

**Cabinet**

**20 July 2016**



**Medium Term Financial Plan (7), Council Plan, Service Plans 2017/18-2019/20 and Review of the Local Council Tax Reduction Scheme 2016/17**

**CORP/R/16/02**

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**Report of Corporate Management Team**

**Paul Darby , Interim Corporate Director Resources**

**Lorraine O'Donnell, Assistant Chief Executive**

**Councillor Alan Napier, Cabinet Portfolio Holder for Finance**

**Councillor Simon Henig, Leader of the Council**

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**Purpose of the Report**

- 1 To provide an update on the development of the 2017/18 budget, the Medium Term Financial Plan (MTFP(7)) and Council Plan/Service Plans 2017/18 to 2019/20 and a review of the Local Council Tax Reduction Scheme.

**Executive Summary**

- 2 The financial outlook for the Council continues to be extremely challenging with government funding reductions confirmed as continuing until at least 2020. The Chancellor of the Exchequer's 16 March Budget reported a further deterioration in the public finances. At this stage however the government have stated that this deterioration in the public finances will not result in a change to the four year settlement provided to local authorities in February 2016.
- 3 Access to the four year settlement is contingent on the council publishing an 'Efficiency Plan'. There was no prescriptive guidance on what constituted an acceptable plan and the Council's Medium Term Financial Plan approved by Council on 24 February 2016 is deemed to satisfy the requirement.
- 4 The national finances however continue to face significant uncertainty. The performance of the economy is not meeting government expectations, which is likely to result in the deficit reductions being missed again. There is also the significant uncertainty in relation to the result of the European Referendum which could also impact upon the economy, with the Chancellor of the Exchequer warning of the need to review government spending plans should there be a "Brexit", which could impact adversely on the public sector.

- 5 The full impact of the Referendum result is not yet clear in terms of the future funding outlook for Local Government and for the Council. Immediately after the result the Bank of England announced plans for further quantitative easing and many commentators are now predicting a further cut in base rates to help stave off inflationary pressures in the coming months. On 1 July, 2016 the Chancellor of the Exchequer announced that the Government was abandoning its plans to return the public finances to a surplus position by 2020. This target was one of the prime drivers of the austerity programme and has been set aside at this stage in response to the “economic shock” being caused by the result of the referendum.
- 6 At this stage the Council is planning on the basis of the four year settlement previously provided by government but recognises that additional funding reductions from government could still be forthcoming. The Council may need to review the MTFP projections and its savings requirements over the coming months in light of the impact of the Referendum result.
- 7 In line with announcements in the February 2016 final local government finance settlement the government has started the process of moving towards 100% Business Rate Retention. The planning process includes a fundamental review of the method for funding local government. Although government has confirmed that 100% Business Rate Retention will not be introduced until at least 2019 the planning process will need to be extensive. At this stage it is assumed that the introduction of 100% Business Rate Retention will be cost neutral, however, over time this assumption may need to be amended.
- 8 Although the four year settlement from government is unchanged to that reported to Council in February 2016, in line with previous practice the MTFP Model has been reviewed. Savings of £64.1million will be required to balance the budget over the 2017/18 to 2019/20 period.
- 9 The achievement of an additional £64.1million of savings over the next three years will be extremely challenging and will have an increased impact on front line services. The emphasis since 2011/12 has been to minimise savings from front line services by protecting them wherever possible whilst maximising savings in management and support functions. This is becoming much more difficult however, as the scope for further savings in managerial and back office efficiencies are becoming exhausted following the delivery of £181.5million of savings by 31 March 2017.
- 10 This report contains the details of proposed savings options for 2017/18 which will be consulted on as part of the development of MTFP(7). Including the proposed savings options being considered at this stage in the budget planning process will give an opportunity for early consultation and dialogue on savings which will inevitably impact upon front line services. This early consultation and feedback from the public, service users and stakeholders will inform final decisions on MTFP(7) in February 2017 and allow the council to put processes in place to make the savings in a timely manner.
- 11 The total savings options for 2017/18 included in this report total £29.1million. Based upon current savings requirement for 2017/18 this leaves a shortfall of £8.2million in 2017/18 at this stage. This would require the council to utilise £8.2million of the Budget Support (BSR) Reserve, which presently stands at

£28.4million following the use of £1.622million in 2016/17, to bring the budget into balance. Alternatively, the Council could opt to make further savings to bring the budget into balance. These options will be kept under review in the coming months as the budget decision making process develops and in light of feedback from the consultation process. The balance on the Budget Support Reserve would be £20.178million at 31 March 2018.

- 12 The Council along with Northumberland are the only two local authorities in the North East to have retained entitlement levels for Council Tax support within the Local Council Tax Reduction Scheme (LCTRS) in line with that which applied under the national Council Tax Benefit regime prior to 2013/14. The policy has protected vulnerable residents at a time when welfare reform changes have had a significant adverse impact. This report is recommending that the current LCTRS is retained for a further year into 2017/18. Should the Cabinet agree, the Council will need to formally adopt this policy at Full Council before 31 January 2017.

## **Background**

- 13 To ensure MTFP(7) Council Plan and Service Plans can be developed effectively and savings targets to be delivered in time to produce a balanced budget, it is important that a robust plan and timetable is agreed and followed.
- 14 The current MTFP(6) forecast that the Council agreed in February 2016 covers the four year period 2016/17 to 2019/20. It is recommended at this stage that MTFP(7) covers a three year period 2017/18 to 2019/20 which takes plan up to the end of current four year confirmed settlement. The 2017/18 savings options have been included in this report, reflecting the need for the Council to consider early the scale of the savings options to ensure detailed consultation can occur in these areas.
- 15 At this stage of the planning cycle for MTFP(7) the following areas are presented for consideration of Cabinet:
- (i) An update on the development of the 2017/18 budget since the Council agreed its MTFP(6) strategy on 24 February 2016;
  - (ii) The savings options to be consulted upon as part of the development of MTFP(7) and the 2017/18 budget;
  - (iii) An update on the MTFP(7) savings forecast for the period 2017/18 to 2019/20;
  - (iv) Proposed approach to the Council Plan and Service Plans 2017/18 to 2019/20;
  - (v) A draft MTFP(7) and Council Plan decision making timetable;
  - (vi) Proposed approach for consultation of MTFP(7) and Council Plans;
  - (vii) Workforce implications;
  - (viii) Equality considerations;

