claimants receiving more than the cap in other qualifying benefits.
- 100 The DWP has written to customers identified as 'potentially impacted' by the benefit cap reduction, advising customers to make contact with the DWP so that they are able to make appointments at their local JobCentre Plus office to receive employment support, if required.

### **Modern crime strategy**

- 101 On 26 March 2016 the government published its Modern Crime Prevention Strategy which focuses on what evidence suggests are the six key drivers of crime - opportunity, character, the effectiveness of the Criminal Justice System, profit, drugs and alcohol - and sets out proposals that make crime

harder to commit, and less attractive to criminals. The strategy also focuses on data and new technology as powerful tools for preventing crime. The strategy sets out a range of measures under each driver that will make crime harder to commit and less attractive to criminals. These include, for example:

- a) introducing legislation to ban the sale of so-called 'zombie-killer' knives;
- b) making more information available to consumers on how secure their smartphone is; and
- c) keeping people safe from high harm crimes of abuse through implementing the actions in the 2016 Violence Against Women and Girls Strategy.

102 A key driver of crime is tackling drugs and the government will publish a new drug strategy later this year to prevent and tackle drug misuse, which builds on the current balanced approach to reduce demand, restrict supply and build recovery.

103 To reduce the burden of drunkenness on the Police and accident and emergency (A&E) departments, as well as to enable people concerned for their safety to take action to prevent themselves from becoming a victim of crime, local authorities alongside the police, health partners and local business, will need to create safe spaces and devise local solutions and strategies for preventing alcohol-related crime and disorder.

104 To protect children and young people from the risk of child sexual exploitation the government will work with local areas to introduce rigorous taxi and private hire licensing regimes.

105 To strengthen the capacity and capability of local areas to build effective partnerships and to address alcohol-related harms areas will be able to bid for inclusion in a new round of Local Alcohol Action Areas which will be launched in autumn 2016.

### **Parliamentary boundary changes review**

106 On 24 February 2016, the Boundary Commission announced a review of parliamentary constituencies in England. As part of the review, the Commission will look at current constituencies and local government patterns in redrawing the map of boundaries, before making a recommendation to Parliament in September 2018. This involves regularly consulting the public for their views and refining proposals in a number of stages.

107 Parliament has specified that the review must reduce the number of constituencies, and therefore MPs, in the UK, to 600. It has asked the Boundary Commission to consider where the boundaries of the new constituencies should be, ensuring that every new constituency has roughly the same number of electors - no fewer than 71,031 and no more than 78,507. England will have 501 constituencies, 32 fewer than there are currently. With regards to the North East, the Commission proposes to reduce the number of constituencies from 29 to 25.



108 Initial proposals for how the reduction in the number of constituencies could be achieved will be published in the autumn.

### **Local Government Transparency Code**

109 On 12 May 2016, the government consulted on proposed changes to the Local Government Transparency Code.

110 The code was first introduced in May 2014, and has been updated on a number of occasions since, as the government has added more detail and extended the scope of what information should be disclosed and published as a matter of course.

111 The latest proposals include:

- d) changes to the way that local authorities record details of their land and property assets;
- e) new requirements about information on parking charges and enforcement;
- f) new requirements about publishing information about procurement, contracts and the delivery of some services including in-house services;
- g) requirements to publish data sets in a shared, central location and changes to the way that transparency data is published and presented;
- h) recommendations that local authorities publish information about their dealings with small and medium-sized enterprises.

112 The consultation ran until 20 June 2016 and officers submitted a response on behalf of the council.

### **Implications**

113 The government's policy proposals have many implications for the county and the council, its role and function and the way it works with and relates to local communities and strategic partners. Below, we provide a commentary against the strategic themes of the Council Plan and County Durham Sustainable Community Strategy.

### **Altogether better council**

114 The referendum outcome that the United Kingdom should leave the European Union, will have significant consequences for the county, and the council as an organisation. The county will be affected by national and international economic reactions to the decision, which will affect the county's economic prospects and the state of public finances, which fund public services including the council.

115 We will have to wait for new leadership within the government, before the exit negotiations commence, and clarity begins to emerge over the timescales and

details for the change, including structural and institutional reforms, which will affect the county.

- 116 While it will take some time for the economy and public finances to adjust to the decision, the re-profiling of the government's deficit reduction programme announced in the Budget in March means that the council will have to achieve more savings in the short term, before it can expect to see an end to austerity. A more detailed report on the financial outlook for the council and its next medium term financial plan is also on the agenda for this meeting of Cabinet.
- 117 At the time of the Budget, the government expected the economy to return to surplus in 2019/20, at which point the Chancellor said he would begin to increase public spending again. However, this all hinges on the performance of the economy and is contingent on sustained economic growth.
- 118 While local government was assured at the budget that its spending reduction targets were not to be increased, even though a further £3.5 billion of public spending reductions would need to be made by 2020, many commentators remain concerned that local authorities will be impacted by spending reductions made in other departments and in particular in relation to welfare.
- 119 Following the u-turn on cuts to disability payments, a further £4.4 billion will need to be found and we will need to wait until the autumn statement to see how this affects other welfare payments and or local government.
- 120 The changes to business rates will also have a significant implication for the council, as government grant support is to be reduced, to be replaced by local authorities retaining all locally-generated business rates revenue by 2020. Currently, the council retains 50 percent of business rates revenue and receives top-up grants from the central business rates pot.
- 121 The various measures to discount business rates and in particular, the decision to link business rates to the lower Consumer Price Index as opposed to the higher Retail Price Index, will reduce the amount of revenue generated and in effect, inhibits the annual increases in business rates yield once the business rates are passed to local government.
- 122 cuts the amount of funding the government will be able to devolve when full business rates retention is implemented in 2020.
- 123 The proposed changes to education funding and the policies to encourage all schools to become academies, while also changing the statutory responsibilities of local authorities in relation to schools and education, will have significant financial, staffing and commercial implications for local schools, the council and other local authorities.
- 124 While we need to wait for the second stage of consultation on the proposed National Funding Formula to learn the specific financial implications for the council and local schools, the fact that Durham has a higher than average lump sum to support smaller schools with their fixed costs means that we are likely to be affected by any move which seeks to equalise funding between schools in the interests of 'fairness'.