- (ix) Consideration of the proposed Local Council Tax Reduction Scheme (LCTRS) for 2017/18;

## **Review of MTFP Model**

- 16 The financial outlook for the Council continues to be extremely challenging with government funding reductions confirmed as continuing until at least 2020. The Chancellor of the Exchequer's 16 March Budget reported a further deterioration in the public finances. At this stage however the government have stated that this deterioration in the public finances will not result in a change to the four year settlement provided to local authorities in February 2016.
- 17 Access to the four year settlement is contingent on Government agreeing the Councils 'Efficiency Plan', which has been submitted in accordance with the Cabinet decision on 13 January, 2016. There was no prescriptive guidance on what constituted an acceptable plan and Government will make announcements on multi-year settlements as part of the autumn statement this year.
- 18 The national finances however continue to face significant uncertainty. The performance of the economy is not meeting government expectations, which is likely to result in the deficit reductions being missed again. There is also the significant uncertainty in relation to the result of the European Referendum which could also impact upon the economy, with the Chancellor of the Exchequer warning of the need to review government spending plans should there be a "Brexit", which could impact adversely on the public sector.
- 19 The full impact of the Referendum result is not yet clear in terms of the future funding outlook for Local Government and for the Council. Immediately after the result the Bank of England announced plans for further quantitative easing and many commentators are now predicting a further cut in base rates to help stave off inflationary pressures in the coming months. On 1 July, 2016 the Chancellor of the Exchequer announced that the Government was abandoning its plans to return the public finances to a surplus position by 2020. This target was one of the prime drivers of the austerity programme and has been set aside at this stage in response to the "economic shock" being caused by the result of the referendum.
- 20 At this stage the Council is planning on the basis of the four year settlement previously provided by government but recognises that additional funding reductions from government could still be forthcoming. The Council may need to review the MTFP projections and its savings requirements over the coming months in light of the impact of the Referendum result.
- 21 In line with previous years, a thorough review of the Council's budget has taken place subsequent to the approval of MTFP (6) by the Council on 24 February 2016. This has resulted in a number of changes to the assumptions built into 2017/18 and where necessary future years' budget models. The key adjustments are detailed below:

- (i) **Education Support Grant**

Alongside the March 2016 budget, the government published *Educational Excellence Everywhere*, its white paper for education, which proposes the removal of a wide range of statutory responsibilities for local authorities in relation to Education. Local authorities presently receive Education Services Grant (ESG) to recompense for carrying out these responsibilities. It is expected that some responsibilities will be retained but it is forecast that £4.3million of the total ESG received in 2016/17 of £5.4million will be withdrawn. The reduction will begin from September 2017 with a forecast £2.5million reduction in 2017/18 and a further £1.8million reduction in 2018/19. Until the removal of statutory duties is confirmed it is not possible to determine what the reduction is costs may be for the council.

(ii) **Housing Benefit Administration Grant**

The government has a track record of reducing this grant annually although there is no significant reduction in workload in terms of housing benefit processing. It was previously forecast that the grant would reduce by £400,000 per annum across the MTFP (6) period. Based upon the 2016/17 reduction in the grant of £200,000 it is felt reasonable to reduce the forecast annual reduction in this grant across the MTFP (7) period to £300,000 per annum.

(iii) **Council Tax and Business Rates – Tax Base Increase**

The Council benefits from any growth in either the Council Tax or Business Rate tax base due in the main to more properties being built and budget assumptions made with regards to discounts and exemptions and in particular forecasts of the impact of the Local Council Tax Reduction Scheme. The only increase in tax base included in forecasts across the MTFP (6) period reported to Council on 24 February 2016 was a £750,000 increase in the Council Tax base in 2017/18. No increase was assumed in the Business Rate tax base due to continuing concerns in relation to the impact of business rate appeals.

The Council continues to develop its forecasting arrangements for both Council Tax and Business Rate tax bases. These developments are enabling the Council to be more certain in relation to forecast tax base increases into future years. Based upon current forecasts the following updated tax base increases have been included in MTFP(7) planning:

<b>Tax Base</b>	<b>2018/19</b>	<b>2019/20</b>
	<b>£million</b>	<b>£million</b>
Council Tax	1.000	1.000

In relation to 2018/19 and 2019/20 it is prudent at this stage to forecast an increase of £1million for Council Tax base growth but a flat line position for Business Rates.

(iv) **Pay Inflation**

MTFP(6) planning included a 1.5% uplift for pay inflation in 2017/18. A two year pay deal for 2016/17 and 2017/18 has now been agreed, which provides for a 1% pay increase for employees in each year. This has enabled the budget pressure in 2017/18 to be reduced to £2.2million.

(v) **Contingency Budget**

This budget is held to ensure the Council is able to respond to in year emergencies. The reasonable level of General Reserves at this point provides the confidence to reduce this budget in 2017/18 by £2million.

(vi) **Capital Financing**

The Council is required to borrow to finance elements of the Capital Programme. Annually, budget sums are included in MTFP plans to finance future borrowing, based on projected capital budget spending levels. These budget sums assume the interest rates that must be paid on borrowing with the Public Works Loan Board (PWLB), being the main body from which loans are taken. In recent years interest rates have been forecast for borrowing purposes to be in the 4.5% to 5.5% range, in line with advice from the Council's Treasury Management advisers. Although forecasts in recent years have indicated that interest rates would soon rise, rates have remained at historically low levels for a number of years and are unlikely to increase significantly until at least 2017.

The Council is now estimating that due to higher than forecast cash balances and low interest rates, the Council will not need to borrow as much as previously forecast over the next two years and that interest rates should also be lower than previous assumptions. With this in mind, a sum of £2million has been released back into the MTFP in 2017/18 and £1million in 2018/19 from the Capital Financing budget.

(vii) **Other Budget Pressures**

The Council is required to pay an annual sum into the Pension Fund to contribute towards a Pension fund deficit. This sum is fixed every three years as part of the triennial review of the Pension fund. The Pension Fund actuary normally insists upon an annual inflationary uplift in this

sum. The current low inflation level provides confidence in being able to reduce the forecast inflationary uplift in 2018/19 and 2019/20 to £800,000.