- 125 As part of the consultation, the DfE is to review what costs are allowable as being centrally retained and met by the proposed 'Central Schools Block'. However, it has already made clear that redundancy costs for schools in deficit, which currently are funded from a centrally retained element of the Dedicated Schools Grant, will need to be funded by the council. Currently, the retained funding set aside for this purpose is £475,000.
- 126 The proposed requirement to pass on the whole of the Schools Block allocation to mainstream primary and secondary schools, in effect removes local discretion to move funding to meet local priorities and pressures. Currently, in consultation with the Schools Forum, the council is able to move funding between the blocks to meet mutually agreed and recognised local spending pressures.
- 127 The proposed ending of 'de-delegation' by 2019/20 means that all centrally-provided services would need to be funded through service level agreements with schools. Currently, the Schools Forum in Durham de-delegates £1.1 million to contribute towards important centrally provided services such as school improvement and Looked After Children educational support.
- 128 In addition, the government also proposes to review local authority statutory responsibilities in relation to education and the funding currently provided to support these through the Education Services Grant
- 129 This is to be combined with the centrally held funds in the Dedicated Schools Grant, but only after a national cut of £600 million is made, as announced in the 2015 spending review. Durham's share of this reduction equates to approximately £4.4 million, which will need to be taken into account as the council develops its next medium term financial plan.
- 130 While the DfE recognises that it will need to continue to provide some financial support for those statutory responsibilities local authorities will retain – it has been suggested that it would allow some 'de-delegation' or top-slicing of school budgets to fund these – the actual detail of what will be funded and to what extent is not yet known.
- 131 While the government has pulled back from enforced academisation, it still expects and wants all schools to become academies in due course. This will have substantial implications for services across the council that are currently provided to schools under service level agreements.
- 132 It could also impact on business rates income for the council, as academies receive 80 percent mandatory relief from business rates, whereas the business rates liabilities of maintained schools are currently met by the Dedicated Schools Grant. If all maintained schools were to convert, it is estimated that the council's business rates income could reduce by around £1.7 million a year, based on current prices.
- 133 The council is particularly concerned about the potential impact of the government's funding proposals on small schools. The government consultation makes it clear that in some cases schools will close as a result of funding changes. The education white paper also suggests that the regional schools commissioners will be able to order the closure of schools where they are not viable (although more recent policy statements talk about a 'double-

lock' in which local and national government has to agree to the closure of a small rural school if it has converted to academy status, before a decision can be taken).

- 134 Where academies do close, local authorities will still be responsible for home to school transport and there are growing concerns that local authority transportation costs will increase, let alone the possible detrimental impact on children and young people if they need to go to different schools further afield.
- 135 Given the significant financial implications for local schools and the council, officers submitted a response to the funding formula consultations, in consultation with the relevant portfolio holders.
- 136 An officer working group has also been established to consider and anticipate how the council should respond to the funding and policy changes outlined in the education white paper. As further detail emerges from government, more detailed briefings and reports will be provided to Members.
- 137 The proposed changes to the Local Government Transparency Code raise a number of issues for the council.
- 138 The 2015 Code currently requires local authorities to publish details of any contract, commissioned activity, purchase order, or framework agreement with a value that exceeds £5,000.
- 139 It is now proposed that local authorities are required to publish information about 'in-house' services so that a council is 'able to demonstrate a clear and transparent approach to service and cost evaluation using robust data, quality comparators and a clear options assessment and therefore be able to justify to its residents why its services are being provided in-house rather than a private company'. It is suggested that this should be re-assessed and reported at an appropriate time period (possibly every seven years). The government is consulting on whether this should apply to all services or just specific services (for example waste services or leisure services) and whether it should be limited to services above a threshold, for example, contracts in excess of £500,000.
- 140 It is also proposed that the Code is updated to require data to be published in a standardised format and to a central source to facilitate easier analysis, comparison and benchmarking of that data. This would require a significant amount of work to update existing datasets to ensure they meet the standardised format and headings as required.
- 141 In addition, the government is seeking views on how compliance with the Code might be measured and enforced.

### **Altogether wealthier**

- 142 Clearly, the outcome of European Union membership referendum will have profound economic implications for the county, and the council in terms of the legal framework it operates within and the funding of its work.
- 143 The council continues to work closely with local authorities and NECA to inform and support the proposed developments as part of the devolution

agreement. A governance review, and scheme and implementation plan are being finalised to set out clearly the governance arrangements and legal requirements for each individual ask. Cabinet will continue to be kept informed of progress through separate update reports.