The reduction in oil prices has also influenced energy prices and there is now confidence in being able to reduce the annual pressure for energy inflation to £250,000 across the MTFP(7) period.

The Council utilises a wide range of Microsoft software products. Annual licence costs have to be paid to Microsoft in this regard. Microsoft are presently reviewing these licence costs and the council is forecasting a significant increase in 2018/19 of up to £500,000. This cost increase will be applied to all Microsoft users and not just the Council. A thorough review of all utilisation of these products will be carried out but it is prudent to include a base budget pressure for 2018/19 at this point.

The Council will be required to establish a new Medical Examiners Service in 2017/18 as a result of the Governments proposals to strengthen the certification of death process. This transfer of responsibility to local government was reported to Cabinet on 15 June 2016. It is forecast that this will result in a new burden and that the service will not be cost neutral. Whilst the Council is lobbying for new burdens funding for this new service, it is prudent at this stage to include a base budget pressure in 2017/18 of £100,000.

### **2017/18 Savings Forecast**

- 22 Based upon the revised assumptions detailed in this report, the savings requirement for 2017/18 is forecast to be £33million. This is detailed in the revised MTFP(7) model in Appendix 2. The savings options presently being considered to realise the required savings target are £29.1million
  
- 23 The Budget Support Reserve (BSR) was established specifically for the purpose of financing a shortfall of this nature. At the same time, however, a further adjustment of £4.2million is also required due the use of one off funds in 2016/17 to balance the budget, being the utilisation of BSR (£1.6million) and use of a Collection Fund surplus (£2.6million). This increases the need to achieve savings in 2017/18. On that basis it is forecast at this stage that an additional £8.2m of the BSR will need to be utilised in 2017/18 to support the MTFP. This will reduce the balance on the BSR from £28.4million at 31 March 2017 to £20.2million at 31 March 2018. The table below illustrates the 2017/18 position, providing an overview of how the 'Savings Requirement' is forecast to be realised as follows:

	£million	£million
Savings Requirement		33.043
Add Use of One Off Funds 2016/17		
Budget Support Reserve	1.622	
Collection Fund Surplus	<u>2.617</u>	4.239
Financed as follows:		
Savings Options	(29.105)	
Use of Budget Support Reserve	<u>(8.177)</u>	(37.282)
<b>SHORTFALL</b>		<b>0</b>

- 24 This position will be monitored closely over the coming months. The outcome of the consultation process on both MTFP(7) and individual savings options will also influence the final proposals to be considered by Council in February 2017. It is imperative that the Council continues to review budgets and consider all savings options to minimise the reliance upon the BSR in 2017/18 and beyond. Utilising the BSR to balance the budget is not a long term sustainable strategy and, merely delays the required base budget reductions required to bring the budget into balance.
- 25 To ensure consultation can begin as soon as possible on the 2017/18 savings, details of the options for consideration are detailed in Appendix 3.

#### **MTFP(7) – 2017/18 to 2019/20 Update**

- 26 The adjustments to MTFP(7) planning detailed in this report have impacted upon the forecast savings requirements for the 2018/19 to 2019/20 period.
- 27 The forecast utilisation of £8.2million of the BSR in 2017/18 helps reduce the savings requirements in 2017/18 but results in an increase in the 2018/19 savings targets.
- 28 The current forecast of savings yet to be identified for 2018/19 and 2019/20 are detailed below. This is after deducting £1.851million of savings in 2018/19 and £918,000 of savings in 2019/20 which Council have already agreed.

#### **New Savings Proposals to be Identified £million**

2018/19	19.856
2019/20	12.395
<b>TOTAL</b>	<b>32.251</b>

- 29 Work will continue over the coming months to identify savings options to realise the £32.251million of savings requirements identified above.



## **Proposed Approach to the Development of the Council Plan and Service Plan**

- 30 The Council Plan is the high level corporate plan for the Council. It sets out what the Council is aiming to achieve over the next three years. Investments and savings agreed as part of the MTFP (7) will be targeted to achieve the objectives in the Council Plan as part of our strategic planning process.
- 31 The Council Plan also aligns to the Sustainable Community Strategy (SCS) which is a long term strategy for the county running to 2030, developed and agreed by the council and its partners through the County Durham Partnership. It sets out how the Council will deliver its contribution to the five SCS priority themes, as well as including a sixth theme of an Altogether Better Council, aimed at improving how the council runs itself.
- 32 The priorities set out in the current Council Plan include an ongoing focus on protecting frontline services from budget savings as far as possible, albeit recognising that this is becoming increasingly difficult.
- 33 This year it is proposed that the Council Plan will be reviewed to sharpen its format and content, in line with the updated MTFP focus over the coming years. The refresh will also allow the Council Plan to be updated to reflect relevant changes in national and regional policies and issues arising from consideration of performance outcomes for the last year. Member input is proposed via Corporate Issues Overview and Scrutiny Committee considering key Cabinet reports, linked to the MTFP, in accordance with the timetable at paragraph 37.

## **MTFP(7) and Council Plan**

- 34 The development of MTFP(7) is fundamental to ensuring that the Council can plan and prepare for the impact of continuing reductions in Government funding; plan for known budget pressures and set a balanced budget each year. The timetable for delivery of MTFP(7), the Council Plan and Service Plans has taken the following into account:
- (i) The need to make changes to Council priorities as part of the development of the Council Plan;
  - (ii) Consultation requirements;
  - (iii) Equality and Diversity impact considerations;
  - (iv) Government announcements; and
  - (v) The need to consider both revenue and capital.
- 35 As usual, it is proposed that a series of scrutiny sessions are held to consider the developing MTFP proposals, linked to the developing Cabinet proposals. Following last year's scrutiny exercise, members of Corporate Issues Overview and Scrutiny Committee requested that Cabinet provide more detail in relation to MTFP proposals to inform their considerations, and at an earlier stage if possible. The proposals contained in this MTFP report are scheduled for consideration by OSMB in September 2016.

- 36 It is proposed that the proposed savings details attached are considered by a joint October Corporate Issues / OSMB meeting. Where savings areas are deemed of further interest to a thematic scrutiny committee, these can then be referred to the relevant committee for more in depth scrutiny, with feedback to a final Corporate Issues / OSMB session in the New Year.
- 37 A high level timetable up to Budget setting is detailed below:

Date	Action
20 July	MTFP/Council Plan report to Cabinet
September / October	MTFP/Council Plan consultation process
16 September	Overview and Scrutiny Management Board consider 13 July Cabinet Report
10 October	Corporate Issues Overview and Scrutiny Committee (CIOSC) consider 13 July Cabinet Report
November / December	2017/18 Finance Settlement announced by DCLG
14 December	MTFP/Tax Base /Consultation Update report to Cabinet
January	CIOSC consider 14 December Cabinet Report
8 February	Budget Report to Cabinet
February	OSMB meeting to consider budget
22 February	Council Budget and MTFP report

### Proposed Consultation Programme

- 38 Based on the best practice that has developed over previous budget consultations, the 14 Area Action Partnerships (AAPs) will be a key feature of the MTFP consultation exercise. AAP boards have been informed of the forthcoming consultation and they have each allowed time for there to be a budget presentation at their Board meetings in September.
- 39 In addition to the presentations to AAPs, proposals are currently being developed to carry out an online questionnaire seeking views on the Council's approach to managing budget reductions to date as well as proposals for the forthcoming year.

- 40 In line with previous years, these public consultation exercises will be supplemented with targeted requests for views from the Council's key partners that make up the County Durham Partnership as well as groups and organisations known to the 14 local AAPs.

### **Workforce Implications**

- 41 The Council originally estimated 1,950 reductions to full time equivalent posts by the end of 2014/15. By 31 March 2016 there had been a reduction of 2,110 posts, of which 1,580 have been managed through Early Retirement/Voluntary Redundancies and careful management of and deletion of vacancies. It is forecast that after taking into account 2016/17 savings plans, the figure will be around 2,450.
- 42 In order to achieve the savings set out in this report the Council will continue to take all possible steps to avoid compulsory redundancies and minimise the impact upon the workforce. This will require a continued focus on forward planning, careful monitoring of employee turnover, only undertaking recruitment where absolutely necessary and retaining vacant posts in anticipation of any required service changes, seeking volunteers for early retirement and/or voluntary redundancy and maximising redeployment opportunities for the workforce wherever possible.
- 43 In addition, the way that work is organised and jobs designed will continue to be reviewed by service groupings, with the support of Human Resources, to ensure that changes that are made to maximise the use of the workforce numbers and skills and introduce flexibility into the way work is organised to maximise the capacity of the remaining workforce.
- 44 These actions will ensure that, wherever possible, service reductions continue to be planned well in advance of commencing the exercises, employees are able to consider their personal positions and volunteer for ER/VR prior to the start of the exercise should they wish to, thereby enabling, in a number of situations, the retention of sustainable employment in the County for those who wish to remain in the workplace.

### **Equality Impact Assessment of the Medium Term Financial Plan**

- 45 Consideration of equality analysis and impacts is an essential element that members must consider in approving the savings plans at Appendix 3 for consultation. This section updates members on the outcomes of the equality impact assessment of the MTFP (7) to date, and summarises the potential cumulative impact of the 2016/17 proposals.
- 46 The aim of the assessments is to:
- (i) Identify any disproportionate impact on service users or staff based on the protected characteristics of age, gender (including pregnancy/maternity and transgender), disability, race, religion or belief and sexual orientation.
  - (ii) Identify any mitigation actions which can be taken to reduce negative impact where possible.

- (iii) Ensure that we avoid unlawful discrimination as a result of MTFP decisions.

47 As in previous years, equality impact assessments are being considered throughout the decision-making process, alongside the development of MTFP(7). This is required to support MTFP process decisions which are both fair and lawful. The process is in line with the Equality Act 2010 which, amongst other things, makes discrimination unlawful in relation to the protected characteristics listed above and requires us to make reasonable adjustments for disabled people.

48 In addition, the public sector equality duty requires us to pay 'due regard' to the need to:

- (i) Eliminate discrimination, harassment and victimisation and any other conduct that is prohibited under the Act;
- (ii) Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
- (iii) Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

49 All of the savings options presented at Appendix 3 have been subject to initial equalities impact screenings where applicable. Some are existing assessments from previous years where there is a residual saving or a continuation of a savings proposal. Some are new screenings and a number of proposals do not require an assessment, for example those involving savings in supplies and services.

50 A number of successful judicial reviews have reinforced the need for robust consideration of the public sector equality duties and the impact on protected characteristics in the decision making process. Members must take full account of the duties and accompanying evidence when considering the MTFP proposals.

51 Throughout the period of MTFP planning through to setting the MTFP (7) budget in February 2017, the equality impact assessments for all savings proposals will continue to be reviewed and updated. The results of consultation will be fed into the assessments, and all assessments will be updated as further information becomes available. Final assessments will be considered in the decision-making process. In terms of the ongoing programme of budget decisions the Council has taken steps to ensure that impact assessments:

- Are built in at the formative stages so that they form an integral part of developing proposals with sufficient time for completion ahead of decision-making.
- Are based on relevant evidence, including consultation where appropriate, to provide a robust assessment.
- Objectively consider any negative impacts and alternatives or mitigation actions so that they support fair and lawful decision making.

- Are closely linked to the wider MTFP decision-making process.
- Build on previous assessments to provide an ongoing picture of cumulative impact.