- 144 There are also a number of infrastructure projects across the North East that will improve the region's road and water infrastructure, as well as renewable energy projects, which will secure the region's energy supply. Although there are few projects in County Durham, the county will benefit indirectly.
- 145 The changes to the Benefit Cap will increase the number of people in the county affected by this particular welfare reform.
- 146 Initial indications from the DWP indicate that approximately 630 households in the county (mainly in the private rented sector) will be affected, of which approximately 70 are already subject to the current Benefit Cap. When the Benefit Cap was first introduced the number affected was just over 100. In total it is estimated that the change will lead to a further reduction of £1.4 million in Housing Benefit in the county.
- 147 The Poverty Action Steering Group is overseeing the council's response to the change and officers are working closely with the DWP to understand who is affected, the level of impact and the dates when the changes will be introduced. This will ensure that the council can build on the good work currently being done by housing providers and the council's Housing Solutions service to ensure that we support those customers affected, through our 'triage' process and the use of Discretionary Housing Payments to provide short term financial support, where required.
- 148 The Housing and Planning Act, proposed regulations, and changes to national planning policy, all introduce a requirement for the delivery of starter homes. There are concerns that that the ability to deliver other types of affordable housing would be substantially diminished by the proposed introduction of starter homes. Owing to viability constraints, a requirement to deliver of a proportion of starter homes as part of all new housing development, would be likely to preclude the delivery of other forms of affordable housing.
- 149 This is a concern as there are groups in housing need in the county who would not be eligible for a starter home. In particular, a substantial portion of those currently in housing need within the county are older people. The housing needs of this group would not be met by starter homes, given the targeted age groups set out in the proposed regulations. Furthermore, owing to viability constraints, if a requirement for starter homes is imposed on all housing developments, this may mean that development in parts of the county may become unviable.
- 150 There is concern that the measure within the proposed changes to National Planning Policy to introduce a time limit on the protection of commercial or employment land, could potentially prejudice future opportunities for economic growth. The proposed policy may have the unintended consequence of incentivising landowners to resist commercial development, which would support the council's economic growth objectives, and instead, encourage them to wait for sufficient time to elapse for the land to be acceptable for residential development. Such a policy could lead to employment land in

good locations being lost to residential development in unsustainable housing locations.

### **Altogether healthier**

- 151 In looking ahead to 2016/17, the government has stressed the importance of ensuring that Better Care Fund plans are aligned to other programmes of work, including the new models of care as set out in the NHS Five Year Forward View and delivery of seven-day services.
- 152 Councils will face significant spending reductions to their public health budget up to 2020/21. The forecast for Durham is approximately £8.4 million across the period 2016/17 to 2019/20. This will be rolled into the Fair Funding Formula under 100 percent business rates retention from 2020.
- 153 Reductions to the public health budget will have a significant impact on the essential prevention and health protection services provided by councils.
- 154 The Sustainability and Transformation Plan and Better Health Programme are part of the move towards integrating health and social care. This will be extremely challenging for Durham given the significant financial challenges facing local government, the increased demand for healthcare and rising costs of delivering services particularly in the provision of community services.
- 155 Each health and care system has been required to submit a full Sustainability and Transformation Plan (STP) and Durham has worked with health and care organisations within the geographic Sustainability and Transformation Plan footprint to develop STPs that help drive genuine and sustainable transformation in patient experience and health outcomes in the longer-term.
- 156 The County Durham, Darlington and Teesside STP includes two major transformational change projects that have been progressed through the Better Health Programme which incorporates the Emergency and Urgent Care Project and the Not in Hospital project.

### **Altogether safer**

- 157 With regards to the Modern Crime Strategy, further information for local authorities and partners is expected to be issued by the Home Office over the coming year including a new drug strategy to help prevent and tackle drug misuse as well as the introduction of rigorous taxi and private hire licensing regimes to protect children and young people for child sexual exploitation.
- 158 The government has also announced a new round of Local Alcohol Action Areas which will launch in autumn 2016, which offers the prospect of funding to strengthen capacity and capability of local areas to build effective partnerships and address alcohol-related harms. However, as with all these types of funding, applications will be considered on a competitive basis.

## **Altogether better for children and young people**

- 159 While the government has pulled back from its policy of enforced academisation outlined in the white paper, it still expects and wants all schools to become academies in due course.
- 160 Its vision is of an education system in which the government backs the best school leaders and head teachers to drive improvement in schools, with local authorities playing a relatively limited role, compared with now.
- 161 Multi-academy trusts would be expected to tackle under-performance within their chains, expanding the influence of the best headteachers to address performance issues in individual schools. The system would be overseen by regional schools commissioners who would be able to intervene where there are concerns or where parents petition for change.
- 162 The council's view is that the evidence that academy status in itself plays a significant role in improving standards in schools is not proven. This is supported by the House of Commons Education Committee report into Academies and Free Schools in 2015 and the study carried out for the Local Government Association that compared the attainment of pupils at academy schools with those at maintained schools which had similar characteristics. This found that progress made by students in sponsored and "converter" academies was no greater than that of children at maintained schools.
- 163 There is also growing evidence that some academies are suffering from performance-related problems and the performance of some multi-academy trusts has been called into question.
- 164 The premise in the white paper that conversion 'frees' schools from local authority control ignores that fact that since the inception of Local Management of Schools (LMS) in 1988, maintained schools are not controlled by local authorities and have been free to make choices on curriculum content and teaching and have fully autonomous financial control.
- 165 Although the government has retreated from compelling all schools to convert to academies, it still proposes to promote the development and expansion of 'multi-academy trusts', as a vehicle to achieve full academisation. Trusts would be allowed to take all decisions for how the schools they manage are run, including shifting funding from one school to another. As such, they will be able to exert far more control over schools than local authorities currently do, which in effect will reduce the freedom that individual schools have enjoyed since LMS and the start of delegation in the 1990s. Given the significant role that multi-academy trusts already play in the education system and their likely continued growth, the House of Commons Select Committee has launched an inquiry into their influence, performance and scrutiny.
- 166 At this stage, it is not clear what role local authorities will have in relation to the scrutiny of academies or multi-academy trusts operating in their area. In addition, there are concerns about the future role of school and parent governors, given that there is no obligation on multi-academy trust boards to have either and the government's clear policy preference is to favour 'school leaders' over community representatives.