## **Impact Assessments for 2017/18 Savings Proposals**

- 52 A total of 24 screenings and assessments are available for Members to inform the decision to consult on the savings listed at Appendix 3. The documentation has been made available for Members via the Member Support team ahead of this Cabinet meeting.
- 53 Proposals include potential service user impacts across age, gender and disability. Individual equality screenings will continue to be updated to reflect further information as consultation on proposals progress. They will also be updated to include mitigating actions in relation to any potential impacts at the final decision point. In addition, staffing reviews have potential impacts across all protected characteristics. Fair treatment of staff will be ensured through agreed corporate HR procedures contained within the Change Management Toolkit.
- 54 Specific potential impacts of MTFP (7) savings proposals are summarised by service below.
- 55 ACE proposals reflect a continuation of staffing review and a proposal to reduce Members' Locality Funding for projects and activities. This includes a greater emphasis on matched funded to mitigate the reduction and funding of local community projects will continue in line with local priorities leading to no disproportionate impact on groups with protected characteristics.
- 56 The majority of savings proposals from CAS reflect a continuation of previous years' savings, albeit some with new elements. The effective use of eligibility criteria will continue to deliver savings and ensures equitable treatment for adult social care users such as older people and those with a disability. A review of non-assessed social care and support services, increased charging for adult care provision and the second phase of a service review of remaining in-house adult care services have the potential to disproportionately affect older adults, women and adults with a disability.
- 57 A number of CAS proposals affect services provided for children and young people. Again, these changes largely reflect a continuation of previous years' savings, with further savings from the Youth Service Review, Review of Home to School/College Transport policies and implementation of the Looked After Children Reduction Strategy. These changes also have the potential to impact women as primary carers. Further changes to Children's Services and Education Services have the potential to impact a variety of services for children and young people with a disability, again with potential impacts on women as primary carers. EIAs will be updated as proposals develop.
- 58 Neighbourhood Services proposals reflect service and staffing reviews across a variety of functions including a review of the fleet service and workshops, administration arrangements in business support, Customer Access Points and Contact Centres and Clean and Green. The aim of these reviews is to reduce staffing costs and supplies and services budgets whilst minimising the

service impact. The council's change management toolkit will be followed to ensure fair treatment for staff, and impact assessments will be updated as proposals develop. Further savings from previous proposals include an increase to the Garden Waste charge of £5 a year, a change which has the potential to affect those with a disability who may not be able to use an alternative means of disposing of this waste and may therefore have to pay the cost of receiving this service. Ongoing savings for 2017/18 are being delivered by the Street Lighting Energy Reduction Project which has included full risk assessments to inform final decision making and is showing no evidence of disproportionate equalities impact.

- 59 New proposals in Neighbourhood Services also include a review of staffing and changes to operational arrangements relating to Killhope Museum, outsourcing the cinema and catering at the Gala Theatre and review of libraries supplies and services. In these cases changes are relatively minor and not likely to result in any significant disproportionate impact on groups or service users.
- 60 Proposals in RED include a review of all staffing areas leading to a reduction in core staffing costs. While the aim of these reviews is to achieve savings through natural turnover, ER/VR and minimal recruitment, impacts on service delivery will be monitored and the impact assessment updated throughout decision making process. Again the Council's change management toolkit will be followed to ensure fair treatment.
- 61 Further staffing reviews are proposed in Resources, affecting support services such as HR, Financial Services, Legal and Democratic Services and Internal Audit. These staffing reviews are not anticipated to have negative impacts on service delivery or specific groups or communities and will follow the Council's change management toolkit to ensure fair treatment. A restructure in the Revenues and Benefits service will prioritise rationalisation of management and supervision layers and redesigning the processes. A further part of this proposal is to reduce the funding paid to the Citizens Advice County Durham for the provision of advice services. Overall these changes have the potential to affect service users with a wide range of protected characteristics but this proposal will seek to minimise impacts on service delivery. There is a potential positive impact for service users of Citizens Advice services as it is intended that the new contract will increase provision of telephone advice. The Impact Assessment will be updated as proposals develop to detail specific impacts and mitigations.

### **Local Council Tax Reduction Scheme for 2017/18**

- 62 The Government abolished the national Council Tax Benefits System on 31 March 2013, replacing it with a requirement for local authorities to work with their precepting bodies to establish a Local Council Tax Reduction Scheme (LCTRS) with effect from 1 April 2013. The new scheme provides a 'discount' against the Council Tax charge, rather than a benefit entitlement.
- 63 The Council Tax Reduction Scheme Grant replaced Council Tax Benefit subsidy and from April 2013 is paid directly to the Council and the major precepting bodies (Police and Fire).

- 64 Government funding towards council tax support was reduced by 10 per cent nationally in 2013/14. By so doing, the Government also transferred the risk of any growth in the system through more council taxpayers becoming eligible for support with their council tax to local authorities as the government grant was a fixed amount.
- 65 The funding made available to support the Local Council Tax Support Schemes in 2013/14 (90% of the previous funding available under the Council Tax Benefit System) now forms part of the Council's formula funding arrangements. Whilst separate figures were published for this in 2013/14, there is no longer any visibility over what level of funding is actually contained within the formula now for Council Tax Reduction Schemes.
- 66 The Council's formula grant includes an element relating to Town and Parish (T&P) Councils and whilst the Council passed the grant on to the Town and Parish Councils in the last three years, there is no statutory requirement to do so.
- 67 Following discussions with the Town and Parish Councils' Working Group, and in the spirit of partnership working, recognising the important role Town and Parish Councils play in providing local services to communities, it is proposed to continue to pass on the Town and Parish element of the formula grant in 2017/18. In doing so, it is proposed that the Council continues to apply pro-rata reductions in the Council Tax Support Grant paid to Town and Parish Councils 2017/18 in line with reductions in the overall formula funding made available to the Council and this is reflected in the updated MTFP model.
- 68 In the North East region, Durham and Northumberland have schemes that continue to mirror entitlement under the former Council Tax Benefit system, whilst the other ten Councils have schemes that cap the maximum entitlement to working age claimants.
- 69 There are currently 60,328 LCTRS claimants in County Durham, of which 26,757 (44%) are pensioners and 33,571 are working age claimants (56%), 22,651 working age claimants are on 'passported' benefits and 22,041 of these receiving 100% discount. LCTRS support to claimants in terms of discounts against their Council Tax liability currently totals £53.2million.
- 70 As Members will be aware, if any changes are made to the scheme, these must be consulted on and be subject to an equality impact assessment. Councils are required to review and approved their schemes annually and have this agreed by a Council Meeting before 31 January each year.
- 71 Pensioners, have to be protected from any changes, with any reductions applied to working age claimants only.
- 72 Four years after the Government abolished the national Council Tax Benefits System the Council continues to have a Local Council Tax Support Scheme which mirrors the previous entitlement under the Council Tax Benefit System for all claimants. No council tax benefit claimants have therefore been financially worse off in the last two years than they would have been under the previous national scheme.

- 73 The Council have been mindful of the continuing impacts of the wider welfare reforms which are having a detrimental impact on many low income households and the fact that the additional Council Tax liabilities to working age households could have a significant impact on affected household budgets by around £130 a year based on a scheme whereby entitlement for working age claimants is set at a maximum of 90% entitlement. This would make collection of council tax more difficult and costly to recover from these low income households.
- 74 In approving the scheme for 2016/17 the Council (28 October 2015) gave a commitment to review the scheme on the grounds of medium term financial plan (MTFP) affordability and on-going austerity causing further MTFP pressures.
- 75 Based on Taxbase assumptions, the estimated net cost of retaining the scheme in 2016/17 is £5.064m. To recover the full £5.064m cost by reducing the benefit awarded to working age claimants would require us to reduce the maximum entitlement from 100% to 73%.
- 76 Should the Council review its scheme and reduce maximum entitlement to working age claimants, depending on the forecasted council tax collection from the affected low income households, there would be scope to increase Council Tax revenues by between £1.9m (based on a scheme that awarded maximum entitlement to working age households of 90% with a prudent collection rate of 80%) and £5.064m (based on a scheme that awarded maximum entitlement of 70% with a prudent collection rate of 80%). This would impact on 33,571 working age households where 7,553 are actually in jobs rather than being unemployed.
- 77 Following careful consideration of the current financial position of the Council and in light of the further cuts to the Welfare Budget planned by Government, it is proposed that Cabinet recommend to Council that the current scheme should be extended for a further year into 2017/18 and therefore that no additional Council tax revenues are built into the MTFP projections from a review of the LCTRS at this stage.
- 78 The reasons for extending the current scheme are due to the current scheme remaining within existing cost parameters for the Council. In addition, whilst the full impacts of the Government's Welfare Reforms are complex and difficult to track, anecdotal evidence, from demand for Discretionary Housing Payments; Social Fund Applications and Rent Arrears statistics in County Durham compared to others across the region, would suggest that the council tax benefit protection afforded to working age claimants, in addition to the wide ranging proactive support that has been put in place is continuing to have a positive impact on these areas.
- 79 The Council will need to continue to review the national situation and track what is happening in local authorities that have introduced Local Council Tax Reduction Schemes that have reduced entitlement to their working age claimants in terms of impacts and performance in terms of recovery of the council tax due.



## Recommendations and Reasons

80 Cabinet is asked to:-

- (i) Agree to commence a consultation process on the savings options detailed in Appendix 3.
- (ii) Note the forecast utilisation of £8.177million Budget Support Reserve 2017/18 to balance the budget.
- (iii) Note the requirement to identify additional savings of £32.251million for 2018/19 and 2019/20.
- (iv) Agree the approach to preparing the Council Plan and Service Plan.
- (v) Agree the high level MTFP(7) and Council Plan timetable.
- (vi) Agree the approach outlined for consultation.
- (vii) Note the forecast workforce impact resulting from the need to realise additional savings of £64.1million over the 2017/18 to 2019/20 period.
- (viii) Agree the proposals to build equalities considerations into decision making.
- (ix) Agree that Cabinet recommend to Full Council that the Local Council Tax Reduction Scheme should remain unchanged for 2017/18.

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## **Appendix 1: Implications**

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**Finance** – The report highlights that at this stage £33.043million of savings are required to balance the 2017/18 budget. Savings options of £29.1million are detailed in the report. If these savings were agreed then £8.117million of the Budget Support Reserve would be required to balance the budget in 2017/18. The use of the Budget Support Reserve will only defer the savings required and increase the sums to be found in 2017/18 and 2018/19. In addition to savings already agreed, additional new savings requirements of a forecast £32.251million will need to be identified for 2018/19 and 2019/20.

**Staffing** – The savings proposals in MTFP(7) will impact upon employees. HR processes will be followed at all times. It is now forecast that the forecast reduction in full time equivalent posts the 2011/12 to 2019/20 period will be over 3,000.

**Risk** – In terms of the Discretionary Rate Relief Policy, given the scope and nature of the organisations supported through this policy any changes which would reduce entitlement would have reputational risks to the Council and financial risks to the individual organisations. The proposals set out in this report seek to extend and enhance current arrangements in line with Government policy.

**Equality and Diversity/ Public Sector Equality Duty** – Equality considerations are built into the proposed approach to developing MTFP(7), Council Plan and Services Plans, as a key element of the process.

An equality impact assessment has not been completed at this stage in respect of the amendments to the Discretionary Rates Relief policy, as the amendments seek to extend and enhance current arrangements in line with Government policy, with regards to the increased Retail Relief and the extension of Transitional Relief for a two year period.

**Accommodation** – None specific within this report.

**Crime and Disorder** – None specific within this report.

**Human Rights** – Any human rights issues will be considered for any detailed MTFP(6) and Council Plan proposals as they are developed and decisions made to take these forward.

**Consultation** – The approach to consultation on MTFP(7) is detailed in the report.

**Procurement** – None specific within this report.

**Disability Issues** – All requirements will be considered as part of the equalities considerations outlined in the main body of the report.

**Legal Implications** – Section 47 of the Local Government Finance Act 1988 and subsequent amending legislation provides the provisions and criteria for awarding discretionary rate relief. The Localism Act 2011 amended Section 47 Clause 69, of the Local Government Finance Act 1988 to allow local authorities to reduce the business rates of any local ratepayer (not just those who can currently be granted discretionary relief), via a local discount scheme.

Statutory guidance states that any discretionary rate relief or local discount scheme must be in the interests of the wider council taxpayer.

The proposals set out in this report only seek to amend / extend current policy arrangements to take account of changes in Government policy / funding arrangements. The amendments have been actioned under a delegated decision by the Interim Corporate Director Resources, in consultation with the Deputy Leader and Cabinet Portfolio Holder for Finance but requires Cabinet approval.