- 167 The white paper proposals to transfer responsibility for school improvement from local authorities to schools and ‘school leaders’, overseen by the regional schools commissioners, is not accompanied by any formal transfer of the significant capacity and infrastructure that exists in local authorities to support school improvement. The government acknowledges that the expertise that currently exists in local authorities will need to transfer to support the drive towards academisation. However, it almost suggests that this will be on an informal, voluntary basis – ‘we expect that some individuals working in local authority teams will leave to set up new trusts or join existing ones and become academy sponsors’ – as opposed to through any formal transfer or TUPE-like arrangement. The white paper also says very little about increasing the capacity of regional schools commissioners to take on their expanded role.
- 168 The proposed review of local authority statutory duties (education welfare; school improvement; schools asset management; and other statutory and regulatory duties) will have a significant impact on the council, with the amount we receive from the Education Services Grant (currently £5.4 million) reduced by £4.3 million. This has been factored into the Medium Term Financial Plan (7) model, although the savings to be made as a result of reduced statutory requirements are still to be determined.
- 169 As mentioned above, an officer working group has been established to consider and anticipate how the council should respond to the white paper proposals. The council is also in dialogue with schools, headteachers and diocesan bodies over the proposed changes.
- 170 Under the ‘*Adoption: A vision for change*’ strategy, all local authorities and voluntary adoption agencies will be expected to develop and implement regional adoption agencies by 2020. The North East Adoption Leadership Board chaired by the Director of Children’s Services from Stockton-on-Tees Borough Council is currently leading this work. Two sub-regional adoption agencies are currently under development. Durham is not currently involved in either.
- 171 For delays between a child entering care and moving in with their new family, local authorities and regional adoption agencies will be held to account by the government through the introduction and use of scorecards.
- 172 In addition to Looked After Children, every adopted child will need to be provided with a designated teacher and ‘virtual school head’ who will provide tailored support to help children overcome trauma and give these young people the best possible education.

### **Implications for partnership working**

- 173 Given the scope of government reforms, the council continues to work with partners to ensure that we achieve the aims of the sustainable community strategy.
- 174 The County Durham Partnership considers these policy implications reports alongside Cabinet and Corporate Issues Overview and Scrutiny Committee. Emerging government policy and legislation will be taken into consideration, as the partnership reviews the sustainable community strategy for the county.



- 175 Given the continuation of austerity and the new policy programme outlined by government, the partnership will undertake a more fundamental review of the sustainable community strategy in the coming year. As a result, the council will also need to review its council plan and service plans, in order to determine its priorities and actions and contributions towards achieving the sustainable community strategy.

## **Conclusions**

- 176 Since the last report to Cabinet, the most significant announcements from the government which will affect the county, have been the immediate next steps following the European Union membership referendum, the 2016 Budget, devolution, and the white paper on education and schools.
- 177 Following the outcome of the referendum, the Prime Minister announced that he is to stand down and that new leadership within the government will take forward negotiations with the EU about the timescales and terms for the United Kingdom's exit.
- 178 The referendum outcome will have significant consequences for the county, and the council as an organisation. The county will be affected by national and international economic reactions to the decision, which will affect the county's economic prospects and the state of public finances, which fund public services including the council.
- 179 We will have to wait for new leadership within the government, before the exit negotiations commence, and clarity begins to emerge over the timescales and details for the change, including structural and institutional reforms, which will affect the county.
- 180 The government under the current leadership has continued to maintain several elements of the previous coalition government policy programme, with financial austerity, welfare reform and decentralisation retained as policy priorities.
- 181 The continuation of austerity and the emerging policy proposals in relation to the council's role in education will have major implications for the council and its ability contribute to the 'altogether better Durham' agenda.
- 182 The council is anticipating the potential implications by actively monitoring the policy debate and responding to government and parliamentary consultations and calls for evidence where appropriate. It will continue to do so, consulting the relevant portfolio holders and producing more detailed reports for Members, where appropriate.

## **Recommendations**

- 183 Members are recommended to note the contents of this report and the actions taken to anticipate and respond to the government's reforms.

## **Background papers**

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## Appendix 1: Implications

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**Finance** – The government’s decision to continue with its austerity programme will have on-going financial implications for the council, which will have to continue to reduce spending within its medium term financial plan. The plan will also need to take into account changes to business rates income and the proposed new national funding formula for schools, which will reduce the amount of central funding the council receives to support service provision.

**Staffing** – No specific implications have been identified.

**Risk** – Individual assessments of the risks associated with specific policy proposals are undertaken as a matter of course in council project planning and management.

**Equality and Diversity** – Equality impact assessments will be undertaken on individual policy proposals the council develops in response to the government’s reforms.

**Accommodation** – No specific implications have been identified.

**Crime and Disorder** – No specific implications have been identified beyond those discussed in the section on the Modern Crime Strategy.

**Human Rights** – No specific implications have been identified.

**Consultation** – No specific implications have been identified.

**Procurement** – The proposed changes to the Local Government Transparency Code would extend the disclosure requirements around procurement and in-house services.

**Disability Discrimination Act** – No specific implications have been identified.

**Legal Implications** – A number of the government policy changes outlined above, place new statutory duties on the council and change the regulatory framework in which it operates. The council considers the legal implications of all decisions it takes.

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## Appendix 2: Main announcements in the Budget 2016

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### Deficit/Debt/Growth

A further £3.5 billion of public sector spending reductions by 2020.