## Appendix 2:

<b>Medium Term Financial Plan - MTFP (7) 2017/18 - 2019/20 Model</b>			
	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
	£'000	£'000	£'000
<b>Government Funding</b>			
Government RSG Funding Reduction	21,140	14,140	14,240
Reduction in Public Health Grant	1,263	1,363	1,363
<b>Reduction in Education Services Grant</b>	2,500	1,800	0
Reduction in Benefit Admin Grant	300	300	300
Town and Parish Council RSG Adjustment	-190	-173	-90
Business Rates - RPI increase (1.5%/2%/2%)	-820	-1,110	-1,130
Top Up Grant - RPI increase (1.5%/2%/2%)	-930	-1,270	-1,300
Better Care Fund	-2,400	-11,000	-9,700
<b>Other Funding Sources</b>			
Council Tax Increase (1.99% per annum)	-3,675	-3,800	-3,900
Council Tax Adult Social Care Precept (2% increase)	-3,695	-3,820	-3,920
New Homes Bonus - Reduction from 2017/18 onwards	2,000	2,000	2,000
Council Tax/Business Rate Tax Base net increase	-750	-1,000	-1,000
<b>Estimated Variance in Resource Base</b>	<b>14,743</b>	<b>-2,570</b>	<b>-3,137</b>
Pay inflation (1% - 1.5% - 1.5%)	2,200	3,100	3,000
Price Inflation (1.5% - 1.5% - 1.5%)	2,400	2,300	2,200
Reduction of Corporate Risk Contingency Budget	-2,000	0	0
<b>Base Budget Pressures</b>			
Costs Associated with National Living Wage	6,000	6,000	6,600
Additional Employer Pension Contributions	5,000	800	800
Energy Price Increases	250	250	250
Concessionary Fares	100	100	100
Pension Fund Auto Enrolment - Employer Contributions	550	550	0
Apprentice Levy	1,200	0	0
Microsoft Licences	0	500	0
Medical Examiner	100	0	0
CAS Demographic and Hyper Inflationary Pressures	2,500	1,500	1,500
Prudential Borrowing to fund new Capital Projects	0	1,000	2,000
<b>TOTAL PRESSURES</b>	<b>18,300</b>	<b>16,100</b>	<b>16,450</b>
<b>SUM REQUIRED TO BALANCE BUDGET</b>	<b>33,043</b>	<b>13,530</b>	<b>13,313</b>
<b>Savings Plans</b>	-29,105	-1,851	-918
<b>Savings to be Identified/agreed</b>	0	-19,856	-12,395
<b>Adjustment for use of Budget Support Reserve in previous year</b>	1,622	8,177	0
<b>Adjustment for Utilisation of Collection Fund Surplus in 2016/17</b>	2,617	0	0
<b>Utilisation of Budget Support Reserve</b>	-8,177	0	0
<b>TOTAL SAVINGS REQUIRED</b>	<b>-33,043</b>	<b>-13,530</b>	<b>-13,313</b>

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**Appendix 3:**

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**All Service Groupings 2017/18 MTFP Savings**

<b>Savings Reference</b>	<b>Saving</b>	<b>Amount</b>	<b>Saving Detail</b>
<b>ACE22</b>	ACE Service Review	£649,393	Restructure across ACE including management and support staff and reduction in non staffing budgets including supplies and services.
<b>ACE25</b>	Review of AAPs	£330,000	Reduce the Members Neighbourhood Budget by £2,600 per Member.
<b>ACE TOTAL</b>		<b>£979,393</b>	
<b>CAS01.03</b>	Review direct provision of remaining in-house services	£6,000,000	This is a full service review being undertaken to look at a range of options for the future delivery of those adult care services currently provided by County Durham Care and Support (CDCS).
<b>CAS02.01</b>	Eligibility criteria - consistent and effective use of existing criteria	£3,575,000	Continuation of effective use of eligibility criteria for adults.

<b>Savings Reference</b>	<b>Saving</b>	<b>Amount</b>	<b>Saving Detail</b>
<b>CAS03.01</b>	Increased charging income in respect of adult care provision	£333,000	This saving will require a policy change as we would no longer make an automatic allowance in the financial assessment for non-residential care services for service users in receipt of severe disability premium. This is currently £30.55 per week. Instead we would make an allowance based on the average allowance for disability related expenditure of other service users and offer an individual assessment if the service user felt this was not adequate. Only new service users are affected. Consultation for this saving commenced in April 2016.
<b>CAS05.01</b>	Planning and Service Strategy restructure - management and support efficiencies and reduction of posts	£1,140,045	Significant staffing and non-staffing reductions throughout the service covering planning, performance, IT systems development, policy, partnership support, quality assurance, training and development, marketing, business support.
<b>CAS05.05</b>	Integrated commissioning	£679,568	Savings will be made through a more integrated approach to commissioning, including a review of service level contracts and staffing and non-staffing costs.
<b>CAS05.10</b>	Review of transport provision	£250,000	The saving will reflect a change in the way transport is procured, as the number of people who attend building-based day care will reduce.
<b>CAS05.15</b>	Youth support	£750,000	A review of the council's youth service is being conducted and is expected to deliver a more targeted approach to youth support. This is in addition to the savings outlined for 2016/17 of £250,000. Consultation for this saving commenced in February 2016.
<b>CAS05.16</b>	Review of Education Services	£1,914,089	Review of staffing and non-staffing costs covering the following teams: progression and learning, school places and admissions, special educational needs & disabilities and support and development. Non-staffing savings include reductions in activity budgets, for example, the young people, school health and progression and learning activities budgets, pension liabilities and increasing income targets.