Deficit / surplus:

- 2015/16: £72.2 billion deficit
- 2016/17: 2.9 percent /£55.5 billion deficit
- 2017/18: 1.9 percent /£38.8 billion deficit
- 2018/19: 1.0 percent /£21.4 billion deficit
- 2019/20: £10.4 billion surplus

Debt-to-GDP is going to be "higher in 2015/16 than the year before" because of lower growth.

Debt to GDP ratio:

- 2016/17: 82.6 percent
- 2017/18: 81.3 percent
- 2018/19: 79.9 percent
- 2019/20: 77.2 percent
- 2020/21: 74.7 percent

Office for Budget Responsibility forecasts for growth downgraded since Comprehensive Spending Review:

- 2016 2.0 percent (down from 2.4 percent)
- 2017 2.2 percent (down from 2.5 percent)
- 2018 2.1 percent (down from 2.4 percent)
- 2019 2.1 percent (down from 2.3 percent)
- 2020 2.1 percent (down from 2.2 percent)

### Welfare and tax credits

£115 million to support homelessness and rough sleepers.

### Pensions, savings and personal taxation

Personal tax allowance will rise to £11,000 in April and £11,500 next year – a tax cut to 31 million people.

The higher-tax rate threshold will rise from £42,385 to £45,000 from next April.

New duty on public sector employers to ensure that those working for them pay the correct tax rather than giving a tax advantage to those who choose to contract their work through personal service companies.

Loans to participators will be taxed at 32.5 percent to prevent tax avoidance.

From 2018, termination payments over £30,000 will also attract employer national insurance.

Tax break for people renting out rooms when they go on holiday.

Reduction in Capital Gains Tax from 28 to 20 percent.

Reduction in Capital Gains Tax paid by basic rate taxpayers from 18 percent to 10 percent - The rates came into effect in April. The old rates will be kept in place for gains on residential property and carried interest.

New 10 percent rate on long term external investment in unlisted companies, up to a separate maximum of £10 million of lifetime gains.

ISA limit increased to £20,000.

New 'Lifetime ISA' for under-40s, people can save £4,000 per year and the government will give you £1,000 every year until you are 50. That money can be used for a new home or into a pension - the money will not be taxed when you remove it.

A cap on exempt gains in the Employee Shareholder Status.

A Help to Save scheme to encourage low paid workers to save up to £50 a month, matched by a 50 percent government bonus after two years.

## **Business and Enterprise**

Corporation tax to be cut to 17 percent by 2020.

Tax break for people selling on e-bay - Two new tax free allowances for trading and profiting income, worth £1,000 each for micro-entrepreneurs.

Threshold for business tax relief raised to £15,000 from £6,000.

High rates to be increased from £18,000 to £51,000.

In future business rates to increase in line with CPI.

A simplified business rates scheme to be introduced for large retailers.

Commercial stamp duty will have a zero rate band on purchases up to £150,000; a two percent rate on the next £100,000; and a five percent top rate above £250,000 (immediate effect, with transitional rules for purchasers who have exchanged, but not completed contracts before midnight).

A new two percent rate for those high value leases with a net present value above £5 million (immediate effect, with transitional rules for purchasers who have exchanged, but not completed contracts before midnight).

Reduction of the Supplementary Charge on oil and gas from 20 percent to 10 percent - backdated to 01/01/16.

Abolishing Petroleum Revenue Tax – backdated to 01/01/16.

£1 billion in loans via the British Business Bank for SMEs including a Help To Grow programme, an Enterprise Finance Guarantee, Bizfitech, Funding options and Funding Xchange.

All Local Enterprise Partnership Boards to include a small business representative.

Further technical measures to be developed to tackle tax avoidance.

### **Infrastructure, transport and culture**

Four-lane M62, a tunnel from Manchester to Sheffield, upgrades for the A66 and A69.

Commission Crossrail 2.

Confirmation of HS3.

0.5 percent increase in insurance premium tax, worth £700 million, which will all go towards flood defence.

£13 million for Hull to make a success as the City of Culture.

Extension of the Cathedral Repairs Fund by extra £20 million.

Announcements of small sums for a number of culture projects, including a new Shakespeare North theatre.

Lord Heseltine will lead a Thames Estuary Growth Commission which will report next year.

Fuel duty will be frozen for the sixth year in a row - saving of £75 a year to the average driver and £270 a year to a small business with a van.

Driverless cars will be trialled on motorways.

Tax breaks for museums who take their exhibitions on tour.

### **Construction and property**

Starter Homes Land Fund prospectus to be launched with £1.2 billion available to build starter homes on brownfield sites.

Government to collaborate with local authorities to release land for 160,000 homes and regeneration council housing estates.

Government to extend the Private Rented Sector Guarantee until December 2017.

Government to consult with city regions about increasing the density of development of brownfield land through 'building up' programmes as a means of reducing 'building out'.

Homes and Communities Agency to work with Network Rail and local authorities to bring forward more development around train stations.

Brownfield land for starter homes.

Stamp duty on buy-to-lets.

## **Energy, science and innovation**

Low Emissions Vehicles: £38 million – matched by industry - to be made available via the Office for Low Emissions Vehicles and Innovate UK.

£50 million for innovation in energy storage, demand-side response and other smart technologies over the next five years.

OFGEM to consult on a £100 million Network Innovation Competition for innovative energy projects.

Government auction of medium-scale energy projects.

Government to invest in research into small modular nuclear reactors.

Broadband Investment Fund: Government to work in partnership with the private sector to establish a new fund for alternative network developers.

## **Environment**

Abolition of the carbon reduction commitment.

Climate change levy will rise from 2019 to cover the costs of the abolition of the carbon reduction commitment.

£730 million for further contract for difference auctions for new renewable technologies.

0.5 percent increase in insurance premium tax to 10 percent from 1 October 2016 to raise £700 million to pay for flood defence projects in York, Leeds, Calder Valley and Cumbria.

## **Education**

A White Paper will be published on further improvements in education on 17/03/16.

Extra funding so that by 2020 every primary and secondary school in England will be, or be in the process of becoming, an academy.

A focus on the performance of schools in the north – Sir Nick Weller to provide a plan.

Teaching maths to 18, for all pupils.

Introduction of a fair National Funding Formula –committing half a billion pounds to speed up its introduction. Objective to get over 90 percent of the schools that will benefit onto the new formula by the end of this parliament.

£1.5 billion in funding for school sport and arts clubs to help schools stay open an extra hour per day.

£20 million a year to be invested in new funding for a Northern Powerhouse Schools Strategy.

## **Health**

The introduction of a new sugar levy on the soft drinks industry. It will come into force in two years, based on the volume of sugar, two bands: those with 5g per 100ml and those with more than 8g per 100ml, pure fruit juices and small businesses excluded. It will raise £520 million.

Allocation of £12 million from the Tampon Tax to these charities across the UK, from Breast Cancer Care to the White Ribbon Campaign.

Tobacco duty to rise from two per cent from tonight.

Beer, cider and whisky duties to be fixed at current rates.

Libor fines to be used to support children's hospital treatment.

Confirmed real terms increase to the disability budget, but changes to target those who need support most, in line with last week's DWP announcements.

## **Police, security and justice**

Transferring new powers over the criminal justice system to Greater Manchester.

## **Devolution**

From 2018 the price of the tolls on the Severn Crossings will be halved.

Extending enhanced capital allowances to the enterprise zone in Coleraine.

Over £4 million from LIBOR fines to help establish the first Air Ambulance service for Northern Ireland.

An East Anglia Combined Authority has been confirmed with funding of £1 billion.

Greater Lincolnshire will adopt an elected mayor as well and will receive new powers and funding.

The devolution of business rates to the Greater London Authority will be delivered next April, three years earlier than planned.

100 percent of local government resources from local government by the end of the parliament.

Opening negotiations on new city deals with Edinburgh and Swansea.

## **Northern Powerhouse**

Local Growth Fund:

- up to £1.8 billion will be allocated through a further round of Growth Deals with Local Enterprise Partnerships later this year.

- a further £2 billion of the Local Growth Fund is being allocated through the Home Building Fund.
- next round of the Coastal Communities Fund, for projects starting in 2017/18, will open for applications this summer

### **2015/16 Key Project Starts:**

£220 million upgrade to M6 J16-19 between Crewe and Knutsford.

Construction of the £230 million A6 to Manchester Airport relief road.

Phase one of the Leeds Flood Alleviation Scheme.

### **Key Project Completions**

Electrification of railway between Manchester and Liverpool.

£120 million M1 J39-42 Smart Motorway between Wakefield and Leeds.

Construction of the £300 million Liverpool2 deep water terminal at Seaforth.

### **2016/17 Key Project Starts:**

Construction of £200 million New Polar Research Vessel, Birkenhead.

New rail franchises for TransPennine Express and Northern start 1 April 2016.

£100 million improvement to A19/A1058 Coast Road Junction in Newcastle.

£75 million development of improvements to M60, Northern TransPennine links (A66 and A69) and TransPennine tunnel between Manchester and Sheffield.

### **Key Project Completions:**

£192 million upgrade to A556 Knutsford to Bowdon.

Carrington Power Station enters operation, after a £620 million construction.

### **2017/18 Key Project Starts:**

ESIOS – Energy Subsurface Test Centre, Chester.

National Centre for Ageing Science and Innovation, Newcastle.

Smart Motorway on the M62 J10-12 (Manchester – Warrington).

£13 million for Hull UK City of Culture 2017.

### **Key Project Completions:**

£380 million of improvement works on the A1 Leeming to Barton.

£210 million Smart Motorway on M60 J8 – M62 J20.



Graphene Engineering and Innovation Centre, Manchester.

Cognitive Computing Research Centre, Cheshire (Hartree Phase III).

Plans produced for High Speed 3 between Leeds and Manchester to reduce journey times to around 30 minutes.

National College of High Speed Rail, Doncaster.

**2018/19 Key Project Starts:**

Ouse and Foss flood defence schemes in York, and phase two of the Leeds Flood Alleviation Scheme.

Publish second Roads Investment Strategy (2020-25), which could include TransPennine tunnel and upgrades to northern TransPennine roads and M60.

Comprehensive upgrades to the TransPennine rail route, paving the way for High Speed 3.

**Key Project Completions:**

Tees Renewable Energy Plant and £190-200 million Energy Works in Hull.

Great Exhibition of the North 2018.

**2019/20 Key Project Starts:**

Upgrades to the A5036 Princess Way and M56 J6-8 Smart Motorway (Manchester Airport – A556).

Smart Motorway on the M62 J20-25 (Leeds – Manchester).

Upgrades to the A1 north of Ellingham.

M62/M606 Chain Bar in Bradford.

**Key Project Completions:**

M62 J10-12, M60 J24-27 & J1-4 South of Manchester Smart Motorway.

Sir Henry Royce Institute for Advanced Materials, Manchester.

National Institute for Smart Data Innovation, Newcastle.

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## **Appendix 3: Bills announced in the Queen's speech 2016**

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### **Neighbourhood Planning and Infrastructure Bill (England and Wales)**

- 1 To reform planning and give local communities more control to shape their own areas and build more homes. Pre-commencement planning conditions to be streamlined to speed up housing developments. Changes to make compulsory planning orders "clearer, fairer and faster". A new statutory framework for paying compensation, based on market value of land. National Infrastructure Commission to be put on statutory footing. Land Registry to be privatised.
- 2 The consultation on privatisation of the Land Registry has only recently closed so this Bill will not be published before the summer.