<b>Savings Reference</b>	<b>Saving</b>	<b>Amount</b>	<b>Saving Detail</b>
<b>CAS05.21</b>	Income generation and efficiencies (Children's Services)	£100,000	Savings and income to be achieved through efficiencies resulting collaborative working on a regional basis for adoption services with partner organisations.
<b>CAS05.22</b>	Transformational change in Children's Services	£963,914	Rationalising accommodation and making more use of mobile / flexible working, skill mixing within teams, reduction in senior management, cost and volume of services for children with a disability and efficiencies achieved through the Children's Social Care Innovation Project to integrate early help, assessment intervention, focusing on family support.
<b>CAS05.24</b>	Effective commissioning	£350,000	Review of the commissioning arrangements for standard and specialist Residential and Nursing Care.
<b>CAS06.01</b>	Review of non-assessed services	£1,500,000	There is a range of community-based prevention services which support individuals; this piece of work will review all commissioned services and the signposting and linkages into non-commissioned services. In previous years, savings have been achieved through a review of non-assessed services as follows: 2013/14 - £2,591,000, 2014/15 - £1,105,000 , 2016/17 - £3,816,996
<b>CAS09.04</b>	Children's care efficiencies: LAC Reduction Strategy	£1,340,000	Reduction in the cost of Looked After Children (LAC) through implementation of the LAC Reduction Strategy

<b>Savings Reference</b>	<b>Saving</b>	<b>Amount</b>	<b>Saving Detail</b>
<b>CAS10.0</b>	Review home to school / college transport policies	£295,000	Review of non-statutory home to school / college transport provision through the removal of automatic entitlement for: Year 10 / 11 exam movers (non statutory) Post 16 unable to travel independently because no public transport (non statutory) Post 16 unable to travel independently due to Special Educational Needs and Disability (non-statutory) This is the second year effect of the review.
<b>CAS11.0</b>	Use of cash limit reserve	£819,000	Cash limit reserves are being used in 2017/18 to defer savings until 2018/19.
<b>CAS TOTAL</b>		<b>£20,009,616</b>	
<b>NS03.80</b>	Review of Administrative Arrangements	£236,400	Review the administration arrangements in business support. This will be achieved by staffing reductions, reducing spare budgeted hours, centralisation of services and reducing the supplies and services budget.
<b>NS03.81</b>	Review of Fleet and Workshop	£130,000	Review of fleet workshop maintenance facilities and relocation of some garage services to Meadowfield.
<b>NS03.86</b>	Review of Building and Facilities Services	£359,000	Reduction in repairs and maintenance, building and cleaning budgets and increased catering income. Also the reduction in Neighbourhood Services managed buildings will result in savings in the business rates and utilities budgets.
<b>NS03.89</b>	Invest to Save Efficiencies	£359,000	A revenue budget was used to fund a number of projects in Direct Services and Street Lighting Energy Efficiency on an invest to save basis. As these projects are now complete the budget is no longer required.  Investment into improving Leisure Centres at Peterlee and Seaham, along with a re-tendering of the operating contract will enable a reduction in the current subsidy.



<b>Savings Reference</b>	<b>Saving</b>	<b>Amount</b>	<b>Saving Detail</b>
			Further savings will come from the outsourcing of cinema and catering at the Gala Theatre. In 17/18 this saving will be modest but grow thereafter.
<b>NS04.05</b>	Service efficiencies in Clean & Green and Neighbourhood Protection	£319,000	Proposals include a mini-restructure within Clean and Green and further review of grounds maintenance, minimising visible impact, an overachievement from the Clean and Green income budget and a reduction in safer communities initiatives budget which supports partnership working to resolve local community issues.
<b>NS06.05</b>	Review of Garden Waste Charges & Closed Landfill Site Operations	£315,000	Additional income will be generated through an increase in garden waste charging in 2017/18 from £20 to £25 per year along with a review of environmental monitoring budgets and contract payments around closed landfill sites giving improved contract rates and reduced leachate disposal volumes through improved management practices.
<b>NS11.20</b>	Street Lighting Energy Reduction Project	£400,000	Continuation of savings in energy and maintenance costs from the Street Lighting Energy Reduction Project.
<b>NS24.06</b>	Service Efficiencies in Libraries & Museums	£210,000	A review of staffing and changes to operational arrangements relating to Killhope Museum.  An additional proposal will produce savings from the supplies and services and buildings aspects of the library service. It would also have a staffing element where vacancies arise and staffing hours could be reduced without impact on opening hours.
<b>NS32.01</b>	Review of Customer Access Points/Contact Centres	£150,000	Reduce resources within both the customer access point (CAP) and the contact centre environments. No reduction in CAP opening hours or impact on appointments is anticipated and the impact on telephony performance standards will be manageable.

<b>Savings Reference</b>	<b>Saving</b>	<b>Amount</b>	<b>Saving Detail</b>
<b>NS33.03</b>	Review of Environmental Health and Consumer Protection	£140,000	Reductions in premises, supplies and services budget.
<b>NS TOTAL</b>		<b>£2,618,400</b>	
<b>RED01</b>	Staffing Reductions in RED	£1,800,000	The RED Service grouping will undertake a review of all service areas with reductions in core staffing costs as follows: *Review of Policy and Project Management *Reduction sustainability, climate change and landscape design costs *A review of area based regeneration services *Review of business support functions with a view to ensuring they are self-financing *A proportionate reduction in staffing across all other areas of the Service Group
<b>RED14</b>	Review of Supplies and Services across RED	£482,202	Review of income and potential commercialisation of services as well as a proportionate reduction in supplies across the RED service grouping.
<b>RED TOTAL</b>		<b>£2,282,202</b>	
<b>RES07</b>	Human Resourcing Staffing Rationalisation	£648,422	A fundamental service review that will result in HR services being delivered in a significantly different way – options include: * Staffing Restructures * Relevant technology platforms and online developments to support managers, rather than face to face provision/support * Risk assessment/prioritisation of provision of all HR services

<b>Savings Reference</b>	<b>Saving</b>	<b>Amount</b>	<b>Saving Detail</b>
<b>RES13</b>	Restructure of Legal & Democratic Services	£565,774	A fundamental restructure of Legal & Democratic Services which will need to consider how work demands and statutory duties will be met.
<b>RES16</b>	ICT - Review of Service Delivery	£698,342	Reviewing and restructuring the technology and maintenance contracts within ICT to reduce the ongoing revenue costs whilst still providing the same or a better level of service. Combining functions to reduce the management structure in addition to fundamentally changing the way the service is structured to ensure that it can operate in a flexible way for future service delivery to customers.
<b>RES19</b>	Financial Services – Review /Restructuring Revenues and Benefits	£1,138,708	Review / Restructuring of Revenues and Benefits (focusing on management savings), Housing Benefit processing efficiencies, e-enablement of service provision and review of Advice Service Provision.
<b>RES21</b>	Internal Audit and Risk Staffing rationalisation	£164,615	Restructure of Internal Audit and Risk function.
<b>RES TOTAL</b>		<b>£3,215,861</b>	