### **Digital Economy Bill (England, Wales, Scotland and Northern Ireland)**

- 3 Every UK household will have legal right to a fast broadband connection with Minimum speed of 10Mbps to be guaranteed through Broadband Universal Service Obligation. Properties in the "remotest areas" may have to contribute to cost of installation. Consumers will have the right to automatic compensation when broadband service goes down. A new code to cut the cost of building mobile phone masts and broadband cables. Companies must get consent before sending promotional spam emails, with fines for transgressors. All websites containing pornographic images to require age verification for access.
- 4 It is understood that the bill along with a new digital strategy is likely to be published after the European Referendum.

### **Better Markets Bill (England, Wales, Scotland and Northern Ireland)**

- 5 The Competition and Market Authority (CMA) recommendations for energy competition to be implemented. Measures to make it easier for customers to switch banks and energy providers. Speeding up competition investigations and giving regulators more powers. Simplifying the way economic regulators operate to make things more straightforward for business and cut red tape.
- 6 This bill is unlikely to come forward until after the summer recess.

### **Modern Transport Bill**

- 7 Measures to encourage investment in driverless cars, electric cars, commercial space planes and drones (Great Britain only). Ensuring insurance is available to users of driverless cars (Great Britain only). Updating Air Travel Organiser's Licence (Atol), the UK's financial protection scheme for holidays (UK-wide).
- 8 This Bill is expected to be published in autumn, to be scrutinised by parliament in the run up to December.

### **Bus Services Bill (England)**

- 9 Combined local authorities with elected mayors to have power to franchise local services and to give elected mayors and local transport authorities the power to

improve bus services for the people who use them. Mayoral combined authorities would be given London-style powers to franchise local services. Councils to set standards for ticketing, branding and frequency of services. Data about routes, fares and times would be made available across the country to app developers to give passengers better information about how to make the most of local bus services.

- 10 The Bill could be published imminently having been confirmed in last year's Queen's Speech.

### **Local Growth and Jobs Bill (England)**

- 11 Framework to be put in place to enable local authorities to retain 100 percent of business rates levied. New powers to be devolved to local authorities to be set out in law. Combined authority mayors to have scope to levy business rate supplement to fund infrastructure projects.
- 12 It is anticipated that the bill is likely to be introduced shortly after the summer recess.

### **Criminal Finances Bill**

- 13 New criminal offence making companies liable for stopping their staff facilitating tax evasion. Changes to laws on the proceeds of crime, to make it easier for the police and courts to recover criminal assets. The Suspicious Activity Reports regime to be refocused, with emphasis on tackling systemic money laundering.
- 14 It is expected that the bill will be presented to parliament after the summer recess.

### **NHS (Overseas Visitors Charging) Bill**

- 15 Overseas migrants and visitors will be charged for NHS services they are not entitled to. Tighter residency rules mean fewer visitors from the European Economic Area will be able to access free health care. "Full cost" of treating overseas patients to be recovered and ploughed back into NHS.
- 16 It is not known when the bill is likely to come forward.

### **Children and Social Work Bill (England)**

- 17 Adoption procedures to be speeded up. Councils required to tell children leaving care what services they are entitled to. All care leavers to have right to personal adviser to the age of 25. A new social work regulator to focus on training and professional standards. A duty on councils and schools to promote educational achievement for adopted children.

### **Education for All Bill (Mainly England)**

- 18 Powers to convert under-performing schools in "unviable" local authorities to academies. Goal of making every school an academy but no compulsion to do so. Head teachers, not councils, to be responsible for school improvement. A new national funding formula for schools. Schools to be responsible for assisting excluded pupils.

- 19 It is not known when the bill will come forward although it has been suggested that the government may look to bring forward some of the less controversial pieces of legislation earlier in the parliament.

### **Higher Education and Research Bill (Mainly England)**

- 20 Removing barriers for new universities to be set up and for existing providers to get university status. New Teaching Excellence Framework to focus on raising standards. Universities to be required to publish detailed admissions data on ethnicity, gender and socio-economic background.
- 21 It is not known when the bill is likely to come forward.

### **Prison and Courts Reform Bill (England and Wales)**

- 22 New "reform" prisons to be opened, with emphasis on training, rehabilitation and education. Governors of new prisons to have freedom to agree service contracts and establish their own boards. More statistics on post-release offending and employment rates to be published. Courts and tribunals to be modernised, with greater use of technology to reduce delays.
- 23 As the government has already announced the six pilot sites for the new Reform Prisons, it is envisaged that the bill could come forward relatively quickly.

### **Counter-Extremism and Safeguarding Bill (England and Wales)**

- 24 A new civil order regime to be introduced to restrict extremist activity. New powers of intervention to tackle radicalisation of children in "unregulated education settings". The government to step in where councils fail to tackle extremism, subject to consultation. Ofcom to have power to regulate internet-streamed material from outside EU.
- 25 It is envisaged that the bill could come forward relatively quickly.

### **National Citizen Service Bill (Discussion with devolved administrations)**

- 26 New statutory framework to deliver the National Citizen Service (NCS). All state secondary schools, academies, private schools and councils required to promote the NCS.
- 27 The legislative timetable is not known.

### **Bill of Rights (Subject to consultation)**

- 28 Plans for a British bill of rights to replace the Human Rights Act will be published in "due course" and subject to consultation. Proposals for a new framework of human rights, based on those set out in the European Convention on Human Rights. Bill of rights also to take into account UK's "common law tradition".

### **Pensions Bill**

- 29 Better protection for people paying into multi-employer pension schemes known as Master Trusts (Great Britain only). Master Trusts to have to meet new criteria and be subject to closer supervision (Great Britain only). Capping early exit fees charged by trust-based occupational pension schemes (Great Britain only). Pension Advisory Service, Pension Wise and Money Advice Service to be merged into single body (UK-wide). New financial advice body to be created (UK-wide)

30 The legislative timetable is not known.

### **Lifetime Savings Bill (England, Wales, Scotland and Northern Ireland)**

31 Help to Save scheme announced in Budget to help those on low incomes build up "rainy day fund". Those in work but getting certain benefits who put aside £50 a month will see it matched by state. New Lifetime ISA for under-40s to be introduced, offering £1,000 tax-free payment each year for those saving £4,000.

32 With the Lifetime ISA due to be available in April 2017 the legislation would need to be implemented earlier in the parliament for the new top-up subscription to be included. Therefore the legislation looks likely to be brought in later in the year.

### **Small Charitable Donations Bill (England, Wales, Scotland and Northern Ireland)**

33 Gift Aid Small Donations scheme to be changed following a public consultation. Aim to increase benefits of scheme for new and smaller charities, including amateur sports clubs. Clarify rules concerning how charities connected with community buildings can benefit.

34 The draft legislation will be brought forward following the consultation period, which closes on 1 July 2016.

### **Cultural Property (Armed Conflicts) Bill**

35 The UK to ratify the Hague Convention for the Protection of Cultural Property in the event of armed conflict. Dealing in cultural property illegally exported from occupied territory to be made criminal offence. Property protected under the convention and its protocols to be identified by new Blue Shield.

36 The legislative timetable is not known.

### **Intellectual Property (Unjustified Threats) Bill**

37 To reform the law of unjustified threats of infringement proceedings for patents, trademarks and design rights. To make the UK the best place in Europe for innovation, the patenting of new ideas, and expanding businesses.

38 It is not known when this Bill will be brought before Parliament, however it may be debated alongside the Digital Economy Bill and strengthen measures on Intellectual Property rights.

### **Draft Law of Property Bill**

39 The government will bring forward proposals to respond to the recommendations of the Law Commission's report on Making land work: easements, covenants and profits à prendre (2011) to simplify the law around land ownership.

40 The legislative timetable is not known.

### **Carried-over bills**

41 In addition, six bills are being carried over from the 2015/16 parliamentary session. They are:

- High Speed Rails (London-Midlands) Bill;
- Policing and Crime Bill;

- Investigatory Powers Bill;
- Finance Bill 2017;
- Wales Bill.

## Other commitments

- 42 The government also re-affirmed its commitment to a number of other measures, including:
- **Soft Drinks Industry Levy** - New levy on producers of drinks with added sugar content to come into force in April 2018. Measure to be included in 2017 Finance Bill. Money raised will be used to increase funding for school sports, after-school activities and breakfast clubs.
  - **Constitutional Affairs** - The Scotland Act 2016, which received Royal Assent in March 2016, delivers in full the all-party Smith Commission Agreement. The Act transfers a raft of new powers to the Scottish Parliament. The government will work closely with the incoming Northern Ireland Executive and the new Irish government to deliver the remaining commitments of the December 2014 Stormont House Agreement.
  - **Oversee electors** - The government will legislate to extend the franchise for British citizens living abroad to vote in UK parliamentary and European parliamentary elections. The Bill would enable British citizens who have been resident overseas for more than 15 years to continue to vote in UK elections.
  - **Home building** - The government reaffirmed its commitment to delivering a step change in housing supply, extending home ownership, and supporting new garden cities, towns and communities, and announced a £3 billion Home Building Fund - £2 billion focused on long term loans to unlock a pipeline of 160,000 to 200,000 homes over the long term, and £1 billion to support small developments and custom builds.
  - **International development spending** – The government reaffirmed its commitment to spend 0.7 percent of Gross National Income (GNI) on overseas development.
  - **Life changes strategy** - The forthcoming Life Chances Strategy will set out this government's new approach to tackling poverty and transforming the life chances of the most disadvantaged children and families. The Strategy will include a set of measures on the root causes of poverty.
  - **National security** – the government reaffirmed its commitment to: meeting the NATO guideline to spend two percent of GDP on defence every year of this decade; the Armed Forces Covenant; and the commitment to build four new nuclear-armed submarines to replace the Vanguard class.
  - **Northern Powerhouse** – the government re-iterated its commitment to continue to support the development of a Northern Powerhouse.
  - **Seven day NHS** - Seven day services in hospitals will be implemented across the parliament in a phased way. Ten areas have committed to implement the clinical standards for a quarter of the population by March 2017. This will rise to 50 percent of the population by March 2018 and everyone by 2020.
  - **UK economy and fiscal** - The deficit has been cut by almost two-thirds as a share of GDP since its post-war peak in 2009/10, reaching 3.9 percent of GDP by

the end of 2015/16. The OBR forecasts that the UK deficit will be eliminated by 2019/20.

- **Support for working people** - The government reaffirmed its commitment to continue to cut taxes and has committed to increasing the personal allowance to £12,500 and the higher rate threshold to £50,000 by the end of this Parliament. The government will increase the personal allowance to £11,500.
- **UK's role in the World** - The government reaffirmed its commitment to:
  - responding to crises, committing £2.3 billion to the refugee crisis in Syria and raising a further over £7 billion in global pledges;
  - committing military and intelligence capabilities to disrupt the people trafficking networks in the Mediterranean;
  - following the Paris climate agreement, to reducing emissions and increasing investment in clean energy technologies.